ANNUAL REPORT 2010

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Mission Statement

4.5 million tons of raw materials

125 locations

1,774 employees

EUR 45.68 million in pre-tax earnings

As an environmental services provider and raw materials trader, the Interseroh Group collects and transports empty packaging, used products and scrap metal domestically and abroad, treats them and markets them worldwide. We assure the procurement of valuable secondary resources to industry for production purposes. In 2010 this amounted to circa 4.5 million tons.

Our philosophy for the past 20 years has been to complete the cycle.

Key Group Indicators

Group

		2010	2009	2008	2007	2006	2005
Consolidated sales revenues	in EUR million						
• Steel and Metals Recycling		1,383.9	832.5	1,560.2	1,219.1	898.7	698.2
• Services		419.5	287.8	285.7	330.5	191.6	248.7
• Raw Materials Trading		136.5	146.3	220	198.9	148.5	
		1,939.9	**1,266.6**	**2,065.9**	**1,748.5**	**1,238.8**	**946.9**
Earnings before taxes	in EUR million	45.7	3.8	5.9	55.4	41.1	29.9
Consolidated earnings	in EUR million	34.1	0.9	-6.3	35.4	25.9	19.0
Total assets	in EUR million	656.5	659.5	729.4	658.0	446.0	317.7
Equity ratio[1]	**in %**	30.0	24.1	22.2	26.7	30.3	37.3
Return on equity[2]	**in%**	17.4	0.6	-3.9	20.2	19.1	16.0
Return on capital employed[3]	**in%**	9.5	3.4	4.4	9.8	9.7	10.1
Number of employees (average)		1,774	1,836	1,864	1,606	1,380	1,301
Number of shares		**9,840,000**	9,840,000	9,840,000	9,840,000	9,840,000	9,840,000
Dividend per share in euro		0.25*	0.11	0.14	0.86 +0.14 bonus	0.11	0.86

[1] Shareholders' equity according to balance sheet x 100/total assets
[2] Earnings after taxes according to income statement x100/Shareholders' equity on balance sheet
[3] Earnings before taxes, interest and shares in associated companies according to income statement x 100 / total assets

* provided approval is received from the General Shareholders' Meeting on May 17, 2011

THE BOARD OF DIRECTORS

Dr. Axel Schweitzer

has been Chairman of INTERSEROH SE's Board of Directors since August, 2008, and, furthermore, heads up the Finance Division. He has been responsible for the services and raw materials trading segments in addition since January 1, 2011. After studying industrial engineering, Schweitzer worked in Switzerland during the years that he was pursuing his doctorate before becoming a member of the ALBA AG Board of Directors. Schweitzer has been Chairman of the Interseroh Supervisory Board since 2005 and is a co-owner of the international recycling firm ALBA.

Joachim Wagner

has been responsible since August 1, 2010, for the steel and metals recycling segment. Wagner is the director of Wagner Rohstoffe GmbH and Chairman of the Management of INTERSEROH Scrap and Metals Holding GmbH since August 1, 2009. Prior to his move to the Interseroh Group, he transformed his parents' company Wagner Rohstoffe GmbH from a one-man operation to a key market participant in the Rhine-Main area.

CONTENT

THE BOARD IN DISCUSSION

Shareholders are to decide on a control and profit transfer agreement between ALBA Group plc & Co. KG and INTERSEROH SE at the General Shareholders' Meeting in May of 2011. What will this step do for Interseroh?

Axel Schweitzer: The coordinated presence of Interseroh and Alba in the market since the beginning of 2009 under the common umbrella brand of the ALBA Group has without a doubt resulted in advantages to the Interseroh Group vis-à-vis competitors due to the complementary service portfolio of the two groups. Once the control and profit transfer agreement has been concluded, Interseroh will be able to present itself together with ALBA as one group of companies, in fact, as one of the world's ten largest providers in the field of environmental and recycling services. Internally it will allow us to consolidate in a way that we think offers the best organisation for the Group as a whole. Further intensification of the existing cooperation between Interseroh and ALBA would come up against legal limits, so entering into a control and profit transfer agreement is a mandatory legal prerequisite in order to continue to develop the group of companies.

What specific advantages will result from integration?

Axel Schweitzer: As a result of the control and profit transfer agreement concluded between Interseroh and ALBA, both groups will gain flexibility in terms of formulating agreements with one another and can present themselves externally as a single unit in all business areas. For instance, after conclusion of the agreement, it will be possible to offer our customers the entire product range of the ALBA Group from a single source. By merging ALBA and Interseroh, we will become the only vertically structured group of companies in Germany that plays a leading role in the licensing market, the waste disposal market and the supply to industry of secondary resources.

Interseroh was able to raise its pre-tax earnings considerably in the past fiscal year, from EUR 3.81 million to EUR 45.68 million. What were the reasons for this?

Axel Schweitzer: Earnings do show that the economic crisis has been surmounted. With EBT of over EUR 45 million in 2010 we are once again moving in the direction of the 2007 level – until now the most successful year in Interseroh history. This proves that we have taken the right path. The optimisation of structures in 2009 proved to form a good basis for participating significantly in the forecast growth in the recycling industry and rising demand for secondary resources.

We steadfastly continued with our earnings assurance programme, optimised our portfolio with respect to yields and significantly raised our export share. We place great value on qualitative growth, always according to the principle of margin before quantity. Furthermore, we have had a successful start in our innovative business fields in which we follow a zero-waste approach. All of this, however, has only been possible because the great majority of our employees showed a far greater degree of commitment to this Company than is the norm.

Which segment of Interseroh demonstrated the best performance in 2010 and why?

Axel Schweitzer: It is certainly the steel and metals recycling segment that has caught up the most.
Under the leadership of Joachim Wagner and his team, the segment has not only overcome the economic crisis, but geared itself in such a way that we will be able to react flexibly to changing markets at any time in the future. Thanks to our deep-water terminal in Dordrecht, we are now in a position to supply any quantity or quality of scrap to just about all countries in the world – thus allowing us to exploit the arbitrage between the markets perfectly. At the same time, we have optimised our portfolio and have commenced trading in alloyed scrap. In the services segment, we have successfully increased the number of customers, and expand our innovative business segments further. In the area of pooling, we have taken into operations the second washing system for plastic crates from the food retail industry. While this sounds rather unspectacular, the establishment of this new business segment was an important step for us. For the first time, avoidance of waste is in the forefront. We manage the boxes for the presentation of goods from the farm to the store and back to the producer in a logical cycle. The

philosophy of closing the loop also influenced the development of a new plastic granulate that can replace primary plastics 100 percent.

Price increases in raw materials or more intense quantity growth – which influencing factors play the most important role in raising sales revenues?

Axel Schweitzer: Sales are not a key indicator for us. As dealers in large quantities of raw materials our sales can fluctuate in line with rising or falling raw materials prices without impacting our earnings. The key management parameter for all companies in the Interseroh Group, therefore, is the total return on capital employed.

And your customer markets? Which were the most important regions for Interseroh in 2010?

Axel Schweitzer: While in the services segment the focus of our activities lies in Germany and will be broadened to Central, Eastern and Southern Europe in the upcoming years, global demand determines our trade flows in the steel and metals recycling segment, as well as in raw materials trading. Percentage-wise, export to non-EU countries has grown in the past few years.

Reflecting on critical moments in 2010, what was the greatest challenge in the fiscal year?

Axel Schweitzer: It remains a challenge to respond to markets that are constantly changing. Just one example: At the end of 2009 we were struggling with very low demand for recovered paper and correspondingly low prices in the field of paper. At the beginning of 2010 the situation turned around abruptly: The harsh winter meant that demand exceeded available supply. The associated increase in price exceeded even the record levels of summer 2008.

The industry has battled with steep price leaps on the whole. Will the markets continue to be so volatile?

Axel Schweitzer: I anticipate rising raw materials prices in the medium to long term. In the short term, however, investors can presumably expect significant 'kangaroo jumps' in prices. The Euro crisis is not yet over and unrest in the North African and Arab countries can be felt in the global raw materials markets. Volatility of raw materials prices, moreover, does not depend just on availability, but on speculation on the commodity exchanges.

Are you anticipating continued high demand for secondary resources?

Axel Schweitzer: The natural presence of raw materials on our globe continues to dwindle. Economic growth, precisely in the emerging markets, creates ever higher demand, however. Secondary resources are continuing to gain in importance due to the finite nature of natural resources. According to a study by Roland Berger commissioned by the Federal Environment Ministry, the entire environmental industry, to which the recycling sector belongs, will become the most important industry branch in Germany in the coming ten years and is expected even to be a third larger than the German automotive industry, as measured in market volume. Interseroh is outstandingly positioned to participate in this growth under the umbrella of the ALBA Group.

Which trends can be identified?

According to our experience, more and more countries are recognising the significance of recycling as a source for raw materials. Not just the example of the Rare Earth Elements and export restrictions by China show: Access to raw materials is not simply a question of price, but also of availability. One trend in the upcoming years, therefore, will be to develop ideas in order to assure industry access to raw materials. Our guiding philosophy in this case, too, is to close the loop. Specifically: Today, for instance, automotive companies sell metal waste from their production, but must at the same time purchase new metal.

Our approach in this case is to take over the treatment of materials and logistics as a service provider - the raw materials themselves will remain property of the customer.

The Interseroh Dual System in particular was under discussion again and again in 2010. Do you expect stabilisation in licence volumes in 2011?

Axel Schweitzer: I am anticipating stabilisation of the market. We expect systems operators doing their business in a sustainable manner to assert themselves. As the second largest dual system in Germany, Interseroh sees itself as a pioneer for the establishment of uniform and legally sound standards. We have achieved recognisable success in this area. For instance, six of nine dual systems have signed the certificate of the National Association of the German Waste Disposal, Water Management and Raw Materials Sectors for the 'assurance of household packaging waste disposal organised by the private sector'. This will provide manufacturers and distributors of sales packaging with considerably more legal assurance in future. The signatories agree to have a joint auditor permanently review correct compliance with the Packaging Ordinance in the future. This is a milestone to ensure clarity and transparency in the Yellow Bin take-back system and to continue to develop the dual system organised by the private sector ecologically and economically. From the point of view of the economy, we perceive considerable willingness to implement the ordinance properly at any rate, provided it is clear that all obligated parties are required to comply with the rules in the same way. Honesty should not be penalised.

Taking all factors together: What is your forecast for the course of business in 2011?

If the global economy continues to thrive, we anticipate an even better result for 2011 than this year.

Provided the shareholders agree to the control and profit transfer agreement at the General Shareholders' Meeting - what will your strategy be for the next few years?

Axel Schweitzer: Together with ALBA , we are an integrated group and the only full-range supplier in the position of being able to offer our customers everything from a single source - from conceptualisation to waste prevention, take-back and pool systems, through collection and recycling of waste and scrap to international trade in secondary resources.

And finally a personal question: What is your most important goal for 2011?

Axel Schweitzer: Even if this does not sound particularly ambitious: My goal is to continue to solidify the position of both groups of companies as one of the ten largest global providers with a unique portfolio in the area of recycling and environmental services, as well as raw materials trading, by close networking. This is quite a demanding goal given growing markets and extremely tough competition. Personally I would be happy if by the end of the year the recognition that the whole is more than a sum of its parts has completely taken root in all companies of our far-ranging group of companies.

REPORT OF THE SUPERVISORY BOARD FOR 2010

Dear Shareholders,

This past financial year, 2010, we have, on a regular basis and with due care, monitored the activities of the Board of Directors in accordance with the law and the Company's statutes and have supervised the Company's strategic development as well as key individual measures in an advisory capacity.

In the 2010 year the Supervisory Board met in a total of four ordinary meetings to discuss the Company's economic situation, divisions, the ongoing strategic and personnel alignment of the Company, relevant plans and the risk situation. Various individual subjects were discussed with the Board of Directors. The advice of the Supervisory Board was based on regular written and oral reports from the Board of Directors which the latter provided in good time and in adequate depth, especially with regard to business policy and corporate planning, the Group's situation, including its ongoing strategic development and its locations, as well as the profitability and progress of the business. Furthermore, the Supervisory Board passed nine round robin resolutions and held one conference call. In addition, the Chairman of the Supervisory Board was in constant contact with the Board of Directors and was informed about all the key developments and outstanding decisions. Important decisions were presented to the Supervisory Board for agreement which was then also given after checks and assessments were made. Based on the reports provided by the Board of Directors the Supervisory Board monitored, and provided advice on, the Board of Directors' management activities in line with the tasks assigned to the latter by law and by INTERSEROH SE's statutes. This function of monitoring management exercised by the Supervisory Board focused in particular on issues of legality, propriety, expedience and profitability. On the one hand the Supervisory Board monitored the activities already undertaken by the Board of Directors. On the other, the Supervisory Board intensively discussed future-oriented business decisions and forecast scenarios with the Board of Directors based on its reports and review and consideration of the relevant specific business documents and submissions.

Main focus points

The Board of Directors' reports were discussed in detail in the ordinary meetings. Important individual measures and strategic issues were discussed with the Board of Directors.

In addition to the function of monitoring the Company's management, consultation on, and discussion of, the strategic orientation of the Interseroh Group were in the forefront. Areas of emphasis also included a number of merger and acquisition projects (sale of INTERSEROH France S.A.S., sale of the Horn

Group, sale of RuP Rohstoffhandelsgesellschaft mbH and acquisition of the Teltow and Luckenwalde locations, sale of shares in RSH Sweden AB, acquisition of the remaining shares in Europe Metals B.V., acquisition of the remaining 51 percent of interests in fm Beteiligungsgesellschaft mbH), the Group’s long-term financing and the appointment of Mr. Joachim Wagner as a member of the Board of Directors with responsibility for the steel and metals recycling segment. Another topic covered in the conference call held as an extraordinary meeting of the Supervisory Board was the intention communicated to the Company’s Board of Directors of the majority shareholder ALBA Group plc & Co. KG (previously: Isabell Finance Vermögensverwaltungs GmbH & Co. KG) to enter into a control and profit transfer agreement with INTERSEROH SE.

The Supervisory Board also conducted a self-assessment of its activities as part of these sessions.

Committees

To comply with the recommendations of the Corporate Governance Code the Supervisory Board established four committees that mainly undertake advisory or preparatory functions for the resolutions in the Supervisory Board’s plenum sessions.

The **Presiding Committee** consists of the Chairman of the Supervisory Board and his two deputies, Mr. Friedrich Carl Janssen and Mr. Peter Zühlsdorff. In five ordinary sessions and one extraordinary session that took place as a conference call, the committee dealt in particular with the Interseroh Group’s earnings situation, the status of license quantity developments, the efficiency review of the Supervisory Board, personnel questions, planned acquisitions and preparations for the General Shareholders’ Meeting. The special topic of the extraordinary session held as a conference call on December 14, 2010, as a result of the communication from Isabell Finance Vermögensverwaltungs GmbH & Co. KG was the possible conclusion of a control and profit transfer agreement. The committee’s recommendation to the Supervisory Board was to pass an appropriate supporting resolution and to agree to the joint commissioning of an expert, specifically PwC, to determine the company's intrinsic value. Furthermore, the mid-year review by KPMG on the at-arm's-length guideline was reported on. Pursuant to this guideline all cooperation with companies in the ALBA group of companies should meet the arm’s length principle. The Presiding Committee also prepared the Supervisory Board meetings with the relevant agenda items.

The **Nominating Committee** did not meet in fiscal 2010, since no elections of Supervisory Board members were required during this period.

The **Audit Committee** is comprised of three members. It met four times in fiscal 2010, once in a conference call. Its activities revolved around issues in connection with the annual financial statements, the determination of areas of focus for the audit, internal audit planning, testing the arm’s-length principle, implementation of the new treasury systems software and risk management. In addition, the members of the Audit Committee were regularly informed by the Board of Directors about ongoing business developments.

The **Personnel Committee**, also consisting of three members, discussed remuneration and other personnel matters relating to the Board of Directors and submitted relevant proposals to the Supervisory Board in its plenary session. Topics of the Personnel Committee were handled during sessions of the Presiding Committee, since the same members sit on both committees.

Corporate Governance and Declaration of Compliance

During the year under review the Supervisory Board discussed Corporate Governance. Reference is made to the Corporate Governance Report concerning details of corporate governance at INTERSEROH SE.

During its session on December 8, 2010, the Supervisory Board adopted the joint Board of Directors and Supervisory Board declaration of compliance with the German Corporate Governance Code for 2010. This declaration has been posted on the Company's website. It was updated in March of 2011 and also posted on the Company's website.

In line with the principles of good corporate governance, Dr. Axel Schweitzer and Dr. Eric Schweitzer did not take part in any of the consultations and resolutions of the Supervisory Board or its committees affecting the relationships between Interseroh Group companies on the one hand and companies in which Dr. Axel Schweitzer and Dr. Eric Schweitzer hold a direct or indirect interest on the other. Dr. Axel Schweitzer and Dr. Eric Schweitzer have not taken part in the consultations and resolutions of the Supervisory Board or its committees for the reasons indicated above in a total of seven instances in the period under review until the present time.

Individual and Consolidated Financial Statements, External Audit

The external audit firm of KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, appointed by the General Shareholders' Meeting, has audited INTERSEROH SE's 2010 financial statements in accordance with the principles of International Financial Reporting Standards (IFRS) as they are to be applied in the European Union and in accordance with the additional regulations that apply under commercial law in accordance with section 315a of the German Commercial Code, including its management reports and book-keeping and in each case provided an unqualified audit opinion.

According to the findings of KPMG the annual financial statements convey a true and fair view of INTERSEROH SE's net assets, financial position and results of operations. The consolidated financial statements accurately reflect the Group's net assets, financial position and results of operations, in accordance with International Financial Reporting Standards.

In addition, the auditors have audited a report by the Board of Directors for the 2010 fiscal year on relations with associated companies pursuant to Section 312 of the German Companies Act (hereafter referred to as "report of dependence"). The subject of this report are all legal transactions and measures undertaken by INTERSEROH SE and companies in the Interseroh Group pursuant to Section 312 of the German Companies Act on the one hand and

(i) Dr. Axel Schweitzer and Dr. Eric Schweitzer personally,

(ii) Companies associated with Dr. Axel Schweitzer and/or Dr. Eric Schweitzer, as well as

(iii) Companies in which Dr. Axel Schweitzer and Dr. Eric Schweitzer jointly hold the majority of voting rights and companies associated with them (in particular also ALBA AG and companies of the ALBA group of companies)

are subject to reporting in the period from January 1, 2010, to December 31, 2010.

The auditors' audit was carried out after notification of and in compliance with the provisions of the German Companies Act on auditing a report on dependency and Statement 3/1991 off the Main Committee of the Institute of Chartered Accountants in Germany (Hauptfachausschuss des Instituts der Wirtschaftsprüfer in Deutschland e.V.) "On preparing and auditing the report on relationships with affiliated companies (report on dependency pursuant to Section 312 of the German Companies Act)".

As a result of the audit of the report on dependency, the annual financial statements and the management report to December 31, 2010, and the knowledge gained from this, the auditors are of the opinion that the report on dependency contains the information laid down in Section 312, paragraph 1, of the German Companies Act and that the report represents conscientious and true reporting. The auditors did not raise any objections and the unqualified audit opinion laid down in Section 313 Para. 3 of the German Companies Act was issued as shown below:

"Having duly examined and assessed this report in accordance with professional standards, we confirm that:

1. the report is free from factual misrepresentations; and

2. the company did not pay any excessive consideration with regard to the transactions identified in the report."

The Audit Committee and the Supervisory Board discussed the financial statement documentation and audit reports, as well as the report on dependency, in detail in its sessions on March 16 and 28, 2011. The auditor participated in these meetings, reported on the key findings of his audit and was available for additional questions and information. After reviewing and discussing the annual financial statements, the consolidated financial statements and the management reports, the Supervisory Board agreed with the findings of the audit. No objections are to be raised after the final examination by the Supervisory Board. In accordance with the recommendations of its Audit Committee, the Supervisory Board endorsed the annual financial statements and consolidated financial statements prepared by the Board of Directors. The financial statements are thereby ratified. The proposal for the appropriation of profits submitted by the Board of Directors was agreed to by the Supervisory Board after its review that took into account the current economic and financial situation.

The Supervisory Board also examined the report on dependency in its March 28, 2011, session, critically assessing the auditor's accompanying audit report in the process. The auditor reported on the key findings of his audit in this respect in the March 28, 2011, session as well. The Supervisory Board has acknowledged and approved the report of the external auditor. After the final examination by the Supervisory Board there is no reason to raise objections to the declaration by the Board of Directors at the end of the report on dependency.

Risk Management

KPMG also reviewed the structure and function of the risk management system as part of its audit and found no reason to raise objections. It is also the opinion of the Supervisory Board that the risk management system meets the statutory requirements.

Changes in the Supervisory Board and the Board of Directors

The members of the Supervisory Board and its committees remained unchanged in fiscal 2010.

Effective August 1, 2010, Mr. Joachim Wagner was appointed as member of the Board of Directors of INTERSEROH SE. Mr. Wagner is responsible for the steel and metals recycling segment.

Mr. Roland Stroese, responsible for the services and raw materials trading segments resigned from the Board of Directors effective December 13, 2010, under an amicable arrangement with the Supervisory Board. The Supervisory Board transferred responsibility for the services and raw materials trading segments to the Chairman of the Board, Dr. Axel Schweitzer. The Supervisory Board wishes to thank Mr. Stroese for his valuable contribution to the Interseroh Group.

The Supervisory Board wishes to thank the Board of Directors, as well as the employees of the Interseroh Group, for their work during the 2010 financial year.

Cologne, March 2011

Supervisory Board
Dr. Eric Schweitzer
Chairman

TO OUR SHAREHOLDERS

The Share

Prices of the DAX and the Interseroh share developed in opposite directions in the past fiscal year, 2010. The INTERSEROH SE share continuously lost value from the beginning of the year. Despite the Group's positive developments, the selling interest present in the market could not offset due to the absence of buying sentiment. Interest in buying rose at the time it was announced that a control and profit transfer agreement was to be entered into between Isabell Finance Vermögensverwaltungs GmbH & Co. KG, the ALBA Group plc & Co. KG since January 1, 2011, and INTERSEROH SE made on December 10, 2010. The share closed on December 10, 2010, with a price rise of c. 20 percent. The announcement about the in principle consent of INTERSEROH SE's Board of Directors and Supervisory Board to the control and profit transfer agreement on December 15, 2010, also had a positive effect on the share price until the end of the period under review.

Communication with the financial markets by means of road shows and individual discussions on the part of the Board of Directors and Investor Relations staff was ongoing throughout the year under review.

The ordinary General Shareholders' Meeting on June 29, 2010, voted to accept all agenda items with a large majority.

Share information

Security type: Domestic share, bearer share
Quoted: Regulated markets in Frankfurt, Dusseldorf and in XETRA trading; regulated unofficial markets in Stuttgart, Munich, Hamburg and Berlin-Bremen
End of fiscal year: 31.12.
Shareholders subject to reporting requirements: ALBA Group plc & Co. KG, Berlin, (Isabell Finance Vermögensverwaltungs GmbH & Co. KG, Berlin, until December 31, 2010) (75.003 percent)
According to the content of voting rights announcements pursuant to Section 21, paragraph 1, of the German Securities Trading Act, voting rights of the ALBA Group plc & Co. KG, Berlin, are to be attributed to Dr. Axel Schweitzer and Dr. Eric Schweitzer in accordance with Section 22, paragraph 1, clause 1, no. 1 of the German Securities Trading Act via Isabell Finance Beteiligungs GmbH, Berlin (in future: ALBA Finance plc & Co. KGaA), ALBA Finance Holding plc, ALBA Group Europe plc, Alpsee Ltd. and Eibsee Ltd., each with statutory headquarters in London, UK, and administrative headquarters in Berlin.
Float: (24.997 percent)
Arithmetic par value: EUR 2.60
Shares: 9.84 million
Ticker symbol: ITS
Bloomberg code: ITS.GR
Reuters code: INSG.de
ISIN: DE0006209901
German securities identification number: 620990

Proposal for appropriation of net income for INTERSEROH SE

The Board of Directors and Supervisory Board propose appropriating a partial amount of EUR 2,460,000 from the INTERSEROH SE net income reflected in the annual financial statements of fiscal 2010 of EUR 2,814,298.07 for payment of a dividend of EUR 0.25 per common share and transferring the remainder of net income of EUR 354,298.07 to retained earnings.

Corporate Governance Report

Declaration of Compliance

Interseroh has observed the German Corporate Governance Code (DCGK) since its introduction in 2002. The Board of Directors and Supervisory Board identify with the recommendations and suggestions of the code. Instances in which the Group has deviated from the recommendations of the DCGK in isolated cases are stated in the declarations of compliance by the Board of Directors and Supervisory Board of INTERSEROH SE. These declarations can be found on the Internet under: http://www.interseroh.com, Corporate, Investor Relations, Corporate Governance, Entsprechenserklärungen.

Since the submission of their most recent declaration of compliance in December of 2009, Interseroh has complied with all recommendations of the Government Commission on the German Corporate Governance Code in the version dated June 18, 2009, and since its publication on July 2, 2010, the recommendations of the DCGK in the version dated May 26, 2010, with only a few exceptions. On July 1, 2010, Interseroh introduced a deductible for D&O insurance of directors in accordance with the announcement in 2009 regarding the exception under item 3.8.

Exception from item 2.3.2

The General Shareholders' Meeting will not be convened with accompanying documentation electronically.

At INTERSEROH SE's ordinary general shareholders' meeting on June 29, 2010, 7,544,098 of the total number of issued shares of 9,840,000 were represented. This corresponds to 76.67 percent of capital stock. Due to the large presence of capital stock represented, one can assume that the traditional use of mail services to send the invitation is sufficient and that additional transmission by email does not constitute a particular benefit to shareholders.

Exception from item 4.2.3

The variable components of the remuneration of the members of the Board of Directors are based only in part on a multi-year assessment basis.

To date the employment contracts of the members of INTERSEROH SE's Board of Directors have not taken into account a possible negative development of the company or a multi-year assessment basis in terms of the variable components of remuneration. The relevant recommendation was included in the DCGK in the version dated June 18, 2009. The employment contracts of Board of Director members already in existence in 2009 could not take into account this recommendation. The contract entered into in 2010 provides for a multi-year assessment basis.

Exception from item 5.1.2

Due to the conviction that long-term corporate planning is financially beneficial to the Company, INTERSEROH SE's statutes allow for appointment of members of the Board of Directors for a period of six years. No age limit has been specified for members of the Board of Directors. The selection of new members takes place based on qualifications; there is no intention to institute a quota for women. At the same time an explicit point in our corporate philosophy is to treat men and women equally. This is reflected in the high proportion of women in leadership positions in Interseroh companies.

Exception from item 5.4.1

Since the Supervisory Board is not permitted to specify the election of Supervisory Board members by the shareholders, it is using goals for nominations as reflected in the DCGK; these are reported on in the course of a nomination.

The rules of procedure were adapted to the professional qualifications and diversity of the members of the Supervisory Board in accordance with the increased requirements of the DCGK. At the same time the Supervisory Board makes clear that no suggestions will be given or omitted, because a candidate does or does not possess a specific diversity quality.

With respect to the continued education of Supervisory Board members, INTERSEROH SE's Supervisory Board has decided to integrate the specifications of the DCGK directly into its rules of procedure, in order to ensure that Supervisory Board members are qualified for the long term with the support of the Company. In order to assure these skills and this experience for the long term as well and in order to reflect demographic changes, the maximum age of Supervisory Board members has been raised to 75 years.

Exception from item 5.4.2

Dr. Eric Schweitzer, Chairman of the Supervisory Board, also acts as a member of the Board of Directors of ALBA AG, Berlin/ALBA Group Europe plc, London. In composing the Supervisory Board, professional consultancy services and monitoring of management are major factors. Supervisory Board members can be suitable for these functions, even if they do not meet the independence criteria as set forth in item 5.4.2 of the German Corporate Governance Code.

Exception from item 5.4.6

Members of the Supervisory Board are paid for their monitoring and consulting activities. The statutes provide only for fixed remuneration for the Supervisory Board. There are no plans to introduce variable remuneration, since it is the Company's belief that such remuneration does not significantly improve the incentive to monitor the Board of Directors.

Corporate Governance Practices

Good corporate governance, as understood by INTERSEROH SE's Board of Directors and Supervisory Board, includes all principles for responsible, transparent and value-oriented corporate management. The objective of good corporate governance is to send a message of reliability, to secure the confidence of shareholders, business partners, staff and the general public and to influence the intrinsic value of the company positively over the long term.

The aims of maintaining good corporate governance, to which the Supervisory Board and Board of Directors of INTERSEROH SE are committed, are consistently followed by the boards. They are codified to a large part in applicable laws, the Company's statutes and rules of procedure, as well as the internal guidelines and mission statement of the Interseroh Group (at: http://www.interseroh.com, Corporate, Company, Mission Statement). The documents required for employees are available in the Intranet at any time.

Interseroh undertook additional activities in 2010 with a view to strengthening the awareness of employees in terms of how to behave as entrepreneurs in competition. The appropriate training measures were undertaken with this in view; it is planned to continue these activities throughout the Group in 2011.

Furthermore, a proper level of risk management is an integral component of good corporate governance for Interseroh. The company-wide risk management system, consisting of the identification, analysis, control and monitoring of risk, was thoroughly revised in the year under review, in addition to being continuously developed (refer to D.5, Risk Management System and the Internal Control System and E.1. Report of Risks and Opportunities). Interseroh assures a level of risk management via this system that continues to be commensurate with strong growth.

Total Return on Capital Employed as Management Instrument

The Board of Directors of INTERSEROH SE stipulates the strategy for subsidiaries of the Interseroh Group and manages their business within the context of existing legal possibilities. The management system aims at a reasonable return on capital employed.

To meet this goal, the main management parameter for subsidiary companies is the total return on capital employed. This is defined in the Group as the ratio of EBIT to total capital. In addition to this, the discounted cash flow method is used to value investments, both in financial and fixed assets. Future payment surpluses are discounted using weighted capital costs on the valuation date. Together with a required minimum return and a minimum amortisation period, the cash values achieved by every single investment should secure and increase the Group's total return on capital employed.

Due to the high share of trading business and the volatility of raw materials prices, the return on sales figure often used by other groups is not a meaningful parameter for the Interseroh Group as a total entity.

Transparency

The Board of Directors informs shareholders, analysts and the general public regarding business developments, as well as the Interseroh Group's net assets, financial position and results of operations, four times a year. The dates can be found on the financial calendar on the Internet.

INTERSEROH SE provides information to the capital markets as a listed company in accordance with all statutory requirements and is also represented on the German Stock Exchange. All information of relevance to capital markets is published on Interseroh's website in an Annual Document in accordance with section 10 of the German Securities Prospectus Act.

Shares in the Company and related financial instruments owned by members of the Management and Supervisory Boards are listed in the Notes. On January 22, 2009, Dr. Axel Schweitzer and Dr. Eric Schweitzer communicated that they are to be allocated 75.003 percent of the shares and thereby voting rights for 7,380,329 shares under Section 22, paragraph 1, clause 1, no. 1 of the Securities Trading Act, which are held directly by Isabell Finance Vermögensverwaltungs GmbH & Co. KG. The renaming of Isabell Finance Vermögensverwaltungs GmbH & Co. KG as ALBA Group plc & Co. KG was resolved effective January 1, 2011. On January 6, 2011, Messrs. Dr. Axel Schweitzer and Dr. Eric Schweitzer communicated that on January 1, 2011, the day the company was renamed, their voting rights share in ALBA Group plc & Co. KG, Berlin, exceeded the 75 percent threshold and on this day amounted to 75.003 percent (7,380,329 voting rights).

Description of the Working Method of the Board of Directors and Supervisory Boards

The Board of Directors and Supervisory Board work together closely on an ongoing basis for the well-being of Interseroh.

Board of Directors and Management Committee

Interseroh’s Board of Directors in fiscal 2010 consisted initially of two, then later of three, members. In 2011 the Board of Directors will comprise two members. It is the management body of the Company. The Board of Directors is bound only to the Company’s interests and its goal is the sustained development in shareholder value. The Board of Directors has adopted rules of procedure with the consent of the Supervisory Board. The members of the Board of Directors cooperate as colleagues and inform one another on an ongoing basis on important measures and events in their business segments. The Board of Directors is required to inform the Supervisory Board on the course of business and the Company’s situation in writing at regular intervals, but at least on a quarterly basis. Furthermore, the Board of Directors is required to inform the Chairman of the Supervisory Board regularly and in timely fashion on issues of planning, business development, the risk situation, risk management and compliance, including as they relate to associated companies, both orally and, if the Chairman wishes, in writing. The Chairman of the Board is responsible for coordinating the work of the Board of Directors. In order to conduct certain legal transactions, the Board of Directors requires the consent of the Supervisory Board. These conditional transactions are addressed in the Company’s statutes and the Board of Director’s rules of procedure. They include the acquisition of investments, property and fixed assets, as well as employment contracts above a certain level, decisions regarding new branches of business, assigning and rescinding powers of attorney for INTERSEROH SE, pension commitments and bond issues.

The Management Committee consists of the Board of Directors and the Company’s fully authorised representative, as well as any other members appointed by the Board of Directors. The Management Committee, numbering six members, implements the corporate goals, strategic direction and company policy set out by the Board of Directors, within the segments. It is responsible for managing operational business throughout the divisions and departments. The joint responsibility of the members of the Board of Directors for overall management remains unaffected by the institution of the Committee.

Members of the Supervisory Board, Board of Directors and Management Committee shall disclose any conflicts of interest immediately to the Supervisory Board. Significant transactions between the Company and members of the Board of Directors or related parties are submitted to the Chief Compliance Officer for comment. The latter provides a recommendation for action taking into account relevant statutory and internal regulations. To the extent that such conflicts of interest existed in fiscal 2010, the respective members of the boards refrained from voting and submitted the matters concerned for comment as indicated.

Supervisory Board

The plenary Supervisory Board consists of six members. The Supervisory Board, the Presiding Committee and the committees of the Supervisory Board – Personnel Committee, Nominating Committee and Audit Committee, each with three members – convene in turn and as necessary in accordance with the rules of procedure of the Supervisory Board. The membership of the Presiding Committee is identical to the membership of the Personnel Committee. The Presiding Committee's task is to deal with issues that may require immediate measures on the part of the Board of Directors, with approval of the full Supervisory Board to take place at a later stage. The Audit Committee’s special task is to prepare negotiations and resolutions for the Supervisory Board regarding questions on accounting, risk management, the requisite independence of the auditor, the award of the audit assignment to the auditor, the determination of the audit focus and the fee agreement with the auditor. Furthermore, the Audit Committee deals with transactions of special significance. The Audit Committee is chaired by neither the Chairman of the Supervisory Board nor a former member of the Board of Directors of the Company. The Supervisory Board forms a Nominating Committee, which recommends suitable candidates to the Supervisory Board to in turn be recommended for appointment at the general shareholders' meeting. The Nominating Committee members are identical to those of the Chairman’s Committee. The Personnel Committee prepares personnel decisions and the decision of the plenary Supervisory Board regarding remuneration of Board of Directors members. The Supervisory Board conducts an efficiency review of its work once a year; this is prepared by the Presiding Committee.

Remuneration system

Board of Directors

The annual compensation of the members of the Board of Directors is made up of a non- performance-related component and a performance-related bonus. There are no further components, such as stock option plans. The non-performance-related components are fixed remuneration and fringe benefits, such as the use of a company car. The bonus is determined by the Supervisory Board on the basis of existing contracts.

On June 21, 2007, the General Shareholders' Meeting resolved to apply the exemption from the obligation to disclose remuneration of the Board of Directors on an individual basis in accordance with section 286, paragraph 5, of the German Commercial Code. Please refer to D.3. Compensation Report for information on the amount of the remuneration of the Board of Directors in 2010.

Total remuneration for individual Board of Directors members is determined by the Supervisory Board in a plenary session, including any Group payments, based on a performance assessment. The individual Board of Directors member's tasks, his personal performance, the financial situation, the success and future prospects of the Company constitute the criteria for the appropriateness of remuneration, as do the customary nature of remuneration in the comparator environment and the remuneration structure that applies elsewhere in the Interseroh Group. The Board of Directors' employment contract entered into in 2010 includes a multi-year assessment basis for variable remuneration.

Supervisory Board

In accordance with section 16, paragraph 1, of INTERSEROH SE's by-laws dated June 24, 2009, the Chairman and Deputy Chairman of the Supervisory Board each receive remuneration of EUR 45,000 net per annum. Every other member of the Supervisory Board receives compensation of EUR 30,000 net per annum. If members of the Supervisory Board work in one or more committees without simultaneously being Chairman or Deputy Chairman of the Supervisory Board, they receive further compensation of a single payment of EUR 10,000 net per annum to compensate them for their work in one or more committees. Compensation is payable at the end of the fiscal year. Please refer to D.3. Compensation Report for information on the amount of the remuneration of the Supervisory Report in 2010.

INTERSEROH SE
Cologne

Group Management Report for the fiscal year from January 1, 2010, to December 31, 2010

The Interseroh Group is one of the leading environmental services and raw materials providers in Europe. As service provider, Interseroh organises recycling processes and as supplier, it supplies the processing industry with secondary resources. Interseroh links ecology with economy. The Group's business activities prevent the release of several million tons of environmentally harmful carbon emissions. The business activities of the Interseroh Group are divided into three segments – Steel and Metals Recycling, Services and Raw Materials Trading. INTERSEROH SE is also the single German raw materials trader and environmental service provider listed on the stock exchange.

In order to expand its service portfolio and against the backdrop of a progressive concentration and internationalisation process in the industry, the Interseroh Group entered into a cooperation agreement with the ALBA group of companies in January of 2009. This became apparent to the external world by the use of the common umbrella brand ALBA Group. Under the auspices of the ALBA Group, Interseroh and ALBA together belong to the ten largest companies for environmental services, recycling and secondary resource trading worldwide.

On December 15, 2010, INTERSEROH SE's Board of Directors and Supervisory Board resolved in principle to enter into a control and profit transfer agreement with Isabell Finance Vermögensverwaltungs GmbH & Co. KG, Berlin, - ALBA Group plc & Co. KG, with administrative headquarters in Berlin, since January 1, 2011,- as the controlling company.

The Board of Directors of INTERSEROH SE explored both the relevant markets and competitors of the Interseroh Group intensively and arrived at the conclusion that entering into a control and profit transfer agreement with the majority shareholder could only benefit the Interseroh Group. The coordinated presence of Interseroh and Alba in the market since the beginning of 2009 has without a doubt resulted in advantages to the Interseroh Group vis-à-vis competitors due to the complementary service portfolio of the two groups. As a result of the control and profit transfer agreement concluded between ALBA and Interseroh, both groups will be flexible with respect to formulating agreements with one another and can present themselves externally as a single unit in all business areas.

INTERSEROH SE's General Shareholders' Meeting must approve the planned control and profit transfer agreement in order for it to become effective. The intention is to introduce the appropriate resolution during the course of the 2011 ordinary INTERSEROH SE's General Shareholders' Meeting.

The control and profit transfer agreement will provide for a settlement payment (guarantee dividend) and lump sum payment based on the choice of external shareholders. The calculation of the amount of the settlement payment and lump sum payment is based on a detailed company valuation. The valuation should comply with the standard promulgated by the Institut der Wirtschaftsprüfer Institute of Chartered Accountants in Germany – IDW S 1 – Principles on performing company valuations. The valuation is reviewed by an expert appointed by the courts and explained in a report. The results of the valuation process, including the specific amount of the settlement payment and the lump sum payment, as well as the expert’s report, will accompany the invitation to the General Shareholders' Meeting.

A. Framework Conditions

1. General Economic Development

2010 was characterised by global economic recovery. After the crisis year of 2009, world trade picked up its pace considerably at the beginning of fiscal 2010. The growth rate gradually slowed, however, during the course of the year. The economy lost its dynamism as early as the spring in both the US and Japan, after strong growth in the first quarter. The significant spurt in production in the Eurozone in the second quarter declined significantly in the second half of the year. Production grew less powerfully in the emerging markets after the spring; it was still, however, very high. Industrial production in Asia had returned to the high growth rates of past years by spring.

The recovery in the German economy has broadened. Expansion was stimulated not merely by a rise in exports and a reversal in investment in inventories; in 2010 the domestic economy, too, took flight. Both private consumption and corporate investment rose palpably.

2. Changes in Legal Framework Conditions

In July of 2010 the Ministry of the Environment submitted its first working draft on the amendment of the Life-Cycle Resource Management Act to transform the new European waste management directive into national law. It is anticipated that additional opportunities for the collection of household scrap accumulated separately will result for the private disposal industry and scrap tonnage will rise due to the national expansion of the ‘Yellow Bin’ system in the medium term. The assumption is that the law will not become effective before the summer of 2011.

B. Course of Business

1. Sales revenues and earnings

All three segments in the Interseroh Group developed extremely positively in fiscal 2010. Interseroh profited especially from its wide network of operating sites and trading locations in Germany and abroad, given the rising demand for steel and metal scrap, high-quality secondary plastics and recovered paper. The structures that had been adapted in 2009 proved to form a good basis for participating significantly in the forecast growth in the recycling industry and rising demand for secondary resources. After the collapse of the raw materials markets in the fourth quarter of 2008 and the crisis year of 2009 for the global economy, Interseroh has managed to return to pre-crisis levels in fiscal 2010.

Consolidated group sales revenues amounted to EUR 1,939.91 million (previous year: EUR 1,266.59 million). EBIT amounted to EUR 62.58 million (previous year: EUR 22.64 million) and earnings before taxes (EBT) to EUR 45.68 million (previous year: EUR 3.81 million).

The greatest share of consolidated sales, amounting to EUR 1,384.46 million (previous year: EUR 833.21 million), was contributed by the steel and metals recycling segment. EBIT in this segment amounted to EUR 35.45 million (previous year: EUR 2.02 million) and EBT to EUR 19.46 million (previous year: EUR -14.79 million).

The services segment generated sales revenues of EUR 452.89 million (previous year: EUR 311.68 million). EBIT equalled EUR 22.67 million (previous year: EUR 18.73 million) and EBT was EUR 10.37 million (previous year: EUR 13.16 million).

Sales in the raw materials trading segment amounted to EUR 138.97 million (previous year: EUR 148.50 million). EBIT totalled EUR 4.49 million (previous year: EUR 2.32 million), while EBT was EUR 3.67 million (previous year: EUR 0.91 million).

At the beginning of fiscal 2010 the definition of Group EBIT was modified (essentially investment results were excluded). The previous year's figures were adjusted accordingly.

Sales between segments of EUR 36.41 million (previous year: EUR 26.80 million) were consolidated. Inter-segment consolidations in EBIT amounted to EUR 0.03 million (previous year: EUR 0.42 million) and the EBT to EUR -12.18 million (previous year: EUR 4.53 million).

Group earnings improved from EUR 0.90 million to EUR 34.07 million.

2. Steel and Metals Recycling

Interseroh ranks among the top 3 German scrap treatment companies and is, moreover, the largest European exporter of non-ferrous metals to Asia. Interseroh has a network of approximately 95 steel and metals recycling sites (including locations belonging to associated companies) and trading offices in Germany, Poland, the US, the Netherlands and China.

In the year under review the Group traded 427,253 tons of non-ferrous metals and 2,468,142 tons of steel scrap.

Developments in price and demand

2010 was marked by steeply rising demand for non-ferrous metals, as well as increasing demand for steel scrap.

Steel scrap prices, however, were extremely volatile in fiscal 2010. According to information provided by the steel trade association, prices for the leading scrap type 2 fluctuated between EUR 219.90 and EUR 328.10 per ton. All in all, the average price level in the year under review at EUR 287.80 was significantly higher than the previous year's figure (EUR 192.50 per ton). Prices for non-ferrous metals hovered significantly above the previous year's figures, as did demand.

Crude steel production exceeded previous year's levels around the world. Steel industry requirements for steel scrap rose correspondingly. Given the rising demand, Interseroh benefited from its broad network of operating sites and trading locations in Germany and abroad. Operation of the overseas warehouse in Dordrecht, the Netherlands, enabled the Interseroh Group to respond flexibly to changes in demand.

Interseroh also gained market power in trading in non-ferrous metals due to the closer networking of sites and trading locations and the increase in export competence. The new business segment of 'alloyed scrap' developed extremely well. The alloyed scrap business was further expanded in order to promote sales opportunities for non-ferrous metals. Bundling quantities of non-ferrous and alloyed metals allowed plant deliveries to be effected in a more efficient manner.

Acquisitions and sales of investments

Since August 6, 2010, INTERSEROH Hansa Recycling GmbH has operated under the name of INTERSEROH Scrap and Metals Holding GmbH, Dortmund. It manages and coordinates Group-wide activities in the business segment of steel and metals recycling.

In the year under review the following acquisitions and sales were undertaken in the steel and metals recycling segment with a view to adjusting the investment portfolio:

On January 1, 2010, INTERSEROH Berlin GmbH, Berlin raised its share in HRR Stahlschrott- und Metallrecycling GmbH & Co. KG, Hennigsdorf (HRR), from 50 to 100 percent. Subsequently HRR and its fully-owned subsidiaries were merged into INTERSEROH Berlin GmbH and INTERSEROH-Metallaufbereitung Rostock GmbH, Rostock, respectively.

In August of 2010 investments in Horn & Metzger Verwaltungs GmbH, Siegen, Eisen-und-Stein-GmbH Horn & Co., Siegen, and Mineralmahlwerk Westerwald Horn GmbH & Co. KG, Weitefeld, were sold.

INTERSEROH Berlin GmbH was expanded as at September 1, 2010, via the purchase of the Luckenwalde and Teltow locations.

RuP Rohstoffhandelsgesellschaft mit beschränkter Haftung, Dusseldorf, was sold on September 1, 2010, and INTERSEROH RSH Sweden AB, Göteborg, Sweden, on October 1, 2010.

3. Services

The core business in the services segment is the return of transport and sales packaging. Interseroh occupies the number two position in dual systems' ranking, right behind the former monopolist. The services segment, however, includes not only the return of transport and sales packaging, but also the return of such products as electrical and electronic equipment, one-way packaging subject to deposit or empty ink and toner cartridges. Furthermore, Interseroh offers a full range of physical store, warehouse and production facilities waste disposal, as well as an innovative circulation system for returnable cartons for the transport of fruit and vegetables. The Group is also active in the recycling markets of Central and Eastern Europe.

INTERSEROH Dienstleistungs GmbH, Cologne, (ISD) is to date the only company in Europe that has allowed a review by the TÜV Rhineland Group in the nine categories of STAR ratings; this review took place in September of 2010. The comprehensive comparison analysed and assessed Interseroh’s responsibility vis-à-vis the environment, society, its employees and its business partners. ISD received four of five possible stars from this study; this translates to a rating of 'excellent'.

STAR stands for Sustainable, Trustworthy, Accountable and Responsible. In four categories Interseroh received the top rating of ‘outstanding’; this included the areas of quality, brand leadership and innovation, corporate governance and disclosures in financial reporting. In the fields of fair trade and competition, as well as occupational and health protection, Interseroh was awarded the rating of ‘excellent'. Social responsibility, environmental protection and information security were assessed as ‘very good’.

Responsibility for operations in the services segment is distributed in business units; their development during 2010 is reported on below:

Transport Packaging

Interseroh organises and coordinates the take-back of transport packaging for its contracting partners in trade and commerce. Collection, transport, sorting and recovery of packaging are among the core processes.

The overall situation at the beginning of the fiscal year initially brought about order reductions in the industry. The resulting decline in licence volumes in transport packaging was, however, compensated in the course of the fiscal year by rising licence quantities among existing customers, as well as by the conclusion of approximately 220 new contracts.

The transport packaging recycling market was increasingly influenced by new competitors with aggressive price policies. Marketing proceeds were higher than in 2009 due to favourable raw materials markets.

Additional contracts for the collection of sales packaging were entered into with roughly 250 contractual partners of the transport packaging business unit by means of cross-selling activities.

Sales Packaging

The number of contracts and sales in the field of sales packaging could once again be raised.

Since the beginning of fiscal 2009, Interseroh has taken up second place in the ranking of dual systems operators and entered into numerous new contracts in the area of household sales packaging in 2010. The service of industry solutions developed gratifyingly as well. The Group was able to drive up both contract quantities and sales. This means that Interseroh vario, the combination product of Interseroh dual systems and Interseroh industry solutions, has established itself successfully in the market.

Volume stream verification documentation required under the law for industry solutions was certified by an expert and submitted to the enforcement authorities without giving rise to any objections.

Interseroh has been successful in expanding its market share in the major field of light packaging (LVP) in a market with high margin pressures that continues to be extremely competitive. Losses compared to the previous year were experienced in the area of glass and cardboard/paper/carton, since Interseroh refused to engage in business that failed to cover costs. On average for the year the Interseroh market share represented almost 18 percent in light packaging, in excess of 10 percent in paper and almost 9 percent in glass (according to fourth quarter 2010 reporting).

In October of 2010 a new distribution channel was set up in response to customer wishes; Interseroh is able to offer them a holistic, individually conceptualised range of services.

Interseroh Recycling Solutions

The business unit, Interseroh recycling solutions (RSI), encompasses the full range of physical store, warehouse and production facility waste disposal, as well as the recovery and/or marketing of materials extracted. Individual concepts are developed in line with customer wishes.

This service, with a strong consultancy component, continued to be characterised by high competitiveness and increasing consolidation trends in 2010. Nevertheless, Interseroh acquired numerous new customers. This also applies for the area of work shop waste disposal in which Interseroh has been successfully engaged since 2008.

Furthermore, new service products in the sub-segment of RSI are being successfully introduced into the market. This includes, for instance, facility management services or the cleaning of grease extractors.

Exploiting cross-selling opportunities with other business units from the services segment also plays an important part.

Waste Electrical and Electronic Equipment

Interseroh organises the take-back and recovery of waste electrical and electronic commitment in accordance with the Electrical and Electronic Equipment Act for approximately 750 manufacturers. Higher steel and metal scrap prices resulted in a significant improvement in cost structures on the recycling side in the waste electrical and electronic equipment business unit. Licence agreements with industry resulted once again in positive earnings.

The market was characterised by intense competition accompanied by margin pressures. Interseroh consciously refrained from developing new customer groups by the use of contracts that fail to cover costs and concentrated on solidifying and expanding contractual partnerships by exploiting cross-selling opportunities (Interseroh dual system/Interseroh industry solutions).

Deposit system

As part of the take-back of one-way packaging subject to deposit, Interseroh renders tallying services for bottles and cans now required for customers in twelve counting centres and markets the secondary resources obtained as a result (PET, glass, aluminium and tin foil). Quantities in the tallying centres decreased in the year under review. Some customers undertook the tallying function themselves, others changed over to automats for deposit packaging at the collection points. Several customers have also switched to performing their own logistics and marketing services in the middle of 2010. A major customer started operating its own deposit clearing system via an in-house company. On the whole significant margin pressures on all services offered as part of the value creation chain became apparent. The considerable, although not unexpected, drop in sales in the deposit system was, however, more than compensated by the break-neck surge in prices in the raw materials markets. In the middle of the year a contract with another major customer was extended and the market position for the areas of counting, logistics and recycling stabilised as a result.

Pool-System

Interseroh's pool system is a new business unit of the Group; avoiding waste is in the forefront in this system. Returnable fruit and vegetable boxes are used in an innovative circulation system along the supply chain from the producer to the store and are also used to display the goods at the retail level. In order to maintain hygiene standards after sale of the produce all boxes are cleaned in washing centres operated by Interseroh and boxes that do not meet the supply chain standard are either discarded or repaired. The INTERSEROH Pool-System GmbH optimises the pool stocks by synchronizing collections from the retail market on a national basis, by means of international deliveries to the fruit and vegetable trade network and by means of central washing capacities.

2010 was marked by the development of the infrastructure for executing the orders that had been attracted. Investments were made in cutting-edge washing centres for returnable transport boxes and in software for real-time processing at two sites. By November of 2010 entry into the national market with a link to the European fruit and vegetable growing areas had taken place.

Central and Eastern Europe

Interseroh operates in Central and Eastern European recycling markets with its own companies. They include Austria, Slovenia and Poland.

The Austrian Interseroh subsidiary EVA Erfassen und Verwerten von Altstoffen GmbH, Vienna, was able to further advance sales and customer numbers during the year under review. Since September of 2010, EVA offers companies independent consulting on all questions related to packaging disposal.

In Slovenia Interseroh once again raised its market share in packaging recycling, as well as in the recycling of electrical and electronic waste. The Interseroh collection system for batteries is the leading one in the market. In 2010 collection systems for memorial candles and expired medications were started up for the first time.

A new customer in packaging recycling also brought about a hike in sales in Poland. Furthermore, Interseroh set up a collection system for batteries and introduced recycling solutions services.

Niche Businesses and Low-Volume Logistics

REPASACK Gesellschaft zur Verwertung gebrauchter Papiersäcke GmbH assures proper take-back and recycling of used paper bags from commerce and industry in line with the Packaging Ordinance – including the cleaning and treatment of the material in the Company's recycling facility in Oberhausen.

The paper bag tonnage licensed and marketed by the Company developed positively in 2010 compared to the previous year.

INTERSEROH Product Cycle GmbH (IPC) collects and sorts empty ink and toner cartridges from printers, copiers and fax machines and markets them to so-called re-fillers for refilling. 2010 was an extremely successful year for the company. Concentrating on the collection of first-class empties resulted in additional margin increases. Purchases of high-quality cartridges in conjunction with higher sales prices brought about a considerable rise in sales revenues. Demand for refill products boomed despite the threat from Asian imitators. IPC concentrated its marketing on European customers. Re-fillers in Asia and North America were supplied. The sale of high-quality refill products and original cartridges introduced initially in 2009 was continued in the year under review as well.

New Business

Interseroh is accelerating its expansion into further activities not regulated by legislators. In addition to the collection of empty modules and the pool system, Interseroh has developed a new generation of plastics products with companies in the plastics industry, which consists 100 percent of post-consumer material from the dual system and fulfils the requirements for new goods. Interseroh succeeded in launching this service onto the market for the first time in 2010.

4. Raw Materials Trading

In the segment of raw materials trading Interseroh consolidates numerous small quantities of secondary resources into large materials flows and provides them to industry for the manufacture of new products. The Group traded 723,437 tons of paper, 268,137 tons of plastic and 316,455 tons of wood in 2010.

Operations of the former leading raw materials trading company, ISR INTERSEROH Rohstoffe GmbH (ISR), were transferred to ISR subsidiaries during the course of the year under review, in compliance with the arm's length principle and in cooperation with ALBA Wertstoffmanagement GmbH. The subsidiary, RDB GmbH Recycling Dienstleistung Beratung, Aukrug, which has been fully owned by the Interseroh Group since 2009, was merged with ISR effective March 1, 2010. ISR INTERSEROH Rohstoffe GmbH has operated under the name of RDB plastics GmbH, headquartered in Aukrug, since November 11, 2010. Management anticipates that the restructuring of the raw materials segment will strengthen its competitive position and lead to cost savings.

Paper

Following the crisis year of 2009, the paper factories' order books, particularly of the packaging paper manufacturers, were well-filled and in some cases very well-filled in the past fiscal year, due to the recovering global economy.

This was reflected in the market for recovered paper as well. Prices rose in the first half of the year, remaining at their high level during the second half of the year. Newly constructed capacities for paper manufacture in East Germany contributed significantly to this development. As a result Germany became a net importer of recovered paper. Against this backdrop Interseroh experienced no problems in marketing its recovered paper quantities.

Business in Italy continued stable in 2010. Trading quantities were primarily marketed in Southeast Asia. Interseroh has meanwhile signed its first contracts with local authorities there. The forecast rise in demand from China failed to materialise. It was Indonesia, therefore, that represented the key sales market. The establishment of new capacities for paper production in China, however, will lead to higher demand in the next two years.

Interseroh sold its shares in INTERSEROH France S.A.S., Pantin, France, with its focus on the recovered paper business, to a leading French paper-recycling group effective June 30, 2010. At the same time a cooperation agreement on international marketing of recycled paper was entered into with this group. This contract is the outcome of Interseroh's strategy of concentrating on the trading business and extending it to Western and Southern Europe.

Plastics

Stable demand with simultaneously fluctuating prices shaped the market for waste plastics. The EPS (expanded polystyrene) segment was marked by stable demand and a gradual rise in marketing prices.

Interseroh expanded its goods flow in Asia. In addition to China, the Group developed customer markets for the first time in Malaysia, India and Indonesia during the year under review.

Marketed plastics include in particular the commodities of LDPE foil, PET and a variety of hard plastics, as well as plastics generated from sorting post-consumer materials.

Interseroh traded roughly 268,173 tons of plastics in 2010 and thus is numbered among the leading providers to the European plastics industry, as well as among the largest European exporters to Southeast Asia.

Wood

Wood quantities designated for treatment were slightly over the previous year's level in the first half of 2010. Due to volume growth starting in July, pressures on the acceptance prices – amounts payable to those treating the wood at the time the wood is handed over – lessened and price peaks underwent adjustment. The marketing prices for wood for material recycling and for thermal recycling decreased modestly in the second half of the year.

Interseroh sold the company shares in the wood site at Wuppertal and now has three wood sites at the Berlin, Bückeburg and Worms locations.

C. Presentation and Explanation of the Net Assets, Financial Position and Results of Operations

1. Results of Operations

Consolidated earnings in 2010 amounted to EUR 34.07 million, after EUR 0.90 million in the previous year. Sales revenues rose EUR 673.32 million (53.2%) over the previous year.

Quantity growth in the steel and metals recycling segment was offset by declines in the areas of paper, wood and plastics. In the paper sector the sale of INTERSEROH France S.A.S. Pantin, France, accounted for a decrease in volumes (-328,000 tons). The quantities of wood marketed dropped due to the sale of the wood site in Wuppertal. As a whole a quantity reduction of 9.5 percent to 4,475,000 tons was evidenced in comparison to the previous year. Demand for steel and metal scrap, however, as well as for plastics, was marked by significantly higher quality products with correspondingly stronger sales and margins. A considerable rise in prices could be seen in almost all raw materials compared to the previous year. Average price for steel scrap rose by almost 50 percent.

Gross profit (sales revenues plus change in inventory minus cost of materials) was up EUR 89.09 million (34.7%) from EUR 256.90 to EUR 345.99 million. The gross profit margin (gross profit in relation to sales) fell from 20.3 percent in the previous year to 17.8 percent in the year under review. The reason for this is that the per-ton margin did not rise to the same degree as the price per ton.

The rise in other operating income can be traced back to deconsolidation income from the sale of INTERSEROH France S.A.S., INTERSEROH Holzkontor Wuppertal GmbH, Wuppertal, and RuP Rohstoffhandelsgesellschaft mit beschränkter Haftung.

In the category of other operating expense sales commissions rose steeply (by EUR +41.90 million), as did transport and warehousing costs (by EUR +9.17 million). The rise in sales commissions relates directly to the rise in sales in the services segment; the rise in transport and warehousing costs is the result of increased export activity.

In the category of finance expenses, the rise in interest expense of EUR 1.77 million was essentially more than compensated by a reduction in amortisation of financial assets. At the same time interest income was also down by EUR 1.80 million, however, so that financial results deteriorated to EUR -16.98 million compared to the previous year at EUR 0.97 million.

Income taxes rose to EUR 11.61 million, from the previous year's figure of EUR 2.90 million. While the tax rate in 2009 was approximately 76.3 percent due to a number of individual effects, it was 25.4 percent in the year under review. In particular the tax-free deconsolidation income from the sale of INTERSEROH France S.A.S. served to reduce the anticipated tax rate of 31.0 percent.

2. Net Assets

Total assets changed only negligibly compared to the previous year (-0.4%).

The reduction in intangible assets by EUR 8.37 million arose primarily from changes in the scope of consolidation (EUR 7.16 million). Furthermore, a write-down of goodwill from the cash-generating unit of wood was undertaken to the tune of EUR 1.06 million.

Property, plant and equipment diminished by EUR 17.13 million compared to the previous year. A contributing factor in this case was that the disposals from the scope of consolidation exceeded the additions to the scope of consolidation by EUR 11.59 million. In addition write-offs in the period under review surpassed additions by EUR 1.53 million. Write-offs include write-downs in the amount of EUR 1.94 million on assets in the cash-generating unit wood.

The reduction in non-current financial assets relates overwhelmingly to the first-time consolidation of the loan receivable of INTERSEROH Berlin GmbH, Berlin, vis-à-vis HRR Stahlschrott- und Metallrecycling GmbH & Co. KG, Hennigsdorf, in the amount of EUR 8.48 million.

Inventories rose by over 40 percent, although warehouse stock is down by 19.1 percent. The rise resulted from a disproportionately higher price level. While finished goods inventory was cut almost in half, merchandised has just about tripled.

The increase in trade receivables is due to the rise in sales.

Other current receivables dipped by almost 40 percent. The reason for this is the decline in deposit receivables of EUR 17.26 million. Other current liabilities have been lowered correspondingly by EUR 20.26 million. This is due to the fact that a key customer is operating deposit clearing in-house now.

The level of cash and cash equivalents, lower by EUR 24.17 million, is due to the repayment of financial debt. Current and non-current financial debt has decreased by almost EUR 50 million of which EUR 54.52 million is due to the reduction in liabilities to banks and EUR 9.45 million represents the rise in liabilities under asset-backed securities. With respect to bank liabilities reported it should be noted that they have been reclassified to a great degree from current to non-current financial debt. This is a consequence of the financing measures undertaken in 2010 (refer to Financial position).

Current trade payables have risen almost EUR 40 million. This is primarily based on higher business volumes, especially in the services sector.

The total return on capital employed (ratio of EBIT to total capital), a key indicator for the Group’s companies, is 9.5 percent in the year under review as compared to 3.4 percent in the previous year.

3. Financial position

Financing Measures

In December of 2010 the loan agreement that had been in existence for the Interseroh Group in the amount of EUR 220 million was refinanced early by a new loan in the amount of EUR 130 million. The new agreement has a term ending in December of 2013 and includes a fixed loan amount of EUR 80 million for re-financing existing liabilities and an additional EUR 50 million for financing general business activities; no draw-downs had taken place in this respect as at the balance sheet date. Both tranches carry variable interest rates based on EURIBOR plus a margin. The interest rate risk of the long-term loan for refinancing existing liabilities is hedged with the appropriate hedging instruments (interest rate swaps and interest rate caps). The customary securities and guarantees have been provided under the new loan agreement. Furthermore, reporting on the financial position and results of operations, as well as adherence to financial indicators, is to take place in regular intervals.

The significant reduction in financing levels was achieved above all by portfolio optimisation in the current fiscal year and improved internal financing capabilities on the part of the Group.

Reference is made to Note 38 in the Notes to the Consolidated Financial Statements regarding the financing measure based on asset-backed securities.

Cash and cash equivalents

Cash and cash equivalents decreased from EUR 89.04 million in the previous year to EUR 64.87 million in 2010. This was due in large part to the repayment of bank liabilities. For more detail reference is made to the cash flow statement and comments in this respect under Note 34 of the Notes to the Consolidated Financial Statements.

Investment

Investments in intangible assets and property, plant and equipment in the year under review totalled EUR 19.18 million after EUR 23.21 million in 2009. EUR 9.39 million was invested in the steel and metals recycling segment, EUR 0.77 million in the raw materials trading segment and EUR 9.02 million in the services segment.

Please refer to Notes 18 and 19 in the Notes to the Consolidated Financial Statements regarding details on the allocation to individual items.

D. Additional Disclosures

1. Subsequent Events after the Balance Sheet Date

INTERSEROH Scrap and Metals Holding GmbH acquired the remaining 51 percent of fm Beteiligungsgesellschaft mbH, Lübbenau, effective January 1, 2011. The latter holds all shares in TVF Altwert GmbH, Lübbenau, a leading European company in the field of demolition, reconstruction and waste disposal projects. Furthermore, it holds shares in the Brandenburgische Boden Gesellschaft für Grundstücksverwaltung und -verwertung mbH, Zossen.

Effective January 1, 2011, RDB plastics GmbH raised its share in ISR Interseroh Italia S.r.l., Genoa, Italy, from 50 to 100 percent.

Effective January 1, 2011, INTERSEROH Scrap and Metals Holding GmbH acquired the remaining 40 percent of Europe Metals B.V., Heeze, the Netherlands.

2. Board of Directors and Supervisory Board

Board of Directors

Effective August 1, 2010, the Supervisory Board appointed Joachim Wagner as a member of the Board of Directors. He has been a member of INTERSEROH SE’s Management Committee since August of 2009 and, as a member of the Board of Directors, is responsible for the steel and metals recycling segment.

Roland Stroese, member of the INTERSEROH SE Board of Directors since October of 2005, decided to resign membership effective December 13, 2010 to seek new professional challenges.

The responsibilities in the Board of Directors were adjusted in consequence and the committee reduced in size. The Chairman of the Board of Directors, Dr. Axel Schweitzer, assumed responsibility for the segments of services and raw materials trading starting on January 1, 2011.

Supervisory Board

There were no changes to INTERSEROH SE's Supervisory Board in fiscal 2010. The composition of the Board can be found in the Notes to the Consolidated Financial Statements.

3. Compensation Report

Compensation of the Board of Directors

The annual compensation of the members of the Board of Directors is made up of a non- performance-related component and a performance-related bonus. There are no further components, such as stock option plans. The non-performance-related components are fixed remuneration and fringe benefits, such as the use of a company car. The bonus is determined by the Supervisory Board on the basis of existing contracts.

Compensation paid to members of the Board of Directors in the 2010 fiscal year amounted to EUR 2.41 million (previous year: EUR 3.53 million). This amount contains a variable component of EUR 1.70 million (previous year: EUR 0.80 million). In fiscal 2010 obligations for variable remuneration components for the Board of Directors in the amount of EUR 0.08 million were liquidated and charged to profit and loss. The allocation to the pension provision for Board of Directors members totalled EUR 0.15 million (previous year: EUR 0.34 million). A total of EUR 0.94 million (previous year: EUR 0.57 million) has been provided for pension obligations for former Board of Directors members and their next-of-kin. Furthermore, EUR 0.05 million (previous year: EUR 0.13 million) has been paid to former members of the Board of Directors and related persons as remuneration for consulting services.

Total remuneration for individual Board of Directors members is determined by the Supervisory Board in a plenary session, including any Group payments, based on a performance assessment. The individual Board of Directors member's tasks, his personal performance, the financial situation, the success and future prospects of the Company constitute the criteria for the appropriateness of remuneration, as do the customary nature of remuneration in the comparator environment and the remuneration structure that applies elsewhere in the Interseroh Group. The Board of Directors employment contract entered into in 2010 includes a multi-year assessment basis for variable remuneration.

Remuneration of the Supervisory Board

Provisions for the remuneration of the Supervisory Board were set up for 2010 in the amount of EUR 245,000.00. Reference is made to the Notes for individually rendered services outside the scope of the Supervisory Board, in particular consulting work.

Compensation of the Supervisory Board from January 1, 2010, to December 31, 2010, amounts to EUR 245,000.00 and can be broken down for individual members as shown in the table below:

NAME	Function	Compensation in Euros (net)
Dr. Eric Schweitzer	Chairman of the Supervisory Board Committee member	45,000.00
Friedrich Carl Janssen	Deputy Chairman Committee member	45,000.00
Peter Zühlsdorff	Deputy Chairman Committee member	45,000.00
Dr. Werner Holzmayer	Member of the Supervisory Board Committee member	40,000.00
Joachim Edmund Hunold	Member of the Supervisory Board	30,000.00
Roland Junck	Member of the Supervisory Board Committee member	40,000.00
Total		**245,000.00**

4. Employees and Social Responsibility

Number of employees

The average size of the Interseroh Group's workforce during the year was 1,774 (previous year: 1,836).

On average 1,150 people were employed in the steel and metals recycling segment in the fiscal year (previous year: 1,169), comprising 422 white-collar workers (previous year: 461) and 728 industrial workers (previous year: 708).

In the services segment the average number of employees was 418 (previous year: 357). The number of employees was 383 (previous year: 329) and the number of industrial workers 35 (previous year: 28).

An average of 206 people was employed in the raw materials trading segment (previous year: 310), comprising 98 white-collar workers (previous year: 157) and 108 industrial workers (previous year: 153). The decline in the number of employees in this business area is primarily due to the sale of INTERSEROH France S.A.S.

Personnel development

Against the backdrop of constant change in the relevant markets and the growing demands from employees and management of the Interseroh Group that such change entails, the issue is to optimally utilise employee potential and develop new know-how. The systematic advancement of management staff and employees, including those with high potential, is one of the most important measures for efficient development planning and can assure the sustained success of the entire Interseroh Group. During the past fiscal year, therefore, personnel development programmes specific to target groups were set up in order to prepare employees and management staff optimally for future market challenges. Content focused on the topic of management instruments and their operational use.

Personnel development was professionalised and expanded. Based on company guidelines and the competence models derived from the guidelines over 200 training days were organised in 2010 with a number of employees from all three segments. This included, in addition to training of management staff and employees, workshops for selected management successors.

Recruitment

Based on current and anticipated demographic development, recruiting new blood is simultaneously a central success factor and a challenge. In the area of dual professional training uniform Group standards were initiated and implemented in order to improve educational quality. Interseroh trained numerous trainees and students from cooperative education universities in a variety of professions in the past fiscal year as well. Interseroh was represented at a number of different fairs and worked intensively together with regional chambers of commerce and industry, as well as employment agencies, in order to recruit qualified trainees.

Interseroh was also present at key university fairs and has enhanced its image and profile as a potential employer by means of selective advertising measures. Alliances with universities have been established, existing links further expanded. In this connection an additional target group was added to the Interseroh Group’s trainee programme. In addition to specialist trainees in the areas of marketing, trading and financial control, for instance, there are so-called corporate trainees, who are being trained more generally as potential management staff.

Furthermore, in recognition of the increasing globalisation of the Group’s business, Interseroh set up an international trainee programme.

Corporate Citizenship Activities

Corporate citizenship activities have occupied a permanent position in various companies of the Interseroh Group for many years and range from corporate giving (ethically motivated donations without self-interest) to corporate volunteering (charitable employee commitment).

5. Risk Management and Internal Control System

Risk Management System

Principles

INTERSEROH SE’s subsidiaries, companies that operate internationally, are exposed to a number of risks. The goal of entrepreneurial activity is to minimise risks and exploit opportunities with a view to enhancing corporate value on a systematic and enduring basis.

The concept of risk includes events and developments inside and outside the Company that might have a negative impact on achieving business targets and plans within a specified period of time. Management and control of these risks are prerequisites for the Company's success, taking into account limitations on the willingness to take risks. Entrepreneurial risks are entered into only if they are controllable and the associated opportunities lead to the expectation of a commensurate increase in value. Effective risk management is a significant success factor in order to assure the Company’s value over the long term.

Risk Management

INTERSEROH SE’s Board of Directors has established a management and control system in the shape of a uniform risk management system for the early identification, assessment and management of relevant risks and opportunities. The Interseroh Group’s risk management system is a traceable system that encompasses all corporate activities and includes systematic and ongoing procedures based on a defined risk strategy: identification, analysis, assessment, control, documentation and communication of risks, as well as monitoring these process elements. It is adapted to company-specific requirements and involves all operating units of the fully consolidated companies. Management in the steel and metals recycling, services and raw materials trading segments is responsible for the efficient and effective implementation of risk management in their areas of responsibility.

The core aspects of a risk management system are rooted in the Company’s strategic and operational plans, the internal reporting system, the internal control system and the compliance system. Strategic corporate planning should guarantee that long-term risks and opportunities can be identified and assessed early on, so as to be able to respond with appropriate structural measures. The internal reporting system is designed to assure inter alia that at all corporate levels, current and relevant information concerning the development of fundamental risks and the effectiveness of risk limitation measures is provided. The focus of the internal control system is on monitoring and controlling the risks. This implies that it functions as an integral component of the risk management system. The compliance system is tasked with supporting management and identifying and responding to risks related to compliance topics early on. A further key aspect is adherence to the 'arm's length' principle.

Interseroh's risk strategy calls for avoiding, hedging or insuring specific risks. These risks are operational, original risks resulting from day-to-day business, such as bad debt risks. The goal is not to avoid all risk, but to establish room to manoeuvre to enable conscious risk-taking based on comprehensive knowledge of the risks involved and the overall context of the risks.

The risk management system is regularly adapted to the Group's organisational and operational structure, its markets and current developments, and continuously developed. As components of the risk management system, the definition, identification, evaluation and response to existing risks are routinely checked for completeness and/or effectiveness.

Since the fourth quarter of 2010 a revised risk management process has been established in the different segments via the Group's central risk management function. The already existing quantitative and qualitative risk assessment has been further optimised and is intended to include the potential impact on the Group's reputation as well in future. During the fourth quarter there were training sessions and risk workshops in this respect at the segment and company levels. Additional training sessions and risk workshops are planned or already implemented for the ongoing fiscal year.

A risk inventory will be undertaken every quarter in which new risks and opportunities are to be identified, analysed and evaluated by those responsible for the relevant area. In addition, if significant risks are identified, there is an obligation to report on them internally on an ad hoc basis. A review of the risk situation is undertaken during regular discussions on results by the Board of Directors and the central risk management function working together with those responsible for risk in the companies and/or divisions.

The Company's risk management system is reviewed and further developed by the central risk management function, as well as by the compliance function. An external review takes place on the part of the external auditor in the course of the annual audit. Every quarter the Audit Committee is informed on the Group's risk situation.

Continuous development on managing financial risks in order to provide necessary and successful support to the entrepreneurial segments of the Interseroh Group is also the goal and responsibility of the Group's management and the segment directors.
The responsibility for financing the Interseroh Group and its operating companies is, therefore, discharged centrally by INTERSEROH SE. Decentralised tasks may be undertaken only according to central specifications and in close coordination with the Treasury department.

It is the responsibility of central treasury management to identify, analyse, quantify and monitor financial risks (e.g. interest rates, exchange rates, share prices and other prices of all types), as well as counterpart and country risks. Together with risk management, various scenarios and sensitivities (e.g. stress tests) are calculated as part of the analysis. Risks identified are to be managed within established limits. Strategies are to be implemented with approved tools. All financial instruments used by subsidiaries are reported to the Board of Directors at the individual company level.

The risk management system is an integral component of all operational units of the Group. It includes the following features:

- ensuring necessary liquidity at all times
- influencing price change risks in all raw materials trading areas,
- timely hedging of exchange rate risks
- organisational manual as a guideline for all units in the Group, covering aspects such as the risk areas of covering receivables including political and economic national risks, exchange rates, insurance policies,
- rules of procedure with defined approval requirements.

All financial transactions, i.e. entering into derivative hedging transactions used to counter risks of default and price change and liquidity risks, are geared strictly to needs arising from the operational underlying transactions. Financial resources may not be used for purposes of speculation. Only such financial instruments as have been approved previously are used. The prerequisite for such approval is that the Treasury department can record, evaluate and monitor these instruments and that the book-keeping aspects are clearly understood.

The change in the exchange rate of the Euro against other currencies, especially the US dollar, results not only in overall risks in international business relations, but also in specific exchange rate risks. In principle Interseroh strives to keep these currency risks with the business partner by invoicing in Euro. In such cases in which this is not possible, any amount the counter-value of which is greater than EUR 0.025 million per business event must be hedged. Speculative transactions are not allowed. This also applies to any contracts in foreign currency that involve speculating on exchange rate gains.

The risks of interest rate changes are countered by suitable instruments from the derivatives market (e.g. exchange of fixed for variable interest rates). Due to the currently low interest rates in the money markets, variable interest rates are accepted for short-term current account lines.

In order to avoid price change risks in transactions in the raw materials trading segment (value-at-risk analysis), the trade is basically effected back-to-back, i.e. without risk, by means of sales and purchase that are equivalent in terms of volumes within a narrow time frame.

In general trade credit insurance policies with customary deductibles are taken out for all debtors. In addition, alternative hedging instruments, such as letters of credit or other documents securing payment are utilised. There is an instruction in the Group that transactions exceeding the insured limit per debtor may not be undertaken. This rule may only be deviated from in justified individual cases and only after prior approval by management or the Board of Directors based on reliable knowledge concerning the debtor's creditworthiness. Compliance with the trade credit limits is monitored at regular intervals. One can, nevertheless, not rule out that receivables may not be paid on time or at all and that these outstanding items may ultimately result in default.

In the domain of other financial receivables similar conditions apply regarding the assumption of potential credit risks. In these cases, too, commitments are entered into only in isolated cases and only after prior approval by management or the Board of Directors based on previous checks on credit standing or earning power.

Even an appropriate and fully functioning risk management system cannot guarantee absolute certainty regarding completeness in identifying and managing risks.

The Internal Control System in relation to Group Accounting

INTERSEROH SE's Board of Directors views the internal control system, based on the accounting process, and all such structures, measures and control processes, as a system aimed at ensuring reliable financial reporting with adequate assurance and in accordance with statutory regulations and International Financial Reporting Standards (IFRS).

Key characteristics of the Company's internal control system with regard to accounting include Group-wide uniform accounting guidelines and processes, IT security guidelines and regulations, organisational principles and flows - all documented in a Group manual. Control mechanisms were subject to further improvement at the end of the period under review. In addition, a variety of control principles, such as segregation of duties and consistent adherence to the principle of dual control, are incorporated in the accounting process with respect to certain risks.

Regardless of the scope and orientation of the control structures and processes that have been instituted, there are limits to the internal control system, since it must be adapted to changing demands and framework conditions on an ongoing basis. At least once a year, for instance, a revision of the organisational guidelines takes place as part of this adaptation process.

In order to detect and eliminate possible weaknesses in the internal control system, the appropriateness and effectiveness of the internal control system is systematically reviewed and assessed by the Group functions of Internal Audit and Compliance. INTERSEROH SE's Board of Directors and Audit Committee are informed of the findings of such audits on a regular basis.

Consolidated financial statements are prepared using standard consolidation software. The major portion of ledger accounts information of the companies included is imported into the consolidation software from the relevant book-keeping system via an interface after the cut-off date. The completeness and accuracy of the data, as well as the reconciliation of internal Group balances, are the responsibility of management and are confirmed by means of a separate declaration. Individual financial statement data undergoes automatic and manual plausibility processes.

As part of the consolidation work, the consolidation software displays the current status of each type of consolidation (capital, income and expense, liabilities, etc.) separately for each company via a management reporting system. As a rule continuation of consolidation work is only possible, if the system has not detected any errors in the previous step. Once the consolidation work has been completed, a variety of plausibility tests are performed with the consolidated figures generated. The final figures are compared to the figures from internal reporting in the holding control unit. Finally, the figures are analysed and commented on. In order to prepare the Group management report, the required information is sought in writing from the individuals responsible, such as segment directors, subsidiary directors and business unit managers, summarised and presented to those individuals for review. Then the Group management report is presented to the Management Committee and the Board of Directors. The companies enter the required information into the consolidation software in order to produce the Notes to the Consolidated Financial Statements. The entire consolidated financial statements are presented to the Board of Directors and released by the latter after review.

6. Disclosures in accordance with Section 315, paragraph 4, of the German Commercial Code

The subscribed capital of INTERSEROH SE of EUR 25,584,000.00 is divided into 9,840,000 individual share certificates with no par value with an arithmetic nominal value of EUR 2.60 each. Company shares are issued in the name of the bearer. Every share grants one vote in the General Shareholders' Meeting. The Board of Directors is not aware of any restrictions that might pertain to voting rights or the transfer of shares. On December 31, 2010, a total of 75.003 percent of shares and thereby voting rights from 7,380,329 shares were attributable to Dr. Axel Schweitzer, Berlin, and Dr. Eric Schweitzer, Berlin, according to Section 22, paragraph 1, clause 1, no. 1 of the Securities Trading Act; they have been held directly by the Isabell Finance Vermögensverwaltungs GmbH & Co. KG, Berlin, renamed ALBA Group plc & Co. KG, Berlin, as of January 1, 2011. No shares with special rights that confer supervisory powers exist. Employees who hold shares in the company exercise their rights of verification through the voting rights embodied in their shares.

According to statutory provisions, the appointment and dismissal of members of the Board of Directors is incumbent upon the Supervisory Board. Amendments to the by-laws are resolved by the General Shareholders' Meeting. General shareholders' meetings resolutions are taken by simple majority of the votes submitted, unless the by-laws or mandatory legal provisions require a larger majority of votes. Amendments to the by-laws require, provided not countermanded by law, a majority of two thirds of votes submitted or, in the event that at least half of capital stock is represented, a simple majority of votes submitted. The Supervisory Board is authorised to adopt amendments to the by-laws that are of an editorial nature only.

The General Shareholders' Meeting authorised the Board of Directors on June 29, 2010, effective June 30, 2010, to acquire treasury stock during a period of five years, i.e. until June 29, 2015, to a maximum amount of EUR 2,558,400.00 of capital stock attributable to these shares and to rescind the authorisations that had existed hitherto in this respect. Moreover, the Board of Directors was authorised, with the consent of the Supervisory Board and excluding shareholders' subscription rights, to sell the treasury stock acquired to third parties against contributions in kind, in particular in connection with corporate mergers and the acquisition of companies, parts of companies and/or holdings in companies. In addition the Board of Directors was authorised, with the consent of the Supervisory Board and excluding shareholders' subscription rights, to sell the shares for cash by means other than via the stock exchange or an offering to shareholders. In the event of an exclusion of subscription rights, the shares must be sold at a price (not including incidental selling costs) that is not significantly, and in no event more than 5 percent, lower than the price quoted on the stock exchange for the Company's shares with the same terms at the time of the sale. The share price applicable in this case is the average of the closing prices of the five trading days immediately preceding the sale of treasury stock determined in trading on the floor or via Xetra (or a functionally comparable successor system to the Xetra system) at the Frankfurt stock exchange. In the event of a sale of shares against contributions in kind excluding shareholders' subscription rights, the value of the contribution in kind must be reasonable, based on an overall assessment pursuant to section 255, paragraph 2, of the German Companies Act.

In the event that shares are sold for cash in a manner other than via the stock exchange or an offering to shareholders, the authorisation to exclude subscription rights applies only to the extent that the treasury shares sold with the exclusion of subscription rights may not exceed 10 percent of capital stock and in fact neither 10 percent of the capital stock existing at the time the authorisation is granted nor 10 percent of the capital stock existing at the time that the authorisation to exclude subscription rights is utilised. The maximum amount of 10 percent of capital stock is reduced by the proportional share of capital stock attributable to those shares issued during the term of this authorisation with the exclusion of the subscription right in accordance with section 186, paragraph 3, clause 4, of the German Companies Act. The upper limit of 10 percent of capital stock, moreover, is reduced by the proportional share of capital stock that relates to those shares that are issued to service bonds with option or conversion rights and/or duties, provided that such bonds are issued during the term of the authorisation with the exclusion of subscription rights under (appropriate) application of section 186, paragraph 3, clause 4 of the German Companies Act. The Board of Directors of INTERSEROH SE made no use of these authorisations during the year under review.

No agreement exists with INTERSEROH SE subject to the condition that a change in control would be brought about as the result of a takeover bid. Likewise, no compensation agreements with the members of the Board of Directors or workforce exist in INTERSEROH SE in the event of a takeover bid.

7. Declaration according to section 312 of the German Companies Act

The Board of Directors has prepared a report on relations with associated companies in accordance with Section 312 of the German Companies Act (hereinafter termed ‘subordinate status report’) for fiscal 2010. The Federal Financial Supervisory Authority has determined that there is no such declaration regarding a subordinate status report in the 2006 management report. The 2007 management report also contains no such declaration. The wording of the declarations for 2006, 2007 and 2010 is identical. The details below thus relate to the years 2006, 2007 and 2010. Since INTERSEROH SE operated under the name INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen in 2006 and 2007, the INTERSEROH SE disclosure relates exclusively to 2010 and the INTERSEROH AG disclosure exclusively to 2006 and 2007.

In accordance with section 312 of the German Companies Act all legal transactions and measures of INTERSEROH SE (INTERSEROH AG), as well as companies of the Interseroh Group on the one hand and, on the other hand,

(i) Dr. Axel Schweitzer and Dr. Eric Schweitzer personally,

(ii) Companies associated with Dr. Axel Schweitzer and/or Dr. Eric Schweitzer, as well as

(iii) Companies in which Dr. Axel Schweitzer and Dr. Eric Schweitzer jointly hold the majority of voting rights and companies associated with them (in particular also ALBA AG and companies of the ALBA group of companies)

during the time period between March 8, 2006, and December 31, 2006, between January 1, 2007, and December 31, 2007, and between January 1, 2010, and December 31, 2010, are subject to reporting.

The Board of Directors, in accordance with § 312, paragraph 3, of the German Companies Act on the subordinate status report declares the following:

“Under the circumstances known to us at the time at which legal transactions between INTERSEROH SE (INTERSEROH AG) and companies of the Interseroh Group on the one hand and, on the other hand,

(i) Dr. Axel Schweitzer and Dr. Eric Schweitzer personally,

(ii) Companies associated with Dr. Axel Schweitzer and/or Dr. Eric Schweitzer, as well as

(iii) Companies in which Dr. Axel Schweitzer and Dr. Eric Schweitzer jointly hold the majority of voting rights and companies associated with them (in particular also ALBA AG and companies of the ALBA group of companies)

were undertaken, INTERSEROH SE (INTERSEROH AG) or the relevant companies of the Interseroh Group involved have received an appropriate consideration in the case of each legal transaction. No measures according to § 312 of the German Companies Act were either undertaken or omitted."

The entire business operations of ALBA AG were transferred to ALBA Group plc & Co. KG, formerly under the name of Isabell Finance Vermögensverwaltungs

GmbH & Co. KG, effective January 1, 2011. ALBA AG has been operating under the name of ALBA plc & Co. KGaA, Berlin, since March 1, 2011.

8. Research and Development

Due to the fields of activity it is involved in, the Interseroh Group places a great deal of importance on market research and working of the market. Interseroh does not engage in research and development in the normal sense.

9. Environment and sustainability

In February of 2011, together with the Ministry of the Environment Interseroh and ALBA presented the results of a study commissioned with the Fraunhofer Institute UMSICHT, Oberhausen, regarding reductions in carbon emissions generated by the business activities of both groups of companies. The carbon emissions arising from a variety of material groups due to the collection, transport, treatment and recycling of the secondary resources collected by Interseroh and the reductions compared to carbon emissions from corresponding primary processes were elaborated.

In 2009 in Germany carbon emissions were reduced by over six million tons due to the business activities of Interseroh and ALBA.

E. Anticipated Developments

1. Report on risks and opportunities

The key risks resulting from an analysis of the risk management system of the Interseroh Group, as well as the opportunities in the business divisions as determined in the segments, are presented below.

Price developments in the raw materials markets

Risks in the area of working capital, warehousing and liquidity arise due to high cost prices of secondary resources, regardless of the segment. If the buyer markets of relevance to Interseroh experience steep price declines, there is a risk of inventory depreciation. This risk is countered in part by inventory management that follows market conditions, hedging activities in the non-ferrous metals domain, appropriate inventory turnover and regular checks.

Relationships with customers and suppliers

The general trade credit insurance system was optimised further in order to avoid losses in sales and earnings, bad debts or contractual penalties. This enabled Interseroh's risk regarding its financial position and result of operations to be limited additionally. In that Interseroh operates outside the Eurozone, in terms of its customer and supplier relationships, the Group is exposed to factors such as foreign exchange control regulations or trade restrictions, as well as in isolated cases insufficiently developed and/or nuanced legal and administration systems and violent confrontations or terrorism.

Finances

Interseroh is exposed to risks from original financial instruments which may have an impact on the Group's net assets, financial position or results of operations. Risks and opportunities arising from overall financial conditions are quantified on a regular basis and presented in relationship to risk capacity.

After the level of replacement and new investment was significantly reduced during the economic crisis of 2008/2009 due to the financial situation, the requisite investments were approved and implemented in 2010. The principle of a conservative investment policy, however, continues to apply. As a result there is a risk that, despite intense efforts on the part of quality management, the quality and/or price of products and services offered could be impaired in isolated cases.

Environmental protection

Interseroh will also increase its efforts to counteract environmental risks. Preventive measures, such as quality and safety specifications, are complemented by wide-ranging insurance protection. Adherence to the highest environmental and safety standards, that in some cases go above and beyond statutory requirements, is assured by ongoing checks during the production process, materials analyses and other measures.

Since legal regulations for environmental protection are subject to continuous change, are becoming increasingly strict and are liable to become more stringent due to new EU directives, investment may become necessary for the Interseroh Group in the future; the amount and timing of such investment, however, are difficult to predict.

Employees

Systematic succession management in the commercial area and enhanced quality in the recruitment system have resulted in a significant reduction in personnel risk. Nevertheless, the risk cannot be ruled out that employees in certain divisions or functions may leave the Company and that such departures may not be compensated in timely fashion or without an impact on the course of business.

Interseroh’s business is conducted via subsidiaries, the directors of which have wide-ranging decision-making authority in order to be able to act autonomously and in close association with the market. The group structure ensures that the strategic business units can be managed as if by "company entrepreneurs". These managing employees have an obligation to manage responsibly. Nevertheless, given the high degree of entrepreneurial responsibility, and despite extensive and multi-layered review and control mechanisms, the risk of abuse cannot be fully excluded.

IT systems

Since Interseroh’s business operations in particular (e.g. distribution, logistics, accounting and financial control) are primarily computer-based, the maintenance of flawless business operations is contingent upon the efficient and uninterrupted functioning of its data processing systems. Significant impairment can result from flawed or excessively lengthy operation of obsolete systems, as well as from the implementation of new systems.

In order to ensure transparent and traceable access protection in the key IT systems, such as SAP, a centrally administered user and role concept with a corresponding approval workflow has been implemented. The effectiveness of access protection is being monitored by random sampling.

Effective testing of IT systems as regards protection from internal and external attacks (hackers) is performed at regular intervals. Potential areas of weakness in the protection measures are detected by means of simulated, unannounced attacks and then eliminated by means of appropriate measures.

The Interseroh Group actively manages insurance covering key risks. This includes insurance for property and for business interruption, for public liability and for transport, as well as centralised insurance covering losses of goods and buildings. Nevertheless, customary deductibles or force majeure may have an adverse effect on the Company's net assets, financial position and results of operations.

Compliance

Violations in compliance may lead to penalties, sanctions, damage compensation payments, reduction in profits, exclusion from certain businesses and the loss of licences and concessions or other sanctions of a sensitive nature. Such violations damage the Group’s reputation and can also have adverse effects on the awarding of orders by customers in both the public and private sector. There may be a negative impact on the capability of finding new business partners, as well.

In order to mitigate such risks, compliance training sessions were held in 2010 on the subject of anti-corruption and anti-trust law; they focussed primarily on early reduction of risk and elimination of causes by means of classroom or on-line training. Furthermore, internal rules and regulations in the Interseroh Group are reviewed and enforced by means of reviews of the existing organisational guidelines, as well as random sampling, checks and best-practice recommendations.

Legal risks are regularly monitored by the central legal department at the Group level and by the directors responsible at the company level; they are accounted for adequately as part of the measurement of provisions.

Segments

Steel and Metals Recycling

The steel and metals recycling segment depends to a significant extent on economic developments in national and international markets for steel and non-ferrous metals. Risks can be found in the volatility of raw materials prices, the fluctuations of which can have considerable impact on Interseroh's financial and earnings position. In the case of some non-ferrous scrap metal a specific market price level is ensured by hedging trading positions on appropriate stock exchanges (e.g. the London Metal Exchange), provided that a significant risk for the planned margin can arise from the relevant underlying transaction.

Risks that may arise from defaults on receivables are to be countered more strenuously in future. Such risks can consist of an insufficiency or absence of coverage of outstanding receivables from trade credit insurance. Imposition of strict upper limits on outstanding receivables and minimum levels of prepayments have already resulted in a considerable reduction in recoverability risk in the year under review. In addition to the measures already introduced, relevant reporting and risk-oriented customer assessment are being expanded during the current year.

In order to be able to counteract liquidity and inventory depreciation risks promptly, segment management and the responsible division director receive a monthly working-capital report, so as to be able to implement measures to minimise risk.

Services

The services segment is dependent to a great extent on regulatory requirements. Consequently, changes in these regulatory requirements offer opportunities, but also harbour considerable risks. Interseroh is accelerating its expansion into further activities not regulated by legislators.

The risk of diminishing licence quantities in the overall dual systems market should be increasingly reduced by the appointment of a joint external auditor for all dual systems operated in the market. Regional enforcement authorities were able to perform their enforcement duties due to better transparency of the quantities reported. In quantity reports a slight increase of reported quantities was evidenced in the first quarter of 2011 compared to the closing report from 2010; nevertheless, a significant difference remains between market volumes and quantities actually reported. Interseroh is anticipating moderate stabilisation overall of licensed packaging quantities.

In order to identify trends and developments in individual markets with certainty, Interseroh conducts comprehensive market, customer and competitor analyses and uses its findings to develop and market products and projects.

Raw Materials Trading

In terms of trade in secondary resources the risk of volatile prices and the risk of non-adherence to contracts continue to apply.

The collection and marketing of recovered paper is becoming increasingly international due to the forecast rise in demand from the Far East. Potential risks arise as a result, both in terms of legal conditions and exchange rate risks. The latter are countered by means of a conservative hedging strategy (refer to Finances).

Plastics markets, too, are subject to wide fluctuations in price and sales. Special risks are arising from prices that fluctuate in steeper and shorter cycles. Factors such as the price of crude oil, the dollar – Euro exchange rate and available freight capacity on container ships can influence the business over the long term. The growing processing capacity for recycling PET bottles in Europe is countered by massive expansion of capacity for the production of granulates from crude oil in the Near East. Additional diversification of customer markets is planned for this reason.

The recovered wood sector continues to depend on the input quantities offered by the market. The acceptance prices may, therefore, be volatile, while one can assume that the recycler prices will remain stable.

Opportunities

The flip side of the risks described above reflects the opportunities that can materialise.

The planned control and profit transfer agreement to be entered into between INTERSEROH SE and ALBA Group plc & Co. KG is intended to bolster their position vis-à-vis competitors by consolidating the strengths of both corporate groups. This more profound cooperation is designed to strengthen the entire value creation chain of the process defined as urban mining that consists of collection, recycling, refinement and marketing of raw materials, especially by virtue of cross-selling and cross-buying activities. The goal is to develop the Interseroh Group into the leading raw materials and environmental services provider in Europe under the umbrella of the ALBA Group holding company.

Potential for exploiting arbitrage between local and international markets exists in the steel and metals recycling and raw materials trading segments.

A TÜV STAR certification was conducted at INTERSEROH Dienstleistungs GmbH in fiscal 2010; this results in both general risk minimisation from the evaluation of business activities and strengthening of the Company's position in the premium segment of dual systems.

Interseroh's management perceives opportunities for growth in the services segment as stemming especially from the Dual System Interseroh division by combining industry solutions and dual systems into the vario concept. This offers customers a more all-encompassing portfolio, which in turn positively impacts customer loyalty. Since 2010 customers have been provided with a new sales offer in which Interseroh presents a holistic, individually conceptualised range of services.

The turbulence that has arisen in connection with quantity growth in dual systems is the expected effect of a market that has been insufficiently controlled by enforcement authorities as it becomes more clearly defined. After the first sustained reviews of the enforcement bodies in the middle of 2010 this market will clearly stabilise. The major customers attracted by Interseroh will then form an important basis for further consistent growth of an enduring systems operator. Engaging a joint external auditor who tests the reported quantities and market shares independently will serve to monitor future activities in the dual system more strictly and enable remuneration in line with the ordinance and market share.

INTERSEROH SE's Board of Directors and the directors in the subsidiaries continually strive to enhance internal synergy potential, as well as to optimise cost structures and IT systems. For instance, during the current fiscal year, synergies are to be identified and, if possible, reinforced in all areas of the services segment based on a newly launched ERP system.

2. Outlook

a) General Economic Development

According to leading economists, the global economy is likely to grow significantly more slowly in the current fiscal year than in 2010. The structural problems in the U.S., as well as in several Western European countries such as Spain, Great Britain or Ireland, revealed as a result of the financial crisis, have not yet been mastered. Furthermore, there could be a massive adjustment soon in China due to overheating of local property markets. The debt and confidence crises in several countries in the Eurozone are not yet over. A possible culmination of bonds in Euro countries in higher risk premiums or utilisation of the European financial stabilisation mechanism by a debtor country would have an impact on the German economy as well. Nevertheless, experts anticipate a slight rise in the economy later in the course of the fiscal year. They base this forecast on a global economy that is beginning to pick up steam.

Estimates of the short to medium-term development of the business segments are based on current expectations and assumptions regarding the effects of future events and economic conditions on the operational companies.

In the medium term the environmental industry will become the most important sector in Germany's economy in the opinion of experts. According to a study of Roland Berger Strategy Consultants commissioned by the Ministry of the Environment, environmental technology is one of the most significant future markets of the 21st century. By 2020 the share of German environmental technologies in gross domestic product is expected to almost double from 8 percent in 2007 to 14 percent.

Around the world, according to the study, Green Tech is a success model. Global sales revenues in the six leading markets researched – energy generation, energy efficiency, raw materials efficiency, the recycling economy, water management and mobility – are expected to exceed 3 billion Euro by 2020. Persistent trends, such as the growing global population, increasing industrialisation and striving for affluence throughout the world, should promote the use of technologies to protect the environment over the long term.

b) Developments in the segments

Industry experts anticipate moderate growth in global steel production for 2011. Based on these forecasts the Board of Directors assumes demand for Interseroh scrap to be similar to that of the year under review for the steel and metals recycling segment. In 2012 an increase in traded tonnage of circa 3 to 4 percent is anticipated.

Interseroh is expecting a decline in sales of approximately 5 percent for the current fiscal year. Plans for 2012 anticipate a rise in the lower single-digit range. The Board of Directors expects earnings before taxes to be up approximately 30 percent due to significant cost savings, as well as an increase in investment income in 2011. A moderate gain in pre-tax profit is forecast for 2012.

Opportunities and potential lie in further optimisation of structure and organisation, in additional interaction between operating sites and trading locations and in fostering international marketing. Building new trade relationships, expanding non-ferrous metal activities, intensifying business with Asia and extending deep-sea activities in the area of iron scrap are the main focus.

On the other hand, risks exist in relation to lower than expected quantity growth, especially in the key markets of Turkey and China, due, for instance, to political disturbances in the region or to restrictive monetary policy. Furthermore, devaluation in the US dollar could have a negative impact on the competitive position of European secondary resource suppliers. The assumption for purposes of planning is that these risks are unlikely to materialise in great measure.

Interseroh expects intense competition in all services offered during the current fiscal year. In some business units, sales are expected to flag, while in other business units sales increases are likely to be generated due to an expansion of services. The Board of Directors anticipates sales growth of approximately 25 percent for 2011 and a further single-digit percentage increase in 2012. Earnings increases of 10 percent are planned for both 2011 and 2012.

The anticipation is that the risk of declining licence quantities in the overall sales packaging market will be increasingly adjusted as the result of the appointment of a joint external auditor for all dual systems operating in the market. In order to reinforce and assure household sales packaging the leading providers of dual systems have, moreover, agreed on the introduction of a certification under the guidance of the Bundesverband der Deutschen Entsorgungs-, Wasser- und Rohstoffwirtschaft (BDE - National Association of the German Waste Disposal, Water Management and Raw Materials Sectors).

Signatories to the certificate agree simultaneously to implement the Packaging Ordinance as required and to a review by third parties. A committee of environmental experts, which supports the work of the independent auditor, will be formed in close coordination with the auditor. Collateral security is also deposited by participating companies for the event that a dual system suspends its operations prematurely. This initiative should be viewed as essentially positive. The environment, however, remains uncertain. In the event of a considerable decline in licensed quantities, achievement of the segment's plans will be jeopardised.

In October of 2010 a new distribution channel was set up in response to customer wishes; Interseroh is able to offer them a holistic, individually conceptualised range of services.

After successful completion of the market launch of reusable transport cartons for fruit and vegetables, implementation of the innovative pooling concept for countries outside of Germany, as well as for other industries, is being tested.

In Austria Interseroh is endeavouring, after the amendment of the Packaging Ordinance, to enter into the field of collection and marketing of household packaging. Furthermore, expansion into Central and Eastern European countries is planned.

The Interseroh Board of Directors believes that there will be volume increases in the single-digit percentage range in the raw materials trading segment both for the current fiscal year and for 2012. Sales should rise by about 10 percent in 2011. Interseroh expects a rise of approximately 15 percent for 2012. The Group anticipates considerable cost savings in 2011. These will, however, be more than compensated by positive special effects from the year under review in connection with the sale of INTERSEROH France S.A.S that will not exist in 2011. Management, therefore, expects a decrease from the previous year's earnings of circa 30 percent. 2012 plans include earnings growth of approximately 25 percent, based on 2011.

The collection of recovered paper is becoming increasingly international due to the forecast rise in demand from the Far East. The countries of Southern Europe, in particular, are target markets.

Due to its highly structured presence Interseroh is very well prepared for the upcoming tasks and challenges in all key customer markets in the plastics area and will actively monitor market consolidation in this area as well.

Interseroh expects rising input quantities in the field of recovered wood. The extent to which these additional quantities influence the acceptance prices remains to be seen. Recycler prices are expected to remain stable.

c) Development of the Group

The Board of Directors anticipates sales growth of approximately 5 percent for both 2011 and 2012. The rise in pre-tax earnings will be greater than that of sales in both fiscal years. This is due primarily to significant cost reductions, as well as higher investment and finance results.

The Group's financing is assured for the next few years as the result of the new loan agreement. The Board of Directors is anticipating an increase in operating cash flow.

Cologne, March 3, 2011
INTERSEROH SE
The Board of Directors

Dr. Axel Schweitzer   Joachim Wagner

Consolidated Balance Sheet
as at December 31, 2010

ASSETS	Note No.	31.12.2010 EUR	31.12.2009 EUR
Non-current assets			
Intangible assets	(18)	**128,780,828.63**	**137,151,838.14**
Property, plant and equipment	(19)	**91,308,982.94**	**108,437,046.57**
Financial assets accounted for under the at-equity method	(20)	**10,804,024.95**	**8,567,900.69**
Financial assets	(21)	**7,615,815.14**	**13,130,292.32**
Other receivables	(25)	**1,075,420.18**	**1,521,049.60**
Deferred tax assets	(22)	**9,993,366.97**	**13,722,890.34**
		249,578,438.81	**282,531,017.66**
Current assets			
Inventories	(23)	**107,574,538.17**	**74,807,146.63**
Trade receivables	(24)	**197,828,934.18**	**153,626,631.77**
Financial assets	(21)	**6,760,997.53**	**6,402,448.83**
Other receivables	(25)	**28,722,964.67**	**46,006,414.87**
Income tax refund claims	(22)	**1,209,885.30**	**7,093,463.97**
Cash and cash equivalents	(26)	**64,871,846.07**	**89,041,556.89**
		406,969,165.92	**376,977,662.96**
		656,547,604.73	**659,508,680.62**

LIABILITIES	Note No.	31.12.2010 EUR	31.12.2010 EUR	31.12.2009 EUR	31.12.2009 EUR
Shareholders' equity					
Subscribed capital and reserves attributable to the parent company					
Subscribed capital	(27)	25,584,000.0		25,584,000.00	
Reserves	(28)	158,698,523.83	**184,282,523.83**	123,454,942.55	**149,038,942.55**
Minority interests in equity			**11,984,359.01**		**9,774,208.71**
			196,266,882.84		**158,813,151.26**
Liabilities					
Non-current liabilities					
Payments to employees under pension commitments	(29)	19,358,523.43		19,802,174.00	
Other non-current provisions	(30)	5,268,708.66		4,593,713.28	
Deferred tax liabilities	(22)	7,350,644.41		13,885,240.71	
Financial liabilities	(31)	94,741,386.28		15,664,332.18	
Trade liabilities	(32)	92,749.73		693,973.63	
Other liabilities	(33)	217,731.05	**127,029,743.56**	4,275,102.00	**58,914,535.80**
Current liabilities					
Provisions	(30)	8,831,792.09		14,791,125.08	
Income tax liabilities	(22)	5,312,260.47		3,098,874.11	
Financial liabilities	(31)	55,089,776.00		182,582,090.18	
Trade liabilities	(32)	215,962,571.44		176,985,950.55	
Other liabilities	(33)	48,054,578.33	**333,250,978.33**	64,322,953.64	**441,780,993.56**
			460,280,721.89		**500,695,529.36**
			656,547,604.73		**659,508,680.62**

Consolidated Income Statement
for the period from January 1 to December 31, 2010

	Note No.	2010 EUR	2009 EUR
1. Sales revenues	(7)	1,939,907,911.42	1,266,589,099.56
2. Reduction / Increase in inventory of finished and work in progress	(8)	-15,693,997.41	10,430,801.54
3. Other operating income	(9)	59,765,795.26	43,724,849.81
4. Cost of materials	(10)	1,578,222,264.79	1,020,120,602.19
5. Personnel costs	(11)	95,836,316.67	93,265,653.42
6. Depreciation on intangible assets and on property, plant and equipment	(12)	24,201,484.82	24,127,716.49
7. Other operating expense	(13)	223,144,598.97	160,586,475.26
8. Profit shares in associated companies, accounted for under the "at-equity" method	(14)	84,931.01	-2,827,407.71
9. Financial income	(14)	2,243,575.42	3,803,280.25
10. Financial expenses	(14)	19,220,186.52	19,814,301.58
11. Earnings before taxes		**45,683,363.93**	**3,805,874.51**
12. Income tax expense	(15)	11,612,772.43	2,904,550.96
13. Consolidated earnings		**34,070,591.50**	**901,323.55**
14. Shares in income to be attributed to minority interests	(16)	2,228,499.58	1,719,815.82
15. Shares in income attributable to shareholders		**31,842,091.92**	**-818,492.27**
16. Earnings per Share	(17)	**3.24**	**-0.08**

Consolidated Cash Flow Statement from January 1 to December 31, 2010

	Note No.	2010 EUR million	2009 EUR million
Consolidated income		34.07	0.90
Income tax expense	15	11.61	2.90
Finance income	14	16.98	16.01
Shares in gain/loss of associated companies accounted for under the at-equity method	14	-0.08	2.83
Consolidated EBIT		62.58	22.64
Amortisation/depreciation on intangible assets and property, plant and equipment	12, 18, 19	24.20	24.14
Gains from asset disposals	9, 13	-2.07	-0.51
Changes in pension and other provisions	29, 30	-5.73	2.22
Changes in net operating assets		-29.32	40.77
Interest payments		-14.62	-11.44
Income tax payments		-9.19	-24.14
Cash flow from operating activity		25.85	53.68
Asset disposals		8.91	5.76
Corporate acquisitions		-1.28	-4.08
Corporate divestments		19.37	0.00
Investments in property, plant and equipment (not including finance leases)	19	-10.58	-10.52
Other investment	18	-1.33	-5.69
Cash flow from investment activity		15.09	-14.53
Assumption of financial debt	31	129.28	3.33
Repayment of financial debt	31	-190.51	-114.71
Repayment of financial lease liabilities		-2.80	-1.23
Dividends to shareholders of the parent company	27	-1.08	-1.38
Dividend payments to minority shareholders		0.00	-1.16
Cash flow from financing activity		- 65.11	-115.15
Changes in cash and cash equivalents		-24.17	-76.00
Cash and cash equivalents at the beginning of the period		89.04	165.04
Cash and cash equivalents at the end of the period	26	64.87	89.04

Consolidated Statement of Changes in Equity
in the period from January 1, until December 31, 2010

	Note no.	Sub-scribed capital	Capital reserve	Earned consoli-dated equity	Adjustment item from foreign currency conversion	Other non-cash trans-actions
		Parent company			Cumulative other consolidated earnings	
		EUR million	EUR million	EUR million	EUR million	EUR million
Balances as at January 1, 2009		25.58	38.61	106.37	-1.16	-19.21
Dividends paid	(27)			-1.38		
Changes in the scope of consolidation				2.24		
Consolidated earnings	(16), (17)			-0.82		
Results not recognised in income	(28)			-1.43	0.24	
Total consolidated earnings						
Balance as at December 31, 2009		**25.58**	**38.61**	**104.98**	**-0.92**	**-19.21**
Balance as at January 1, 2010		25.58	38.61	104.98	-0.92	-19.21
Dividends paid	(27)			-1.08		
Changes in the scope of consolidation				0.00		
Consolidated earnings	(16), (17)			31.84		
Results not recognised In income	(28)			0.93	0.48	3.08
Total consolidated earnings						
Balance as at December 31, 2010		**25.58**	**38.61**	**136.67**	**-0.44**	**-16.13**

	Parent company	Minority shareholders	Consolidated equity
	Equity	Minority capital	
	EUR million	EUR million	EUR million
Balance as at January 1, 2009	150.19	11.37	161.56
Dividends paid	-1.38	-1.16	-2.54
Changes in the scope of consolidation	2.24	-2.20	0.04
Consolidated earnings	-0.82	1.72	0.90
Results not recognised in income	-1.19	0.04	-1.15
Total consolidated earnings	-2.01	1.76	-0.25
Balance as at December 31, 2009	**149.04**	**9.77**	**158.81**
Balance as at January 1, 2010	149.04	9.77	158.81
Dividends paid	-1.08	0.00	-1.08
Changes in the scope of consolidation	0.00	0.03	0.03
Consolidated earnings	31.84	2.23	34.07
Results not recognised in income	4.49	-0.05	4.44
Total consolidated earnings	36.33	2.18	38.51
Balance as at December 31, 2010	**184.29**	**11.98**	**196.27**

Exhibit of Income and Expense Recorded in Group Equity (Overall Group Result) for the period from January 1 to December 31, 2010

	Note No.	2010 EUR Million	2009 EUR Million
Changes in the fair value of derivatives used for hedging purposes (including deferred taxes)	(28, 37)	0.73	-1.43
Changes in adjustment items from currency conversion recorded in equity	(3b, 28)	0.63	0.28
Difference from consolidation measures	28	3.08	0.00
Results not recognised in income		**4.44**	**-1.15**
of which attributable to minority interests		-0.05	0.04
Group result		**34.07**	**0.90**
of which attributable to minority interests	(16)	2.23	1.72
Overall Group result		**38.51**	**-0.25**
of which attributable to minority interests		2.18	1.76
of which attributable to INTERSEROH SE shareholders		36.33	-2.01

INTERSEROH SE, Cologne

Consolidated Notes for the Fiscal Year 2010

1. General Notes

INTERSEROH SE has its head office in Cologne. The business address is: Stollwerckstrasse 9a, 51149 Cologne. The consolidated financial statements for 2010 cover the Company, its subsidiaries and the holdings in associated companies (jointly referred to as the "Interseroh Group").

The Interseroh Group is one of the leading environmental services and raw materials providers in Europe. As service provider, Interseroh organises recycling processes and as supplier to the processing industry Interseroh delivers secondary resources. The business activities of the Interseroh Group are divided into three segments – Steel and Metals Recycling, Services and Raw Materials Trading.

The companies included in the consolidated financial statements can be found in the listing of shareholdings (refer to Note 6). The listing also includes subsidiaries and associated companies not included due to their minor significance.

2. Accounting Principles

(a) Underlying accounting regulations

As a company listed on the stock exchange, INTERSEROH SE, Cologne (hereinafter called "INTERSEROH SE" or "parent company") must, according to Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and Council dated July 19, 2002 regarding the application of international accounting standards (Official Journal of the European Communities No. L 243, p. 1), prepare its consolidated financial statements starting from fiscal 2005 according to the International Financial Reporting Standards (IFRS) adopted by the European Union (EU); the IFRS consolidated opening balance was prepared on January 1, 2004 (date of the changeover to IFRS according to IFRS 1, First-time Application of International Financial Reporting Standards).

The consolidated financial statements have been prepared pursuant to Section 315a of the German Commercial Code (HGB) under the regulations of the accounting rules valid on the balance sheet date in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Accounting Standards Board (IASB) in London and are in agreement with the European Directives on consolidated accounts (Directive 83/349/EEC).

The differences from the carrying values of the assets and liabilities in the HGB consolidated balance sheet as of 31 December, 2003, resulting at the time of the changeover to IFRS were recorded in equity without impacting net income.

The Consolidated Notes also contain the information required according to the German Commercial Code (HGB).

Refer to Note 44 regarding any events of importance to the assessment of the financial, earnings and liquidity position and the payment flows of INTERSEROH AG that occurred prior to March 3, 2011 (date of release of the consolidated financial statements by the Board of Directors.

(b) Valuation of assets and debts

The consolidated financial statements were prepared on the basis of historical acquisition and production costs except for derivatives and such financial instruments that are classified as “available for sale”. Both are these categories of instruments are measured at fair value.

(c) Functional and depiction currency

The consolidated financial statements are prepared in euros, the Company's functional currency. Amounts are – with the exception of the consolidated balance sheet and consolidated income statement – shown in millions of Euro rounded to two decimal places. Rounding differences occur in individual cases.

(d) Use of management assumptions and estimates

Assumptions and estimates have been made in preparing the consolidated financial statements, which impact the reporting and amount of assets, liabilities, income, expenses and contingent liabilities. Actual values can differ from the assumptions and estimates made.

All assumptions and estimates used are checked on an ongoing basis. Each balance sheet date evidences better knowledge as reflected in the valuation methods applied. Changes are considered against income at this point in time. The effects of future changes can generally not be reliably estimated and stated.

You can find more information on significant estimate uncertainties and the methods used to counteract them in:

1. Note 3 (d), (e): standard determination of terms of useful life throughout the Group
2. Note 3 (f): criteria for assessing lease agreements as financial leases subject to reporting pursuant to IFRS
3. Note 3 (g): valuation of inventories
4. Note 3 (h): parameters for performing the impairment tests, including the definition of cash generating units (CGU)
5. Note 3 (m), 22: realisable nature of future tax relief
6. Notes 21, 24, 25: estimate of recoverability of doubtful accounts or calculation of bad debt allowances required
7. Note 29: parameters for calculating payments to employees under pension commitments
8. Note 30: valuation of provisions
9. Note 32: determination of liabilities under repayment obligations under industry agreements and for subsequent waste disposal obligations

3. Accounting Methods

The annual financial statements of the fully consolidated companies have generally been prepared in accordance with standardised accounting and valuation methods. The accounting methods and valuation rules applied by the parent company are also observed by the subsidiaries. There have been no changes to date in accounting and valuation methods.

No changes to the accounting and valuation methods for the year under review or earlier periods resulting from the first-time application of, or changes to, a standard or interpretation (IFRS/IAS) had to be made in fiscal 2010, with the exception of the new IFRS 3 version (refer to Note 3n).

In order to improve the clarity of the income statement and the balance sheet, individual items, explained in the Notes, are summarised. Current assets and liabilities are assets and liabilities that are realised or eliminated, respectively, within a year; all other assets and liabilities are classified as non-current.

(a) Consolidation Principles

The consolidation period is the calendar year. All companies included in the consolidated financial statements close their fiscal year on 31 December.

Consolidation of capital is undertaken pursuant to IAS 27 (Consolidated and Separate Financial Statements), in conjunction with IFRS 3 (Business Combinations), using the acquisition method, where the acquisition costs of the holdings are netted out against the consolidated subsidiary’s share of group equity taking the fair values of the assets and liabilities and contingent liabilities at the time of acquisition into consideration. Any excess is shown as goodwill. Goodwill is not subject to scheduled amortisation in accordance with IFRS 3. Instead the value of goodwill is reviewed by way of an impairment test at least once a year or when deemed necessary. The other hidden reserves and hidden liabilities uncovered are updated in the course of subsequent consolidations according to the corresponding assets and liabilities.

Holdings in which INTERSEROH SE exercises a significant influence – usually based on an interest of between 20 and 50 percent – are valued according to the at-equity method and shown with their proportionate equity. For this the total net investment is considered pursuant to IAS 28 (Investments in Associates).

Regarding the consolidation of debt, reciprocal claims and liabilities between fully consolidated companies are netted out.

In the course of the consolidation of income and expenses, sales revenues, income and expenses from transactions between group companies are netted out.

Interim profits from internal group trade payables and from the sale of property, plant and equipment among consolidated companies are eliminated, provided that their influence on the net assets, financial position and results of operations of the Group is not of minor significance. The corresponding transactions from previous years are updated, provided they have been eliminated as material interim profits in the year of occurrence.

As part of the consolidation entries, income tax effects are taken into consideration and shown as deferred taxes where applicable.

(b) Currency translation

All receivables and liabilities in foreign currency in the individual financial statements of the Group's companies are valued at the average exchange rate on the closing date regardless of any exchange rate hedging. Forward business transactions entered into to hedge exchange rates are shown at their respective fair value.

The balance sheets and income statements of the subsidiaries included in the consolidated financial statements are almost without exception also prepared in Euro.

Only two fully consolidated and two associated companies prepare their financial statements in US dollars or Polish zloty. The amounts included in the consolidated financial statements are converted to Euro under IAS 21 (The Effects of Changes in Foreign Exchange Rates) using the concept of functional currency. The conditions for simplified conversion using the average rate in accordance with IAS 21.40 apply for all companies concerned. The following exchange rates were used as a basis:

EUR 1		Closing date range		Average rate	
		2010	2009	2010	2009
Poland	PLN	3.9656	4.1412	3.9907	4.3275
Sweden	SEK	---	10.3530	9.6494	10.6213
USA	USD	1.3233	1.4354	1.3265	1.3949

Since INTERSEROH RSH Sweden AB, Göteborg, Sweden, was sold effective October 1, 2010, the average rate applies to the first nine months of the fiscal year.

The currency differences resulting from the conversion of the proportionate equity are shown in the equity of the Group without impacting net income.

(c) Financial Instruments

(i) Original (non-derivative) financial instruments

Original financial instruments group together holdings and securities, trade receivables, some other receivables, cash and cash equivalents, debts, trade payables and some other liabilities, and classified in various categories in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). Financial assets are accounted for as at the trading day.

Holdings and securities are classified as 'available for trade' and measured at amortised acquisition cost, since there is no transparent market that would allow measurement at fair value.

In contrast holdings in associated companies are initially valued at acquisition cost and updated using the at-equity method. If, in the course of the initial consolidation of these holdings, hidden reserves or liabilities have been uncovered, they are – taking into consideration any write-offs – also contained in the 'financial assets accounted for by the at-equity method' balance sheet item.

All other original financial instruments are classified as 'loans and receivables' or 'liabilities' and valued at the updated acquisition cost. For this purpose loans and debts with little or low interest are valued using the effective interest rate method.

Where there are doubts concerning full collectability, financial instruments are stated at the lower collectible amount. Apart from the specific bad debt charges necessitated, the identifiable risks under the overall general credit risk are accounted for by creating an allowance for doubtful accounts. These are booked to allowance for bad debt accounts.

Financial liabilities from financial lease agreements are entered as liabilities at the present value of future lease instalments.

(ii) Derivative financial instruments

Derivative financial instruments are used to reduce currency, interest rate and metal price risks and pursuant to IAS 39 are accounted for an initial valuation at acquisition cost and subsequently at their fair value. They are shown under "financial assets" or "financial liabilities".

For the valuation of derivative financial instruments, the fair value is calculated using approved financial models. The respective fair values recorded correspond to the amount at which an asset or liability could be settled between knowledgeable business partners not associated with each other and willing to enter into such a contract. The valuation reflects the estimates of market conditions by the bank partners at the balance sheet date. They were calculated based on the market data available at the time of calculation, which, however, is subject to continuous change. Numerous factors may influence the valuation and may have resulted in different values in the interim. Performance to date is not a predictor of future performance.

Exchange rate risks

In a forward exchange transaction at the time that the underlying transaction is entered into a particular exchange rate is set for a specific point in time in the future as set out in the Group's guidelines on foreign currencies. This process assures that the maturity date coincides with the payment date of the underlying receivable or liability and that no open foreign currency or time deposit positions arise.

No independent market risk arises from the forward exchange transactions, since in every case it forms a closed position in conjunction with the associated operational transaction. This guarantees that at the agreed date liquidity in the hedged currency will be available in the amount required.

Interest rate risks

In addition, interest rate swap and interest cap transactions are entered into. The purpose of the interest rate swaps is in part to limit variable interest payments from loans taken out for the duration of the agreement and in part to limit specific interest rates from the ongoing Asset Backed Securities Programme. The goal of the interest cap transactions is to establish an upper limit for liabilities with variable interest rates based on EURIBOR.

Gains and losses from derivative financial instruments that are used as qualified hedging instruments as part of a fair value hedge are taken to income and reported on the income statement. Any changes to earnings due to the ineffectiveness of these financial instruments are recorded immediately against income and shown in the income statement.

Changes to the fair value of a hedging derivative as part of a cash flow hedge are recorded against equity with no impact on income. They are only recorded directly on the income statement with an impact on income, if changes in the value of the derivative do not represent an effective hedging tool for future cash flow of the hedged transaction.

Changes in metal prices

The companies in the steel and metals recycling segment trade in metals and alloys. Both stock and direct sales transactions take place. Metals trading occurs in markets in which prices are subject to frequent fluctuations.

Price changes for metals may have an impact on contracts the fulfilment date of which is after the balance sheet date (pending transactions) on the one hand and on the other hand fluctuations in the value of warehouse inventory may result. Both risks, the price risk from pending fixed price contracts, as well as the price risk for inventories, are hedged occasionally with commodity future transactions. According to the extent to which the risks are influenced by the corresponding metal prices, Interseroh hedges them via a broker at the London Metal Exchange (LME Holdings Ltd.).

Commodity future transactions are accounted for at fair value. The carrying amount of the hedged warehouse inventory is adjusted with the changes in fair value of the hedged risks.

(d) Intangible assets

Intangible assets are valued at acquisition cost less scheduled depreciation over their terms of useful life. With the exception of goodwill with indeterminable terms of useful life, intangible assets are amortised according to the straight-line method over a period of two to 20 years. Write-offs are effected when this is deemed appropriate in the course of the impairment tests performed at least once a year. When the reasons for impairment cease to exist, corresponding write-ups are – with the exception of goodwill – effected; they may not exceed the updated carrying values.

In accordance with the option set forth in IFRS 1.15 and Appendix B, goodwill from acquisitions prior to January 1, 2004, is amortised according to previous law. This means the scheduled and extraordinary depreciations effected in earlier periods are kept and goodwill netted out with equity without influence on net income is not subsequently capitalised.

(e) Property, plant and equipment

Property, plant and equipment are valued pursuant to IAS 16 (Property, Plant and Equipment) at acquisition or production cost less accumulated depreciation and scheduled depreciation and impairment losses during the fiscal year. Interest on debt capital as interpreted in IAS 23 (Borrowing Costs) is not capitalised. According to the component approach, under certain conditions expenditures on assets are broken down and individual components measured separately. This is particularly true in the event that the components have different terms of useful life or are subject to different impairment approaches, which justify different depreciation procedures.

Costs for the repair of property, plant and equipment are charged against income. They are only capitalised if the costs result in an addition or significant improvement to the relevant asset.

Immovable property, plant and equipment (buildings and structures) are depreciated on a straight-line basis over the expected useful life. This also applies to movable property, plant and equipment. When determining depreciation amounts, residual value remaining after the customary term of useful life is taken into account.

When selling or decommissioning property, plant and equipment, the gain or loss from the difference between the sales proceeds and residual carrying value is stated under other operating income or expenses as the case may be.

Scheduled depreciation is based on the following terms of use and depreciation rates standardised throughout the group:

	Useful life Years	Depreciation rate %
Land and Buildings		
Business and factory premises and other	25 - 50	2.00 – 4.00
Outdoor installations	5-33	3.33 – 20.00
Technical equipment and machinery	4-33	3.33 – 25.00
Other facilities, fittings and equipment		
Vehicles	5-9	11.11 – 20.00
Fittings, office machines and equipment	3-25	4.00 – 33.33
Low-value items (up to EUR 150)	< 1 year	100.00
Low-value items (up to EUR 1,000)	5	20.00

If necessary, if impairment is noted during the performance of impairment tests, an impairment loss is recorded. When the reasons for the impairment loss cease to apply, appropriate reversals are undertaken.

(f) Leased assets

Rented or leased intangible assets and property, plant and equipment, which, according to the requirements of IAS 17 (Leases), must be considered economically as fixed asset acquisitions with long-term financing (finance-leasing), are stated in the balance sheet at the time of commencement of the contract at the lower of the present value of the minimum lease payments, taking one-off payments into account, or fair market value. They are subject to scheduled depreciation over their normal useful life. If a subsequent transfer of ownership of the leased object under civil law is not certain, the term of the lease agreement, if shorter, is used as the basis for depreciation. Payment obligations arising from future lease instalments are stated as financial liabilities.

Obligations to return the property to its original condition are, in accordance with IAS 16.16 (c), included in the acquisition or production costs of the asset concerned at the amount of the discounted performance sum and depreciated according to the straight-line method over the normal useful life of the asset. Expected liabilities are reflected under provisions.

For assets from finance leasing the same principles apply as shown in (d) and (e).

(g) Inventories

The raw materials, supplies and merchandise reported under inventories according to IAS 2 (Inventories) are valued at the lower of average acquisition or production costs or net selling price, i.e. the sales proceeds recoverable in the normal course of business less the estimated completion and selling costs (principle of loss-free valuation). Apart from the individual costs, production costs also include a reasonable share of the necessary fixed and variable material and production overheads to the extent incurred in connection with the production process. Costs of administration are taken into consideration to the extent that they are attributed to the production area.

(h) Impairment test

A review of recoverability of assets takes place in the Interseroh Group on at least an annual basis at year end, or during the year if special reasons for a review become apparent, at the level of the cash generating unit (CGU) as set forth in IAS 36 (Impairment of Assets).

(i) Definition of a CGU

Based on economic interdependencies, Interseroh has identified the segment of steel and metals recycling as an independent cash generating units.

In the steel and metals recycling segment scrap is bought unsorted in small quantities, sorted at the scrap yards operated by the companies, processed if necessary and then sold in large quantities. Transparency exists in this segment regarding realisable selling prices and general market developments. Furthermore, the segment’s trading volumes overall are significant to the consumers; this also has a positive effect on the negotiating positions of the individual companies. Contributions of the segment also result from transparency of information within the segment combined with market and especially price advantages from the segment-wide consolidation of sales volumes. Due to joint management by the segment management company, the individual companies cannot be viewed as “largely independent”, but rather all companies in this segment are classified as one CGU.

The companies in the services segment render waste disposal services. The companies in this segment are centrally managed. Payments associated with the relevant business activity cannot be viewed independently of the other companies. The companies of this segment, therefore, form a CGU as a whole.

The raw materials trading segment no longer forms an independent CGU as it did in previous years, due to restructuring in 2010. The individual sections of paper, plastics and wood, however, each constitutes a CGU nonetheless. The companies in the respective sections are managed jointly and both procurement and marketing, as well as the associated payments, cannot be viewed independently of each other.

(ii) Implementing the impairment tests

In the impairment tests the residual carrying amounts of the individual cash generating units are compared with their respective recoverable amounts, i.e. the higher of net selling price and value in use. The calculation of the value in use is based on the present value, calculated using the discounted cash flow method (DCF method), of future payments forecast for the next three years in the current individual plans of the Interseroh Group broken down into business field and site. A risk-free interest rate of 3.00 percent (prior year: 4.75%), a market risk of 5.00% (prior year: 5.00%) and a beta factor of 1.33 (prior year: 1.20) are assumed. This approach is taken equally for all cash generating units.

The point of departure for calculating the free cash flow per CGU is planned EBIT (earnings before income taxes, financing expense, finance income and the shares in earnings in associated companies that are accounted for using the at-equity method) of the relevant segment according to the three-year plan approved by the Board of Directors and Supervisory Board. They are adjusted by non-cash income and expenses, investment payments and changes in net current assets. For the following years a constant result is assumed and also discounted on the basis of average planned EBIT.

If the recoverable amount of the cash generating unit calculated in this way is lower than its carrying value, there is an impairment loss amounting to the difference. In this case initially any goodwill that may exist for the relevant CGU is adjusted. Any residual amount still remaining is allocated to the other assets of the respective cash generating unit in proportion to the residual carrying values of every single asset on the balance sheet date.

(i) Payments To Employees Under Pension Commitments

The pension provision for the company pension scheme was calculated based on actuarial values according to the projected unit credit method prescribed in IAS 19 (Employee Benefits). Under the projected unit credit method the net present value of claims takes both the pensions known and entitlements acquired as at the balance sheet date, as well as future anticipated salary and pension increases, into consideration. Differences arising at the end of the year (so-called actuarial gains or losses) between scheduled pension liabilities calculated in this way and the actual present value of claims are only reflected in the balance sheet if they lie outside a range of 10 percent of the scope of liability. In this case the gains and losses are, if they exceed the 10-percent corridor, allocated over the average remaining service periods of the entitled employees and recorded as income or expense. The share of interest on the transfers to provisions contained in the pension expenses is shown as interest expense under financial income.

The plan assets exist exclusively in the form of reinsurance. The results of these commitments are consolidated for each company in a “funded” plan. For all other commitments for which no reinsurance exists, the results are shown in the category ‘unfunded plan’.

The commitment payments of the Group are as a rule based on the length of service and remuneration of the employees. Obligations comprise both commitments from ongoing pensions and from entitlements to pensions to be paid in the future.

(j) Provisions

In accordance with the criteria under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), provisions are formed for uncertain liabilities, in the event that it appears probable in each case that performance of a current obligation will result in a direct outflow of resources embodying future economic benefits and the value of this obligation or performance amount can be measured reliably, including in the form of estimates. All known uncertain liabilities and risks concerning the past fiscal year are taken into consideration in the performance amount with the highest probability of occurrence. If the expected scope of obligation is reduced by a changed estimate, the provision is reduced proportionately and income recorded as other operating income.

In the case of long-term provisions the portion that is to flow out after more than a year, and for which a reliable estimate of the amount or timing of the payment is possible, is stated at the present value calculated by discounting at an interest rate commensurate with the market and term.

(k) Sales revenues and other income

Sales revenues are recognised at the time of the passage of risk in the case of supplies or at the time of rendering of the service in the case of services, deducting all taxes and revenue reductions that may apply.

Compensation fees are recorded as appropriate to the period in concordance with the specifications of the underlying contract.

(l) Financial income and expenses

Financial income mainly includes interest income and dividends. Interest income is recorded using the effective interest rate method, dividends on the creation of the legal claim to payment. This occurs at that point in time at which it becomes probable that the economic benefit from the transaction will flow to the company and the amount of revenues can be reliably ascertained.

In addition to the expenses for interest on loans, financial expenses also include compounding of long-term debt and amortisation of financial assets. All interest expenses are recorded using the effective interest rate method.

(m) Income taxes

Current income taxes paid or owed in individual countries, as well as deferred tax liabilities, are reported as tax expenses. The calculation of ongoing income tax including claims for reimbursement and debt is based on applicable laws and regulations in the individual countries.

Deferred taxes are calculated based on the one hand on timing differences between the valuations of assets and liabilities in the balance sheets according to IFRS and for tax purposes and from consolidation processes and, on the other hand, on realisable loss carry-forwards.

Deferred tax assets are only taken into account if it is reasonably certain that the temporary differences can actually be reversed for tax purposes and that the tax loss carry-forwards can actually be utilised. The losses carried forward to be used for tax purposes are determined by calculating total planned EBT for the next three years for every company. The totalled planned EBT for each company is offset against the trade tax and corporate taxes of the respective company carried forward, taking into account the rules on offsetting losses.

Calculation of both current and deferred taxes is based on the expected tax rates in the individual countries for the specific company at the time of realisation. These rates are based on the legal regulations valid or adopted on the closing date. Deferred taxes are recorded at the anticipated tax rate for INTERSEROH SE of 31.00 percent for individual consolidation transactions.

If deferred taxes relate to transactions that are recorded directly in equity, the deferred taxes are recorded directly in equity. Otherwise, they are recorded against income.

(n) New and revised standards and interpretations applied for the first time during the fiscal year

In accordance with IAS 8.28 disclosures must be made upon first-time application of a standard or an interpretation that impacts the period under review or an earlier period. This is also the case, if such effects lie within the realm of possibility. IAS 8.28, therefore, applies in the case of any changes in accounting policies resulting from a new standard or new interpretation. Changes in accounting policies due to a new standard or new interpretation relates both to mandatory changes and to the first-time use of accounting options.

IFRS 3 (Business Combinations)

The revised IFRS 3 (2008) provides new regulations on the application of the acquisition method for corporate mergers. Key changes affect the valuation of minority shares, recording successive corporate purchases and handling conditional purchase price shares and purchasing costs. According to the new regulation minority shares can either be valued using the full goodwill method or at the appropriate proportion of the fair value of assets and liabilities identified in the company or business unit purchased. For successive corporate purchases a revaluation that affects income is planned for the shares held at the time control is transferred. Changing conditional purchase price elements that are shown as liabilities at the time of the purchase must be recorded against income twelve months after the time of acquisition. Purchase subsidiary costs are recorded at the time they are created as expenses. Please refer to Notes 5b and 44 regarding the effects on Interseroh's consolidated financial statements as of fiscal 2010.

IAS 27 (Consolidated and Separate Financial Statements)

IAS 27 relates to accounting for transactions in which an entity continues to maintain control, as well as transactions in which the control ceases to exist. Transactions that do not result in control being lost are to be recorded without affecting net income as equity transactions. The remaining shares are to be valued at the fair market value at the time control is lost. For minority shares negative balances are permitted, i.e. losses are assigned in future without limits in the same proportion as the holding. The new standard is to be applied for financial years starting after July 1, 2009. Changes in the standard have to date had no effect on Interseroh’s consolidated financial statements.

(o) Standards and interpretations not applied (published, but not yet obligatory and adopted by the EU)

According to IAS 8.30, a company must report on new standards or interpretations of the IASB if these standards and/or interpretations are not yet mandatory in the year under review and are also not applied prematurely by the respective company. No standards or interpretations not yet mandatory have been applied in these consolidated financial statements.

IAS 24 (Related Party Disclosures) revised in 2009

Hitherto companies that have been controlled or significantly influenced by the government have been required to disclose information on all business transactions with companies controlled or significantly influenced by the same government. The amendment to IAS 24 requires that detailed disclosures are provided only for individual material transactions. In addition, quantitative or qualitative assessments of the effects of transactions that are not material individually, but are material when taken together, should be provided. Furthermore, the amendment to IAS 24 has clarified the definition of a related party. These amendments are to be applied for the first time to fiscal years starting on or after January 1, 2011.

4. Capital management

As part of capital management the Board of Directors endeavours to assure a strong equity base in order to strengthen the confidence of investors, potential investors and contractual partners with respect to the sustainability of Interseroh's business activities and to guarantee future business development.

Participation of employees in the Company in the form of employee share programmes has not been the intention so far.

The management system implemented by the Board of Directors aims at a reasonable return on capital employed. A key management indicator for the Group of companies is the total return on capital employed (= ratio of EBIT to total capital). The target for each business unit in the Group is an ROA of 10.00 percent. ROCE for the fiscal year amounts to 9.53 percent (previous year: 3.43 %). The Capital Management Directive was applied throughout the year without modification.

5. Scope of Consolidation

(a) Overview

Apart from INTERSEROH SE, the consolidated financial statements as of the balance sheet date also include a total of 27 domestic and eight foreign subsidiaries by way of full consolidation. The fully consolidated companies fulfil the requirement that INTERSEROH SE directly or indirectly holds the majority of voting rights in them.

Below is a summary of the change in the group of consolidated companies in the financial year (including INTERSEROH SE).

Number of companies	fully consoli-dated	valued at equity	not included due to immateriality			Total
			Holding > 50%	Holding >= 20% <= 50%	Holding < 20%	
Balance 1.1.	40	5	17	21	12	95
Additions	6	3	3	14	1	27
Disposals	-10	-3	-7	-17	-10	-47
Balance 31.12.	**36**	**5**	**13**	**18**	**3**	**75**

The following changes have taken place in the fully consolidated companies:

Company	Abbreviation	Reason
Addition (fully consolidated)		
HRR Stahlschrott- und Metallrecycling GmbH & Co. KG, Hennigsdorf	**HRR KG**	Acquisition of additional 50%, currently 100%
Altmark Recycling GmbH, Pretzier	**Altmark GmbH**	Acquisition of an additional 50% of the parent, now 100%
LRR Lausitzer Rohstoff-Recycling GmbH, Potsdam	**LRR GmbH**	Acquisition of an additional 50% of the parent, now 100%
INTERSEROH Management GmbH, Cologne	**ISM**	Start-up of business activities
INTERSEROH Pool-System GmbH, Cologne	**IS Pool**	Expansion of business activities
INTERSEROH zbiranje in predelava odpadnih surovin d.o.o., Ljubljana, Slovenia	**IS Slow.**	Expansion of business activities
Disposal (fully consolidated)		
Altmark Recycling GmbH, Pretzier	**See above**	merged
LRR Lausitzer Rohstoff-Recycling GmbH, Potsdam	**See above**	merged
HRR Stahlschrott- und Metallrecycling GmbH & Co. KG, Hennigsdorf	**See above**	grown
Lausitzer Schrottverwertung GmbH, Lübbenau	**LSV**	merged
INTERSEROH Holzkontor Wuppertal GmbH, Wuppertal	**HK Wuppertal**	Sold as at April 30, 2010
INTERSEROH France S.A.S., Pantin, France	**IS France**	Sold in June of 2010
RuP Rohstoffhandelsgesellschaft mit beschränkter Haftung, Dusseldorf	**RuP**	Sold in August of 2010
INTERSEROH RSH Sweden AB, Göteborg, Sweden	**RSH Sweden**	Sold in September of 2010
Blumhardt Entsorgungs-GmbH	**Blumhardt**	merged
RDB GmbH Recycling Dienstleistung Beratung, Aukrug	**RDB**	merged

Five companies, two domestic and three foreign, have been included 'at equity' in INTERSEROH SE's consolidated financial statement as at the balance sheet date. The following changes took place:

Company	Abbreviation	Reason
Addition (at equity)		
Ziems Recycling GmbH, Malchow	**Ziems**	Acquisition of an additional 50% of the parent, now 100%
fm Beteiligungsgesellschaft mbH, Lübbenau	**fm GmbH**	Acquisition of an additional 50% of the parent, now 100%
ISR Interseroh Italia S.r.l., Venice, Italy	**ISR Italia**	Expansion of business activities
Disposal (at equity)		
HRR Stahlschrott- und Metallrecycling GmbH & Co. KG, Hennigsdorf	**See above**	now fully consolidated
Eisen-und-Stein-Gesellschaft mbH Horn & Co., Siegen	**together:**	Sold in August of 2010
Mineralmahlwerk Westerwald Horn GmbH & Co. KG, Weitefeld	**Horn-Gruppe**	Sold in August of 2010

(b) Companies and business units acquired or included in consolidation for the first time

The companies acquired or included in consolidation for the first time in fiscal 2010 were, taken individually and together, of minor significance with regard to the Group's net assets, financial position and results of operations and its payment flows.

The amounts reflecting the assets and liabilities of the acquired companies and business units recorded at the time of acquisition or first-time consolidation can be found in the table below:

	ISM	IS Pool	IS Slow.	HRR KG
	First-time inclusion in consolidation in each case			
	100 % EUR million	100 % EUR million	100 % EUR million	100 % EUR million
Goodwill	0.00	0.00	0.00	2.26
Non-current assets	0.00	1.52	0.20	9.85
Current assets	0.07	2.41	3.17	10.83
Non-current liabilities	0.00	0.00	0.02	0.15
Current liabilities	0.04	3.91	2.58	22.79
Cash flow included in the short-term assets	0.01	0.02	0.97	1.96

INTERSEROH Pool-System GmbH chiefly manages the logistics cycle of returnable fruit and vegetable cartons from the producer to the retail store and back.

In expanding the business activities of IS Slovenia Interseroh once again increased its market share in packaging recycling, as well as in the recycling of electrical and electronic waste, in Eastern Europe.

ISM is assuming the role of a central service provider for companies in the Group in the domain of book-keeping, personnel and administration.

HRR KG and its subsidiaries operate several scrap yards in East Germany, rounding out Interseroh's presence in this region.

All amounts relating to HRR KG involve their sub-group financial statements and include the companies Altmark GmbH and LRR GmbH merged in 2010. The acquisition of shares in HRR KG, as well as the first-time consolidation of ISM and IS Pool took place on January 1, 2010. IS Slovenia was included for the first time in the consolidated financial statements as at December 31, 2010.

The acquisition cost for the additional purchase of the remaining 50 percent of HRR KG was EUR 1.00. The purchase price was settled by the transfer of funds.

Synergy and income expectations for the future were taken into consideration in the purchase price negotiations, resulting in a purchase price that exceeded the carrying value, i.e. the (proportional) equity of the company purchased; the difference was recorded in the appropriate amount as goodwill. The amount of goodwill created with the acquisition, which is deductible for tax purposes, is EUR 4.92 million.

As part of the purchase price allocation of HRR KG, hidden reserves were identified in addition to the goodwill, which resulted in the following adjustments to the acquired assets to their fair value amount:

	EUR million
Holding in fm GmbH	4.40
Holding in Ziems GmbH	1.27
Low-interest liability from partner loan	4.55
Deferred tax assets on taxable goodwill	0.80
	11.02

In comparison to the provisional purchase price allocation presented in the mid-year financial statements of 2010, the final allocation resulted in only a EUR 0.80 million reduction in goodwill, due to the capitalisation of deferred tax assets on goodwill in this amount.

The provisionally calculated fair value of the HRR KG receivables acquired reflects gross and carrying value of EUR 8.24 million. The receivables include trade receivables of EUR 7.42 million and other receivables of EUR 0.82 million.

Immediately prior to the time of acquisition the hitherto 50-percent interest in HRR KG was recorded at its fair value of EUR 0.00 million.

In the course of the acquisition of the remaining shares of HRR KG effective January 1, 2010, a comprehensive "Agreement on Terminating Cooperation in the Scrap Metal Field" was entered into with the seller as at December 31, 2009. This contains the reciprocal transfer of HRR KG sub-participations and locations.

The transaction costs of the acquisition amount to EUR 0.85 million for consultancy services and are included in other operating expenses.

The companies, fully consolidated for the first time, contributed as follows to the Group's sales and earnings for 2010:

	Sales EUR million	Earnings before taxes EUR million
ISM	0.00	0.02
IS Pool	6.93	-2.82
HRR KG	24.93	-0.90

Pre-tax earnings of ISM and IS Pool are prior to profit transfer. In the case of HRR KG no merger and participation earnings (fm GmbH) are included.

ISM achieved sales revenues (EUR 10.52 million) almost exclusively from services provided to the Group's companies, so that these revenues are to a great extent eliminated when consolidating income. The remaining portion (EUR 0.36 million) is shown in the consolidated income statement under 'other operating income', since from the perspective of the Group this represents cost transfers.

HRR KG sales and earnings for 2010 also include amounts of its subsidiaries (Altmark GmbH and LRR GmbH) merged in 2010.

If IS Slovenia had been included in the consolidated financial statements as at January 1, 2010, consolidated sales would have been EUR 6.33 million higher and consolidated earnings EUR 0.30 million higher.

INTERSEROH Berlin GmbH acquired two steel and metals locations (operating sites) in Teltow and Luckenwalde at a total purchase price of EUR 1.44 million. Land and movable property, plant and equipment with a total market value of EUR 0.94 million was transferred as part of the asset deal. A residual goodwill amount of EUR 0.50 million remained.

6. List of Shareholdings in accordance with section 313 of the German Commercial Code

INTERSEROH SE owns the following significant direct and indirect holdings of 20% or more as at the balance sheet date:

	Holding	Group share %

a. Fully consolidated companies (in addition to INTERSEROH SE)

	Holding	Group share %
1.	INTERSEROH Dienstleistungs GmbH, Cologne	100
2.	EVA Erfassen und Verwerten von Altstoffen GmbH, Vienna, Austria	100
3.	INTERSEROH zbiranje in predelava odpadnih surovin d.o.o., Ljubljana, Slovenia	100
4.	INTERSEROH Holzhandel GmbH, Cologne	100
5.	INTERSEROH Holzkontor Worms GmbH, Worms	51
6.	INTERSEROH Holzkontor Berlin GmbH, Berlin	51
7.	INTERSEROH Holzkontor OWL GmbH, Porta Westfalica	51
8.	Repasack Gesellschaft zur Verwertung gebrauchter Papiersäcke mbH, Wiesbaden	100
9.	INTERSEROH Pfand-System GmbH, Cologne	100
10.	INTERSEROH Pool-System GmbH, Cologne	100
11.	INTERSEROH Product Cycle GmbH, Cologne	100
12.	INTERSEROH Management GmbH, Cologne	100
13.	RDB plastics GmbH, Aukrug (formerly: ISR INTERSEROH Rohstoffe GmbH, Cologne)	100
14.	INDO CHINA EUROPE BVBA, Vorselaar, Belgium	100
15.	INTERSEROH Scrap and Metals Holding GmbH, Dortmund (formerly: INTERSEROH Hansa Recycling GmbH, Dortmund)	100
16.	INTERSEROH NRW GmbH, Dortmund	100
17.	INTERSEROH Evert Heeren GmbH, Leer	100
18.	Groninger VOP Recycling B.V., Groningen, Netherlands	100
19.	INTERSEROH Franken Rohstoff GmbH, Sennfeld	100
20.	INTERSEROH Hansa Rohstoffe GmbH, Dortmund	100
21.	INTERSEROH Rhein-Neckar Rohstoff GmbH, Mannheim	100
22.	INTERSEROH Jade-Stahl GmbH, Wilhelmshaven	100
23.	INTERSEROH Jade-Entsorgung GmbH, Rostock	100
24.	INTERSEROH BW Rohstoff und Recycling GmbH, Stuttgart	100
25.	INTERSEROH SEROG GmbH, Bous	100
26.	RHS Rohstoffhandel GmbH, Stuttgart	67
27.	INTERSEROH-Metallaufbereitung Rostock GmbH, Rostock	100
28.	INTERSEROH Berlin GmbH, Berlin	100
29.	INTERSEROH Scrap and Metals Trading GmbH, Cologne	100
30.	INTERSEROH Hansa Finance GmbH, Dortmund	100
31.	Wagner Rohstoffe GmbH, Frankfurt a. M.	100
32.	TOM Sp. z o.o., Szczecin, Poland	70
33.	Europe Metals B.V., Heeze, Netherlands	60
34.	Europe Metals Asia Ltd., Kowloon, Hong Kong, China	60
35.	INTERSEROH USA Inc., Atlanta, USA	100

b. Associated companies (valued under the at-equity method)

	Holding	Group share %
1.	ISR Interseroh Italia S.r.l., Genoa, Italy	50
2.	TOM II Sp. z o.o., Szczecin, Poland	50
3.	fm Beteiligungsgesellschaft mbH, Lübbenau	49
4.	Ziems Recycling GmbH, Malchow	25
5.	The ProTrade Group LLC, Hudson, Ohio, USA	25

Holding	Group share %

c. Companies not included for reasons of materiality

1.	Interseroh d.o.o. za posredovanje u zbrinjavanju otpada, Zagreb, Croatia	100
2.	Interseroh Organizacja Odzysku SA, Warsaw, Poland	100
3.	profitara austria GmbH, Vienna, Austria	100
4.	INTERSEROH Holzkontor München GmbH, Munich	100
5.	Zber a zhodnocovanie opdadov s.r.o., Bratislava, Slovakia	100
6.	INTERSEROH Services Kft., Budapest, Hungary	100
7.	profitara deutschland gmbh, Cologne	100
8.	ALBA Recycling Asia Ltd., Hong Kong/China (formerly: RDB Hong Kong ltd., Hong Kong, China)	100
9.	SES-Umwelt-Technik GmbH, Wuppertal	100
10.	INTERSEROH Magyarország KFT, Budapest, Hungary	85
11.	FENIKS Sp. z o.o., Pila, Poland	70
12.	TOM-Glob, Sp. z o.o., Bydgoszcz, Poland	70
13.	MAB Szczecin Sp. z o.o., Szczecin, Poland	51
14.	TOM Organizacja Odzysku S.A., Szczecin, Poland	50
15.	Organizacja Odzysku Odpadów i Opakowan´ EKOLA S.A., Gdansk, Poland	50
16.	DOL-EKO Organizacja Odzysku S.A, Wroclaw, Poland	50
17.	Brandenburgische Boden Gesellschaft für Grundstücksverwaltung und -verwertung mbH, Zossen	49 [1)]
18.	Projektgesellschaft Nauen GmbH, Nauen	49
19.	TVF Altwert GmbH, Lübbenau	49 [1)]
20.	TVF Ceska Republica s.r.o, Prague, Czech Republic	49
21.	ARG Abbruch und Rückbau GmbH, Schönefeld	49 [1)]
22.	Kupol GmbH, Stuttgart	40
23.	Baltmet, Kaliningrad, Russia	36
24.	TVF - Lobbe Industrieservice s.r.o., Prague, Czech Republic	25
25.	ProTrade Steel Company Ltd., Ann Arbor, Michigan, USA	25 [2)]
26.	Toledo Shredding LLC, Toledo, Ohio, USA	25 [2)]
27.	ProTrade Transportation Services Ltd., Hudson, Ohio, USA	25 [2)]
28.	America Electronics Recycling LLC, Sarasota, Florida, USA	25 [2)]
29.	RJ Recycling LLC, Nitro, West Virginia, USA	22
30.	Flag City Recycling LLC, Finlay, Ohio, USA	25
31.	Ölmühlen GmbH Nord-Ost, Semlow	22

[1)] Included in the consolidated financial statements of fm Beteiligungsgesellschaft mbH.

[2)] Included in the consolidated financial statements of The ProTrade Group LLC.

Notes on the Income Statement

The consolidated income statement is organised by types of expense (total cost procedure).

7. Sales revenues

Sales revenues for the fiscal year can be broken down in the following major categories:

	2010 EUR million	2009 EUR million
Goods – stock business	728.27	515.08
Goods – sales business	821.24	464.63
Services	388.66	286.07
Other	1.74	0.81
	1,939.91	**1,266.59**

The development in sales revenues by business fields and regions is shown in the segment reports.

8. Increase/Decrease In Inventories Of Finished Goods And Work In Progress

	Inventories		Inventory change	
	2010 EUR million	2009 EUR million	2010 EUR million	2009 EUR million
Work in progress	11.03	9.13	1.90	-1.34
Finished goods	17.37	35.66	-18.29	11.71
			-16.39	10.37
Changes due to changes in the scope of consolidation			0.70	0.06
			-15.69	**10.43**

9. Other operating income

	2010 EUR million	2009 EUR million
Refund of default reserve for asset-backed securities	10.53	8.21
Earnings from the liquidation of provisions	3.34	1.59
Income from the reversal of liabilities	13.34	12.38
Exchange rate gains	3.72	3.87
Income from the disposal of assets	2.49	1.28
Income from the liquidation of specific bad debt allowances	1.83	4.10
Insurance compensation, damage compensation	1.27	3.07
Rental income	0.69	0.89
Income from the market valuation of financial derivatives	0.73	0.00
Earnings from deconsolidations	13.56	0.00
Other	8.27	8.33
	59.77	**43.72**

Income from the liquidation of provisions and reversals of liabilities are related above all to liabilities from outstanding invoices, based on services already rendered, but not yet invoiced, as well as liabilities in connection with contracts entered into concerning repayment obligations to manufacturers and waste disposal obligations. The income mainly comes from dissolving industry liabilities.

Reference is made to the detail in Section 2 (d) (Use Of Assumptions, Estimates And Exercise Of Judgement By Management).

Income from deconsolidation results primarily from the sale of the investment in INTERSEROH France S.A.S., Pantin, France, as well as the investments in RuP Rohstoffhandelsgesellschaft mit beschränkter Haftung, Dusseldorf, INTERSEROH Holzkontor Wuppertal GmbH, Wuppertal, and the companies Eisen-und-Stein-Gesellschaft mbH Horn & Co., Siegen, and Mineralmahlwerk Westerwald Horn GmbH & Co. KG, Weitefeld, previously consolidated at equity.

10. Cost of materials

	2010 EUR million	2009 EUR million
Purchased raw materials and merchandise, less cash discounts	1,234.58	750.58
Expenses for waste disposal services and other disposal and recycling costs	266.68	194.85
Storage and freight costs	49.03	48.81
Energy costs	14.51	11.98
Counting services deposit packaging	5.25	5.72
Other services purchased	8.17	8.18
	1,578.22	**1,020.12**

The steep rise in cost of materials is related to higher raw materials prices, especially in the steel and metals recycling segment.

11. Personnel expenses

	2010 EUR million	2009 EUR million
Wages and salaries	79.50	76.74
Employee share of statutory pension insurance	5.52	5.02
Other social security contributions	8.41	9.47
Expenses for pensions and other benefits	0.75	0.82
Expenses related to payments from termination of employment contracts	1.66	1.22
	95.84	**93.27**

12. Amortisation And Depreciation On Intangible Assets And Property, Plant And Equipment

	2010 EUR million	2009 EUR million
Scheduled depreciation		
Intangible assets	4.51	4.99
Property, plant and equipment	16.61	18.20
	21.12	**23.19**
Extraordinary depreciation		
Intangible assets	1.06	0.25
Property, plant and equipment	2.02	0.69
	3.08	**0.94**
	24.20	**24.13**

In fiscal 2010 a need to write off assets of the cash generating unit, Wood, in the amount of EUR 3.00 million was identified as part of an impairment test. Consequently write-offs of EUR 1.06 million, the full amount of its goodwill, and EUR 1.94 million on property, plant and equipment, were recorded (refer to Notes 18 and 19).

Other write-offs relate to land and buildings that are not required for operations and which are no longer utilised (previous year: software and hardware acquired for customer-specific purposes in which the relevant contracts were, however, terminated prior to the expiration of the expected useful life of the assets).

13. Other operating expense

	2010 EUR million		2009 EUR million	
Operating and administrative expenses				
Maintenance costs	9.67		7.55	
Rents and other premises costs	10.72		10.55	
Legal, consulting and audit costs	15.58		14.09	
Addition to the default reserve for asset-backed securities	10.71		8.08	
Insurance policies	4.63		4.18	
External data processing costs	4.71		4.62	
Leasing expense	3.96		3.88	
Telephone, postage, Internet	1.79		1.82	
Other tax expenses	1.17		1.54	
Incidental monetary transaction costs	1.62		1.34	
Other operating and administrative expenses	14.43	78.99	10.94	68.59
Selling expenses				
Outgoing freight, transport and storage	32.05		26.50	
Sales commissions	72.40		30.50	
Exchange rate losses	3.70		4.59	
Advertising and travelling costs	13.22		11.63	
Temporary personnel leasing	5.59		6.50	
Other selling expenses	0.84	127.80	0.22	79.94
Non-cash expenses				
Allowances for doubtful accounts	11.57		9.25	
Losses from disposals of assets	0.46		0.77	
Other non-cash expenses	4.32	16.35	2.04	12.06
		223.14		**160.59**

The allowances for doubtful accounts and specific bad debt allowances (especially on trade receivables and short-term loans) included in non-cash expenses, also reflect write-offs and reversals of receivables.

The increase in sales commissions reported under selling expense relates to the services segment and is primarily due to the successful expansion of the customer base.

14. Financial And Investment Income

	2010 EUR million		2009 EUR million	
Profits/losses from associated companies accounted for under the “at-equity“ method				
Eisen-und-Stein-Gesellschaft Horn mbH & Co.	0.22		0.18	
Mineralmahlwerk Westerwald Horn GmbH & Co. KG	0.17		0.09	
HRR KG (sub-group)	---		-1.62	
Ziems Recycling GmbH	0.07		---	
fm Beteiligungsgesellschaft mbH (sub-group)	-1.00		---	
The ProTrade Group LLC (sub-group)	0.01		-1.61	
TOM II Sp. z o.o.	0.62	0.09	0.13	-2.83
Financial income				
Income from other holdings	0.29		0.01	
Income from long-term loans	0.03		0.07	
Other interest and similar income	1.92	2.24	3.72	3.80
Financial expenses				
Cost of interest from syndicated loan	-7.73		-6.29	
Transaction costs for asset-backed securities	-2.94		-1.93	
Insurance costs for asset-backed securities	-0.13		-0.19	
Impairment losses on non-current financial assets	-0.03		-1.29	
Interest portion of transfers to pension provisions	-1.14		-1.22	
Interest portion on the lease payments from finance leasing arrangements	-0.23		-0.15	
Bank interest and other costs	-7.02	-19.22	-8.74	-19.81
		-16.89		**-18.84**

A write-off of EUR 0.73 million is included in earnings from fm Beteiligungsgesellschaft mbH (sub-group). This was required in order to adjust the carrying amount of the investment to the purchase price of the remaining shares (51%) in the company acquired as at January 1, 2011.

Further details on the promissory note bond and syndicated loan can be found under Note 31.

Impairment write-downs of non-current financial assets to fair value due to earnings and liquidity prospects that do not appear sufficient relate to shares in and / or loans extended to associated companies not included in the consolidated financial statements of EUR 0.03 million (prior year: EUR 0.06 million). Furthermore, loans to associated companies not included in the consolidated financial statements of EUR 1.23 million were included in the previous year.

15. Income tax expense

The overall tax rate for the computation of deferred taxes for domestic companies ranges from 27.45 to 31.23 percent depending on the trade tax assessment rate to be applied (prior year: 27.851% - 31.575%).

The German companies in the INTERSEROH SE income tax group are subject to an average trade tax rate of 14.93 percent (current 2010 taxes) and 15.19 percent (taxes deferred to future periods). The corporate tax rate is 15.00 percent plus a solidarity surcharge on corporate taxes of 5.50 percent. The overall tax rate averages 30.76 percent for current 2010 taxes and 31.00 percent for taxes deferred to future periods.

Income tax rates applied to foreign companies vary from 16.50 to 38.25 percent (previous year: 16.50% - 37.30%).

	2010 EUR million	2009 EUR million
Taxes paid or due		
for the current year	13.47	5.17
for previous years	-1.42	0.04
	12.05	5.21
Deferred taxes		
on temporary differences	-1.40	-2.42
on change in losses carried forward	0.96	0.11
	-0.44	-2.31
	11.61	**2.90**

During the year under review tax expenses of EUR 1.30 million can be attributed to foreign subsidiaries (previous year: income of EUR 0.49 million).

We refer to Note 22 for further detail on the accounting changes related to income tax.

Actual income tax expense can be derived from the expected tax expense for the past consolidated fiscal year as shown below:

	2010 EUR million		2009 EUR million	
Earnings before taxes		45.68		3.81
Expected income tax expense (31,00%, previous year: 31,575%)		14.16		1.20
Effects of different national tax rates	-0.80		-0.76	
Effects on changes in tax rates	-0.16		0.07	
Tax-free sales and investment income	-1.57		-0.01	
Value adjustments to tax losses carried forward	1.23		-1.24	
Reversal of impairment / Non-entry of deferred tax assets on temporary differences including related effects from changes in the scope of consolidation	-1.02		0.51	
Tax expenses and income related to other periods	-1.80		0.33	
Non tax-deductible operating expenses	1.37		1.92	
Other permanent differences	0.13		0.90	
Other variances	0.06	-2.55	-0.02	1.70
Actual income tax expense		**11.61**		**2.90**

16. Income/Loss To Be Attributed To Minority Interests

The profit/loss for other shareholders of EUR +2.23 million (previous year: EUR +1.72 million) concerns profit shares of EUR 2.97 million (previous year: EUR 2.20 million) and loss shares of EUR 0.74 million (previous year: EUR 0.48 million).

17. Earnings Per Share

Earnings per share are calculated by subtracting the profit/loss for other shareholders from consolidated earnings and then dividing the result by the number of shares issued. Dilutive effects did not apply in either the year under review or the previous year.

With net income attributable to INTERSEROH SE shareholders of EUR +31.84 million (previous year: EUR - 0.82 million) and an unchanged number of issued shares of 9,840,000, this results in earnings per share of EUR +3.24 (previous year: EUR - 0.08).

Notes on the Balance Sheet

18. Intangible assets

	Goodwill EUR million	Other intangible assets EUR million	Total EUR million
Acquisition costs			
as at 1.1.2009	99.35	42.64	141.99
Additions from changes in the scope of consolidation	0.41	0.00	0.41
Disposals from changes in the scope of consolidation	-0.41	-0.01	-0.42
Additions	8.87	2.51	11.38
Disposals	0.00	-0.82	-0.82
as at 31.12.2009	**108.22**	**44.32**	**152.54**
Depreciation			
as at 1.1.2009	0.00	10.86	10.86
Disposals from changes in the scope of consolidation	0.00	-0.01	-0.01
Additions	0.00	5.25	5.25
Disposals	0.00	-0.71	-0.71
as at 31.12.2009	**0.00**	**15.39**	**15.39**
Carrying values			
as at 1.1.2009	99.35	31.78	131.13
as at 31.12.2009	**108.22**	**28.93**	**137.15**
Acquisition costs			
as at 1.1.2010	108.22	44.32	152.54
Additions from changes in the scope of consolidation	2.26	0.34	2.60
Disposals from changes in the scope of consolidation	-6.37	-1.93	-8.30
Additions	0.73	1.34	2.07
Disposals	0.00	-0.04	-0.04
as at 31.12.2010	**104.84**	**44.03**	**148.87**
Depreciation			
as at 1.1.2010	0.00	15.39	15.39
Additions from changes in the scope of consolidation	0.00	0.30	0.30
Disposals from changes in the scope of consolidation	0.00	-1.14	-1.14
Additions	1.06	4.51	5.57
Disposals	0.00	-0.03	-0.03
as at 31.12.2010	**1.06**	**19.03**	**20.09**
Carrying values			
as at 1.1.2010	108.22	28.93	137.15
as at 31.12.2010	**103.78**	**25.00**	**128.78**

The goodwill reported in the consolidated financial statements consists of residual carrying values of goodwill from the initial consolidation of subsidiaries at the amount of EUR 96.16 million (previous year: EUR 100.86 million), as well as the goodwill taken over from the individual financial statements at the amount of

EUR 7.62 million (previous year: EUR 7.35 million).

Additions primarily relate to goodwill from the change in the scope of consolidations mentioned in Note 5 (EUR 2.26 million) and from the asset deal for two operating sites (EUR 0.50 million). Reductions resulted from the first-time consolidation of RuP Rohstoffhandelsgesellschaft mbH (EUR 5.86 million) and INTERSEROH Holzkontor Wuppertal GmbH (EUR 0.51 million).

As at the balance sheet date the carrying value of goodwill breaks down into the following segments:

	2010 EUR million	2009 EUR million
Services	1.32	1.22
Raw Materials Trading	6.69	8.26
Steel and Metals Recycling	95.77	98.74
	103.78	108.22

The services and steel and metals recycling segments have also been identified as cash generating units. Goodwill in the raw materials trading segment can be distributed as follows over the segment's cash generating units:

	2010 EUR million	2009 EUR million
Paper	0.63	0.63
Plastics	6.06	6.06
Wood	0.00	1.57
	6.69	8.26

Customer relationships and export licences that are amortised over a useful life of from ten to twenty years are shown on the balance sheet date in the amount of EUR 21.11 million (prior year: EUR 23.21 million).

Intangible assets with a residual carrying value of EUR 0.12 million (previous year: EUR 0.20 million) that are to be capitalised under finance leases are also included. Amortisation on these assets amounted to EUR 0.09 million (previous year: EUR 0.09 million).

The other amounts relate to software and licences that are depreciated over three to five years.

In fiscal 2010 a write-off of the full amount of goodwill of the wood cash generating unit was undertaken (EUR 1.06 after the disposal of INTERSEROH Holzkontor Wuppertal GmbH), since it was determined during the impairment test that the carrying amounts of this cash generating unit exceeded its value in use by EUR 3.00 million. Additional impairment write-offs for this reason had to be undertaken in property, plant and equipment (refer to Note 19). Otherwise, as in the previous year, no write-offs had to be undertaken on intangible assets. All write-offs of intangible assets is included in the income statement item "Amortisation and depreciation on intangible assets and property, plant and equipment".

A sensitivity analysis was conducted in addition to the impairment test. If the capitalisation interest rates had each been increased by 10 percent no additional write-off of goodwill would have been necessary for any of the cash generating units.

19. Property, plant and equipment

	Land and buildings EUR million	Technical equipment and machinery EUR million	Fittings and equipment EUR million	Construction in progress EUR million	Total EUR million
Acquisition /Production costs					
as at 1.1.2009	109.56	130.78	67.34	3.81	311.49
Currency conversion	0.01	-0.01	0.00	0.00	0.00
Additions/Disposals from changes in the scope of consolidation	-1.26	-0.20	-0.17	-0.02	-1.65
Additions	1.47	4.60	4.26	1.49	11.82
Disposals	-0.92	-8.30	-4.12	0.00	-13.34
Reclassifications	0.74	2.21	0.12	-3.07	0.00
as at 31.12.2009	**109.60**	**129.08**	**67.43**	**2.21**	**308.32**
Depreciation					
as at 1.1.2009	44.00	96.05	50.84	0.43	191.32
Additions/Disposals from changes in the scope of consolidation	-0.25	-0.11	-0.24	0.00	-0.60
Additions	3.88	9.36	5.64	0.00	18.88
Disposals	-0.24	-6.13	-3.35	0.00	-9.72
as at 31.12.2009	**47.39**	**99.17**	**52.89**	**0.43**	**199.88**
Carrying values					
as at 1.1.2009	65.56	34.73	16.50	3.38	120.17
as at 31.12.2009	**62.21**	**29.91**	**14.54**	**1.78**	**108.44**
Acquisition/Production costs					
as at 1.1.2010	109.60	129.08	67.43	2.21	308.32
Currency conversion	0.07	0.13	0.03	0.00	0.23
Additions/Disposals from changes in the scope of consolidation	-15.82	-14.49	-4.37	0.15	-34.53
Additions	1.86	8.66	4.29	2.29	17.10
Disposals	-1.48	-8.67	-5.01	0.00	-15.16
Reclassifications	1.32	0.49	0.06	-1.87	0.00
as at 31.12.2010	**95.55**	**115.20**	**62.43**	**2.78**	**275.96**
Depreciation					
as at 1.1.2010	47.39	99.17	52.89	0.43	199.88
Currency conversion	0.00	0.00	0.00	0.00	0.00
Additions/Disposals from changes in the scope of consolidation	-5.47	-11.73	-5.74	0.00	-22.94
Additions	5.44	7.35	5.84	0.00	18.63
Disposals	-0.81	-6.36	-3.75	0.00	-10.92
Reclassifications	0.00	0.00	0.00	0.00	0.00
as at 31.12.2010	**46.55**	**88.43**	**49.24**	**0.43**	**184.65**
Carrying values					
as at 1.1.2010	62.21	29.91	14.54	1.78	108.44
as at 31.12.2010	**49.00**	**26.77**	**13.19**	**2.35**	**91.31**

Property, plant and equipment includes assets at the amount of EUR 8.16 million (previous year: EUR 3.37 million) under rental or lease contracts which should be classified as finance lease agreements based on IFRS criteria and are therefore to be entered in the balance sheet of their economic owner. Reference is made to Note 31 regarding the corresponding liabilities.

These assets basically concern technical equipment and machinery as well as other facilities, fittings and equipment with carrying values of EUR 7.50 million and EUR 0.65 million respectively (previous year: EUR 2.64 million and EUR 0.71 million respectively).

Under leased and capitalised assets objects of property, plant and equipment additions of EUR 0.04 million have resulted from first-time consolidations in the year under review and other additions include EUR 6.72 million (previous year: EUR 0.00 million and EUR 1.43 million each), as well as depreciation in the amount of EUR 1.11 million (previous year: EUR 1.19 million).

Write-downs in the amount of EUR 2.02 million (previous year: EUR 0.69 million) were effected on property, plant and equipment in the past fiscal year. All depreciation on property, plant and equipment is shown in the income statement item “Amortisation and depreciation on intangible assets and property, plant and equipment”.

Asset items in property, plant and equipment – land and buildings, as well as vehicles and machinery assigned as collateral – with a total residual carrying value of EUR 28.48 million (previous year: EUR 3.77 million), serve as security for liabilities valued at a total of EUR 83.24 million (previous year: EUR 3.51 million) on the balance sheet date. The reason for the increase is the new syndicated loan facility of EUR 130.00 million, which replaced the syndicated loan agreement of January 21, 2010.

The respective companies in the Group (owners) have created a collective land charge without mortgage deed in favour of WestLB AG (creditor) in the amount of EUR 120.00 million including various plots of land (pledged property) in connection with the collateral package for the syndicated loan facility.

20. Financial Assets Accounted For Under The At-equity Method

The following holdings are valued using the "at-equity method" in Interseroh's consolidated financial statements:

		Shareholding		Carrying value	
		31.12.2010	31.12.2009	31.12.2010	31.12.2009
	Country	%	%	EUR million	EUR million
Eisen- und Stein-Gesellschaft Horn mbH & Co.	Germany	---	50	---	2.40
Mineralmahlwerk Westerwald Horn GmbH & Co. KG	Germany	---	50	---	1.12
HRR Stahlschrott- und Metallrecycling GmbH & Co. KG (sub-group)	Germany	100	50	---	0.00
fm Beteiligungsgesellschaft mbH (sub-group)	Germany	49	---	2.84	---
Ziems Recycling GmbH	Germany	25	---	2.09	---
TOM II Sp. z o.o.	Poland	50	50	2.38	1.68
ISR Interseroh Italia S.r.l.	Italy	50	50	0.05	---
The ProTrade Group LLC (sub-group)	USA	25	25	3.44	3.37
				10.80	**8.57**

Except for ISR Interseroh Italia S.r.l. (raw materials trading segment) all companies accounted for under the at-equity method belong to the steel and metals recycling segment.

The carrying amounts mentioned include, as part of the first-time consolidation of The ProTrade Group LLC and fm Beteiligungsgesellschaft mbH, the hidden reserves of intangible assets and property, plant and equipment totalling EUR 1.84 million (previous year: EUR 0.41 million, including Eisen- und Stein-Gesellschaft Horn mbH & Co.), as well as goodwill from those companies and from Ziems Recycling GmbH and ISR Interseroh Italia S.r.l. totalling EUR 4.74 million (previous year: EUR 2.65 million, including HRR Stahlschrott- und Metallrecycling GmbH & Co. KG).

At the balance sheet date a write-down of EUR 0.73 million was to be applied to the holding in fm Beteiligungsgesellschaft mbH. The carrying amount of the holding was thereby adjusted to the fair value. The latter was determined based on the purchase price of the remaining shares (51%) acquired effective January 1, 2011.

Summary of financial information on the holdings recognised at-equity on the closing date (related respectively to 100%):

	Total assets	Equity capital	Sales revenues	Net earnings for the period
	EUR million	EUR million	EUR million	EUR million
2010				
fm Beteiligungsgesellschaft mbH (sub-group)	11.22	3.23	27.59	0.54
Ziems Recycling GmbH	11.19	1.70	32.34	0.30
TOM II Sp. z o.o.	10.40	4.76	23.22	1.24
ISR Interseroh Italia S.r.l.	2.20	0.03	12.51	-0.07
The ProTrade Group LLC (sub-group)	42.93	-0.25	196.70	0.26
2009				
Eisen-und-Stein-Gesellschaft Horn mbH & Co.	12.96	4.42	12.70	0.36
Mineralmahlwerk Westerwald Horn GmbH & Co. KG	12.62	2.23	16.25	0.18
HRR Stahlschrott- und Metallrecycling GmbH & Co. KG (sub-group)	17.43	-15.53	69.41	-1.07
TOM II Sp. z o.o.	9.14	3.36	11.27	0.27
The ProTrade Group LLC (sub-group)	30.60	-0.59	113.22	-6.95

All figures relate to the annual or sub-group financial statements prepared pursuant to relevant national law. Where significant deviations from the accounting regulations according to IFRS have been determined, the proportionate earnings and the respective equity have been adjusted accordingly for the purposes of consolidated accounting.

Sales revenues and net income for the year of The ProTrade Group LLC (sub-group) include the consolidated figures of the parent company and five subsidiaries. This also applies to fm Beteiligungsgesellschaft mbH (sub-group with parent and three subsidiaries) and in the previous year to HRR Stahlschrott- und Metallrecycling GmbH & Co. KG (sub-group with parent and its subsidiaries).

The share of earnings that the companies mentioned have contributed to consolidated earnings can be found under Note 14.

21. Financial assets

	2010 EUR million	2009 EUR million
Non-current		
Interests in affiliated companies	0.23	0.79
Other holdings	0.45	0.56
Loans to associated companies	1.89	10.79
Other loans	0.34	0.92
Securities	0.00	0.02
Financial derivatives	2.76	0.00
Other	1.95	0.05
	7.62	**13.13**
Current		
Loans to associated companies	0.88	2.45
Other loans	0.67	1.19
Receivables from asset-backed securities	3.61	2.36
Financial derivatives	0.79	0.17
Other	0.81	0.23
	6.76	**6.40**

Interests in associated companies concern companies that are not included in the consolidated financial statements in spite of the Group holding an interest of more than 50 percent, due to their subordinate significance. Other holdings relate to holdings in which the Group holds an equity and voting-rights ratio of less than 50 percent. Impairment losses totalling EUR 0.03 million (previous year: EUR 0.06 million) were recorded for these asset groups as a result of impairment tests.

Long-term loans to associated companies in 2010 relate only to The ProTrade Group LLC in the amount of EUR 1.89 million (previous year: EUR 1.74 million). In the previous year loans to HRR Stahlschrott- und Metallrecycling GmbH & Co. KG of EUR 8.48 million and to Mineralmahlwerk Westerwald Horn GmbH & Co. KG of EUR 0.57 million were also reported.

Other loans reported reflect loans to unconsolidated associated companies in the amount of EUR 0.35 million (previous year: EUR 1.20 million) and to employees and companies not associated with the Group in the amount of EUR 0.66 million (previous year: EUR 0.91 million). Reference is made to Note 14 with regard to extraordinary bad debt allowances on financial assets.

After taking into consideration the impairment losses effected, carrying values of all other financial liabilities shown correspond to their fair market values on the closing date.

Reference is made to Notes 38 and 37 regarding receivables under asset-backed securities and financial derivatives.

22. Income Tax Assets And Liabilities

The following income tax assets and liabilities are shown separately in the consolidated balance sheet:

	2010 EUR million	2009 EUR millio
Deferred tax assets	9.99	13.72
Income tax refund claims	1.21	7.09
Deferred tax liabilities	-7.35	-13.89
Income tax liabilities	-5.31	-3.10
Balance	**-1.46**	**3.82**

Deferred taxes accounted for can be assigned to individual balance sheet items according to their origin as follows:

	Assets	Liabilities	Assets	Liabilities
	Deferred taxes 2010 EUR million		Deferred taxes 2009 EUR million	
Goodwill	2.66	1.03	0.71	0.84
Other intangible assets	0.00	5.24	0.00	5.91
Property, plant and equipment	0.99	4.10	0.76	5.53
Financial assets	0.40	0.39	1.03	0.25
Inventories	0.00	0.82	0.09	0.21
Provisions for pensions	1.30	0.00	1.40	0.00
Other provisions	2.07	0.04	3.54	0.03
Financial liabilities	5.52	1.63	3.96	2.98
Losses carried forward for tax purposes	2.94	0.00	4.09	0.00
	15.89	13.25	15.58	15.75
Netting	-5.90	-5.90	-1.86	-1.86
	9.99	**7.35**	**13.72**	**13.89**

Deferred tax liabilities are offset against corresponding assets, provided the same tax subject and same tax authority are involved.

Deferred taxes recorded without impacting profit and loss that arise from the measurement of financial derivatives amount to EUR 0.85 million in total (previous year: EUR 2.17 million).

Tax loss carry forwards in the amount of EUR 4.46 million can be used until the end of 2017, in the amount of EUR 0.37 million until the end of 2019 and all others can be used indefinitely.

Of tax losses carried forward amounting to EUR 33.36 million (previous year: EUR 32.52 million), deferred tax assets totalling EUR 5.53 million (previous year: EUR 7.20 million) were not capitalised. They relate to domestic and foreign companies where realisation of the deferred tax assets cannot be deemed certain from the present perspective.

Current tax refund claims and tax liabilities relate almost exclusively to domestic corporate and municipal trade tax. The consolidated balance sheet otherwise includes only EUR 0.09 million (previous year: EUR 0.45 million) in foreign income tax claims and EUR 2.75 million (previous year: EUR 0.51 million) in foreign tax liabilities.

Changes in deferred taxes in the consolidated balance sheet can be reconciled as follows to deferred taxes in the consolidated income statement:

	2010 EUR million	2010 EUR million	2009 EUR million	2009 EUR million
Deferred tax assets 01.01.	13.72		12.50	
Deferred tax liabilities 01.01.	-13.89	-0.17	-15.60	-3.10
Deferred tax assets 31.12.	9.99		13.72	
Deferred tax liabilities 31.12.	-7.35	2.64	-13.88	-0.16
Change in balance		2.81		2.94
Additions/Disposals from changes in the scope of consolidation		-3.69		0.11
Changes not recognised in income		1.32		-0.74
Deferred tax income according to income statement		0.44		2.31

We refer to explanations regarding tax expenses under Note 15 in this respect.

23. Inventories

	2010 EUR million	2009 EUR million
Raw materials and supplies	1.78	1.77
Work in progress	11.03	9.13
Finished goods	17.37	35.66
Merchandise	77.39	28.25
	107.57	**74.81**

Of the inventories shown on the closing date, EUR 3.05 million (previous year: EUR 22.89 million) were accounted for at their net selling value.

Value adjustments on inventories amounted to EUR 1.56 million (previous year: EUR 2.04 million) in the fiscal year.

Interseroh has assigned inventories by way of collateral for bank liabilities under the syndicated loan, valued at carrying amounts of EUR 28.41 million as at the balance sheet date.

24. Trade Receivables

Receivables from	2010 EUR million	2009 EUR million
Third parties	197.38	155.52
Less doubtful accounts	-10.42	-15.55
	186.96	139.97
Affiliated companies	10.38	0.22
Associated companies	0.37	13.32
Holdings	0.12	0.12
	197.83	**153.63**

All trade receivables shown are due within a year.

Value adjustments on trade receivables amounted to EUR 10.47 million (previous year: EUR 15.88 million) in the fiscal year.

Interseroh has assigned trade receivables by way of collateral for bank liabilities under the syndicated loan, valued at carrying amounts of EUR 89.21 million as at the balance sheet date.

25. Other receivables

	2010 EUR million	2009 EUR million
Deposit receivables	2.50	19.76
Advances to suppliers	7.84	11.36
Tax refund claims	2.93	3.40
Purchase price reduction of acquired companies	0.00	4.27
Creditors on the debit side	8.56	0.73
Security deposits	0.51	2.05
Other	7.46	5.96
	29.80	**47.53**

Deposit receivables reported – corresponding to the deposit liabilities included in the other liabilities - are the result of the purchase of disposable packaging with deposits by a variety of customers. In this scenario Interseroh acquires the associated deposit claims from the entity first bringing the disposable packaging into circulation and owes the seller of the packaging the deposit monies received. The decline in these receivables and the corresponding liabilities is due to the fact that a major customer is now undertaking the deposit clearing function in-house.

The amounts named contain the following sums that can only be realised after a year has elapsed:

	2010 EUR million	2009 EUR million
Security deposits	0.14	0.48
Advances to suppliers	0.84	0.69
Other	0.10	0.35
	1.08	**1.52**

26. Cash and cash equivalents

	2010 EUR million	2009 EUR million
Deposits with banks	63.81	88.51
Cash on hands	1.06	0.51
Cheques	0.00	0.02
	64.87	**89.04**

This item is not subject to restrictions on ownership or disposal with the exception of the security for liabilities under the asset-backed securities programme shown in Note 38.

27. Subscribed capital

INTERSEROH SE's fully paid-up subscribed capital remained at EUR 25.58 million as at the balance sheet date. The capital stock is divided into 9,840,000 shares at no par value (also unchanged) with an arithmetic share in capital stock of EUR 2.60 each.

A share entitles its holder to participate in the company's annual General Shareholders' Meeting and to receive a dividend declared by the General Shareholders' Meeting.

Pursuant to the German Companies Act, the distributable dividend is determined according to the net income reflected in the annual financial statements of INTERSEROH SE prepared pursuant to the regulations of the German Commercial Code (HGB).

A dividend of EUR 0.11 was paid per share for fiscal 2009 (EUR 1.08 million in all). The proposed dividend for fiscal 2010 is EUR 0.25 per share. The amount of the dividend for 2010 depends on shareholder approval during the course of the General Shareholders' Meeting to be held on May 17, 2011.

28. Reserves

	2010 EUR million	2009 EUR million
Capital reserve	38.61	38.61
Consolidated earnings	136.66	104.98
Other non-cash transactions	-16.13	-19.21
Adjustment items from currency conversion	-0.44	-0.92
	158.70	**123.46**

The capital reserve contains the premium received on issuing shares. This reserve is subject to certain restrictions on disposal contained in the German Companies Act. In accordance with IFRS 1, upon transition to IFRS/IAS accounting, the net asset differences in previous years from the initial consolidation of subsidiaries were included in the capital reserve (EUR 36.69 million).

Other non-cash transactions primarily reflect differences on the asset side of the balance sheet from the initial consolidation of subsidiaries, which were offset against retained earnings during the time prior to the transition to IFRS/IAS. Due to the first-time inclusion of subsidiaries hitherto not consolidated, an allocation of EUR 3.08 million was undertaken without impacting profit and loss.

The adjustment items from the currency conversion resulted from the annual financial statements produced in foreign currency for the fully consolidated companies, TOM Sp. z o.o. (Poland) and INTERSEROH USA Inc., as well as the holdings held at-equity TOM II Sp. z o.o. (Poland) and The ProTrade Group LLC (sub-group, USA).

In addition to the adjustment item from currency conversion, an amount of EUR 0.93 million (previous year: EUR -1.43 million) was transferred to reserves without impacting income from the valuation of financial derivatives (cash flow hedges) taking into account deferred taxes. These sums relate exclusively to the Steel and Metals Recycling segment.

29. Payments To Employees Under Pension Commitments

Existing obligations were calculated using the following parameters:

	31.12.2010	31.12.2009
Interest rate for accounting purposes	4.85%	5.15%
Salary trend	2.50%	2.50%
Pension adjustment	2.00%	2.00%
Increase in contribution assessment ceiling for statutory pension insurance	2.50%	2.50%
Expected return from plan assets	5.50%	5.50%

The “pension adjustment” parameter is set using future expected inflation.

The parameters for mortality, morbidity and marriage probability are based on the “Reference Tables 2005 G” of Dr. Klaus Heubeck. The earliest possible age for receiving retirement benefits from the statutory pension scheme pursuant to German law was used as the retirement age.

The following age and gender-dependent fluctuation probabilities were applied:

Change rate per year	31.12.2010		31.12.2009	
Age to	Men	Women	Men	Women
25	6.0%	8.0%	6.0 %	8.0 %
30	5.0%	7.0%	5.0 %	7.0 %
35	4.0%	5.0%	4.0 %	5.0 %
45	2.5%	2.5%	2.5 %	2.5 %
50	1.0%	1.0%	1.0 %	1.0 %
over 50	0.0%	0.0%	0.0 %	0.0 %

Net liabilities developed as follows:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
as at 01.01.2009	0.11	21.31	21.42
Periodic net costs from pension commitments (fixed benefit plan)	0.16	1.27	1.43
Employer contributions to plan assets	-0.26	0.00	-0.26
Pension payments made	-0.13	-1.32	-1.45
as at 31.12.2009	**-0.12**	**21.26**	**21.14**
as at 01.01.2010	-0.12	21.26	21.14
Periodic net costs from pension commitments (fixed benefit plan)	0.29	1.24	1.53
Employer contributions to plan assets	-0.28	0.00	-0.28
Additions/reductions/transfers	0.00	-0.03	-0.03
Pension payments made	0.00	-1.31	-1.31
as at 31.12.2010	**-0.11**	**21.16**	**21.05**

The present value of pension entitlements has changed as follows:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
as at 01.01.2009	1.35	20.82	22.17
Current service cost	0.06	0.10	0.16
Interest expenses	0.07	1.17	1.24
Supplementary plan	0.07	0.00	0.07
Actuarial loss	0.12	1.22	1.34
Additions/reductions/transfers	0.05	0.00	0.05
Pension payments made	-0.15	-1.34	-1.49
Plan reductions	-0.05	0.00	-0.05
as at 31.12.2009	**1.52**	**21.97**	**23.49**
as at 01.01.2010	1.52	21.97	23.49
Current service cost	0.04	0.13	0.17
Interest expenses	0.08	1.10	1.18
Actuarial loss	0.68	0.83	1.51
Additions/reductions/transfers	0.00	-0.03	-0.03
Pension payments made	-0.04	-1.31	-1.35
as at 31.12.2010	**2.28**	**22.69**	**24.97**

Payments anticipated for 2011 amount to EUR 1.70 million (previous year: EUR 1.33 million) and are recorded under current provisions.

Pension costs are made up as follows:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
2009			
Interest expenses	0.07	1.17	1.24
Expected income from plan assets	-0.08	0.00	-0.08
Current service cost	0.06	0.10	0.16
Supplementary service cost	0.07	0.00	0.07
Adjustment of actuarial net (gain)/loss	-0.01	0.00	-0.01
Immediate adjustment due to maximum ceiling	0.05	0.00	0.05
Periodic net costs from pension commitments - fixed benefit plan	**0.16**	**1.27**	**1.43**
2010			
Interest expenses	0.08	1.10	1.18
Expected income from plan assets	-0.11	0.00	-0.11
Current service cost	0.04	0.13	0.17
Adjustment of actuarial net (gain)/loss	0.63	0.01	0.64
Immediate adjustment due to maximum ceiling	-0.35	0.00	-0.35
Periodic net costs from pension commitments - fixed benefit plan	**0.29**	**1.24**	**1.53**

Interest expenses are – when offset against expected gains from plan assets – shown under financial expenses, while the other expenses are shown under personnel expenses.

The market value of plan assets has developed as follows:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
as at 01.01.2009	1.44	0.00	1.44
Actual income from plan assets			
a. Expected income from plan assets	0.08	0.00	0.08
b. Actuarial gains and losses	0.01	0.00	0.01
Employer contributions	0.27	0.00	0.27
Pension payments made	-0.04	0.00	-0.04
as at 31.12.2009	**1.76**	**0.00**	**1.76**
as at 01.01.2010	1.76	0.00	1.76
Actuarial income from plan assets			
a. Expected income from plan assets	0.11	0.00	0.11
b. Actuarial gains and losses	0.02	0.00	0.02
Employer contributions	0.28	0.00	0.28
Pension payments made	-0.04	0.00	-0.04
as at 31.12.2010	**2.13**	**0.00**	**2.13**

The plan assets are comprised of reinsurance policies with various life insurance companies. The income from these reinsurance policies is calculated from the fixed guaranteed interest (depending on the policy between 2.75% and 3.75%) and the variable profit share to be set annually by the insurance company that results from risk or cost gains and the profit from the insurance policies on which the capital investment is based. The 5.50 percentage represents an average long-term expectation of these total assets.

The net present value of the defined benefit liability and the fair value of the plan assets can be reconciled to the debts shown in the balance sheet as follows:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
Cash value of performance-oriented liability to 31.12.2009	1.52	21.97	23.49
Fair market value of the plan assets as at 31.12.2009	1.76	0.00	1.76
	0.24	-21.97	-21.73
Actuarial (gain)/loss not recorded as at 31.12.2009	0.23	0.71	0.94
	0.47	21.62	-20.79
Cash value of performance-oriented liability to 31.12.2010	2.28	22.69	24.97
Fair market value of the plan assets as at 31.12.2010	2.13	0.00	2.13
	-0.15	-22.69	-22.84
Actuarial (gain)/loss not recorded as at 31.12.2010	0.26	1.53	1.79
	0.11	**-21.16**	**-21.05**

The total sums of the net present value or the market value of plan assets has developed as follows:

	Net present value EUR million	Market value of plan assets EUR million	Shortfall EUR million
31.12.2006	24.83	1.34	23.49
31.12.2007	22.16	1.48	20.68
31.12.2008	22.17	1.44	20.73
31.12.2009	23.49	1.76	21.73
31.12.2010	24.98	2.13	22.85

The development of actuarial gains and losses is reflected in the table below:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
Actuarial (gain)/loss not recorded as at January 1, 2009	0.12	-0.51	-0.39
Actuarial (gain)/loss in the period			
a. Net present value	0.11	1.22	1.33
b. Plan assets	-0.01	0.00	-0.01
Offset according to plan from actuarial net gain/(loss)	0.01	0.00	0.01
Actuarial (gain)/loss not recorded as at December 31, 2009	**0.23**	**0.71**	**0.94**
Actuarial (gain)/loss not recorded as at January 1, 2010	0.23	0.71	0.94
Actuarial (gain)/loss in the period			
a. Net present value	0.68	0.83	1.51
b. Plan assets	-0.02	0.00	-0.02
Expense recorded immediately due to upper valuation limit	-0.63	0.00	-0.63
Offset according to plan from actuarial net gain/(loss)	0.00	-0.01	-0.01
Actuarial (gain)/loss not recorded as at December 31, 2010	**0.26**	**1.53**	**1.79**

30. Provisions

	Balance 01.01.2010 EUR million	Change in scope of consolidation EUR million	Utilis-ation EUR million	Liquidation EUR million	Transfer EUR million	Balance 31.12.2010 EUR million
Lawsuits	2.12	-0.66	0.32	1.00	0.62	0.76
Obligation to return property to orig. condition	2.72	0.03	0.00	0.10	0.37	3.02
Pending transactions	8.39	0.00	6.85	0.59	2.27	3.22
Anniversary obligations	0.48	0.00	0.04	0.01	0.03	0.46
Other	4.35	0.28	0.68	1.64	2.63	4.94
	18.06	**-0.35**	**7.89**	**3.34**	**5.92**	**12.40**

	Balance 01.01.2009 EUR million	Change in scope of consolidation EUR million	Utilis-ation EUR million	Liquidation EUR million	Transfer EUR million	Balance 31.12.2009 EUR million
Lawsuits	2.42	0.00	0.10	1.14	0.94	2.12
Obligation to return property to orig. condition	2.62	0.00	0.01	0.00	0.11	2.72
Pending transactions	6.88	0.00	3.28	0.00	4.79	8.39
Anniversary obligations	0.51	0.01	0.07	0.02	0.05	0.48
Other	3.14	0.00	0.13	0.43	1.77	4.35
	15.57	**0.01**	**3.59**	**1.59**	**7.66**	**18.06**

Of the amounts shown, the following are due within a year:

	Balance 31.12.2010 EUR million	Balance 31.12.2009 EUR million
Pending transactions	2.95	8.23
Lawsuits	0.74	2.10
Other	3.44	3.14
	7.13	**13.47**

The current share of provisions for pensions (prospective pension payments in the upcoming fiscal year) is reported in the balance sheet under current provisions at EUR 1.70 million (previous year: EUR 1.33 million), so that the total amount of the balance sheet item “Provisions” in current liabilities amounts to EUR 8.83 million (previous year: EUR 14.79 million).

Provisions for current lawsuits are created, provided their risks can be reasonably estimated. These provisions are determined on the basis of notifications and cost estimates by the lawyers appointed to represent the company and cover all estimated fees and legal expenses for these lawsuits and possible settlement costs.

Obligations to return property to its original condition correspond to the discounted amount for restoration to original condition of rented or leased property at the end of the rent or lease agreements. The expected expenditures are, insofar as they are not due in 2011 or further extensions to the existing agreements are not agreed, due between January 01, 2012 and December 31, 2023. Due to the passage of time, the discounted amount of the provisions rose by EUR 0.01 million (previous year: EUR 0.01 million) as at the balance sheet date.

The provisions for anticipated losses from pending transactions relate to the services segment. Operating losses, calculated based on full costs, for the minimum lease not subject to termination are provided for in line with the term of the underlying contracts.

31. Financial Liabilities

Liabilities (to / from)	as at 31.12.2010			
		of which with a remaining term of		
	Total EUR million	up to 1 year EUR million	over 1 year, up to 5 EUR million	over 5 years EUR million
Banks	97.10	12.42	83.16	1.52
Asset-backed securities	32.02	32.02	0.00	0.00
Derivatives	7.19	3.38	3.81	0.00
Finance leases	8.01	1.83	3.51	2.67
Other	5.51	5.44	0.07	0.00
	149.83	**55.09**	**90.55**	**4.19**

Liabilities (to / from)	as at 31.12.2009			
		of which with a remaining term of		
	Total EUR million	up to 1 year EUR million	over 1 year, up to 5 EUR million	over 5 years EUR million
Banks	151.62	145.80	4.35	1.47
Asset-backed securities	22.57	22.57	0.00	0.00
Derivatives	7.97	1.64	6.33	0.00
Finance leases	3.86	1.47	2.39	0.00
Other	12.23	11.10	1.13	0.00
	198.25	**182.58**	**14.20**	**1.47**

Liabilities to banks that are secured by Interseroh collateral amounted to EUR 92.28 million as at the balance sheet date (previous year: EUR 11.87 million); of this amount EUR 82.75 million (previous year: EUR 2.97 million) is secured by land charges. The reason for the increase is the new syndicated loan facility. The interest rates for medium and long-term liabilities range between 4.10 percent and 5.22 percent. Terms end between December 15, 2011 and August 30, 2015.

Collateral in the form of trade receivables, inventories, fixed assets and blank drafts were also provided to the banks.

Secured loan liabilities related to foreign subsidiaries amount to EUR 9.04 million (previous year: EUR 8.29 million).

On December 22, 2010, the Interseroh Group's syndicated loan agreement in the amount of EUR 220.00 million dated January 21, 2010, was refinanced by a new syndicated loan facility in the amount of EUR 130.00 million. The new contract has an extended term to December 2013 and covers a loan with a fixed amount (tranche A) of EUR 80.00 million for refinancing the existing liabilities of INTERSEROH Scrap and Metals Holding GmbH. A facility (tranche B) for financing general business activities in the amount of EUR 50.00 million is available under the agreement. Both tranches carry variable interest rates based on EURIBOR plus a margin. The customary covenants and guarantees are to be provided under the new loan agreement and information is to be reported regarding the financial and earnings position, as well as on compliance with financial covenants, on a regular basis. The significant reduction in financing levels was achieved above all by portfolio optimisation in the current fiscal year and improved internal financing capabilities on the part of the Group.

The long-term loans for refinancing existing liabilities are hedged with the appropriate hedging instruments (interest rate swaps and interest rate caps). The line for operational funds under the syndicated loan facility had not yet been utilised by the balance sheet date.

Liabilities under asset-backed securities relate to payments from receivables debtors received between the time of the sale of the receivable and the balance sheet date as part of the service function. They are recorded as liabilities to the single-purpose company registered in the Republic of Ireland under current financial debts at nominal value (refer to Note 38).

Liabilities under finance leases are reflected as liabilities, provided the leased assets have been accounted for under property, plant and equipment as economic property of the group (finance leasing). They are reported at their present values.

Lease liabilities reported can be classified by maturity as follows:

	future minimum lease payments		of which interest portion		of which repayment portion	
	2010 EUR million	2009 EUR million	2010 EUR million	2009 EUR million	2010 EUR million	2009 EUR million
within a year	2.23	1.63	0.40	0.16	1.83	1.47
between 1 and 5 years	4.54	2.53	1.03	0.14	3.51	2.39
in over five years	2.97	0.00	0.30	0.00	2.67	0.00
	9.74	**4.16**	**1.73**	**0.30**	**8.01**	**3.86**

Finance lease contracts are usually concluded for a basic term of between four and six years. The majority of the contracts provide for various short-term extensions and/or purchase options at the end of the basic term. One lease agreement, to be viewed as a finance lease due to its structure, has a term of ten years, combined with an extension option every five years, if notice of termination is not given. In the event that these options are deemed favourable, the corresponding amounts have been incorporated in the calculation of the present values.

Under other financial liabilities, EUR 0.13 million (previous year: none) were due to associated companies.

Carrying values reported for all financial liabilities reflect their fair market value.

32. Trade Liabilities

Liabilities to	2010 EUR million	2009 EUR million
Third parties	209.10	171.49
Affiliated companies	6.84	0.06
Associated companies	0.11	6.11
Holdings	0.01	0.02
	216.06	**177.68**

Except for liabilities vis-à-vis third parties in the amount of EUR 0.09 million (previous year: EUR 0.69 million), all trade liabilities are due within a year.

Liabilities to third parties reflect liabilities from outstanding invoices based on services already received but not yet invoiced at EUR 90.01 million (previous year: EUR 64.21 million) and liabilities in connection with concluded contracts that basically involve repayment obligations to manufacturers and waste disposal obligations at EUR 15.15 million (previous year: EUR 11.81 million).

In particular in the services segment obligations for outstanding invoices from waste disposal and trading companies for the performance of transport, sorting and disposal services, which partners perform as sub-contractors, are recorded. Since the system is such that payment for the service can only be effected several months after the service providers have submitted proof of performance, the financial statements contain a high degree of anticipatory indicators and estimates based on historical data.

According to the Packaging Ordinance manufacturers who put packaging material ‘in circulation’ upon delivery of their goods assume an obligation for the return of this material. Interseroh assumes this obligation and during the year issues manufacturers with interim invoices based on the volumes planned or reported by the manufacturers. Volumes actually put into circulation on which the final settlement is based are to be reported and evidenced in the form of certificates issued by auditors. The majority of certificates provided by the auditors are only submitted in the following year after the financial statements have been prepared.

Since differences occur on a regular basis between certified volumes or year-end reported volumes and the budgeted volumes forecast and reported by the customer during the year, a review must be conducted as at the balance sheet date to verify if obligations for repayment exist due to differences in volume. This review is based on the reports already received at the time the financial statements are prepared, experience from previous years and external industry information for the relevant markets.

During the following year, reversals can occur, if actual quantities exceed the volume anticipated at the balance sheet date.

In addition for the Dual System Interseroh (DSI) segment an amount of EUR 54.15 million (previous year: EUR 35.80 million) was recorded under trade payables for outstanding invoices from waste disposal companies. This reflects the alterations resulting from the 5th amendment of the Packaging Ordinance, as well as the corresponding risks and obligations. The provision was calculated based on trends observable in the market.

33. Other liabilities

Liabilities (to / from)	as at 31.12.2010 Total EUR million	of which with a remaining term of up to 1 year EUR million	over 1 year, up to 5 years EUR million	over 5 years EUR million
Deposit liabilities	2.74	2.74	0.00	0.00
Advance payment received	8.66	8.66	0.00	0.00
Employees	12.37	12.37	0.00	0.00
Minority shareholders	0.29	0.19	0.10	0.00
Credit receivables	4.75	4.75	0.00	0.00
Other taxes	6.02	6.02	0.00	0.00
Incidental personnel costs	1.08	1.08	0.00	0.00
Other	12.36	12.24	0.12	0.00
	48.27	**48.05**	**0.22**	**0.00**

Liabilities (to / from)	as at 31.12.2009 Total EUR million	of which with a remaining term of up to 1 year EUR million	over 1 year, up to 5 years EUR million	over 5 years EUR million
Deposit liabilities	23.00	23.00	0.00	0.00
Advance payment received	11.26	11.26	0.00	0.00
Employees	9.51	9.51	0.00	0.00
Minority shareholders	1.47	0.35	0.61	0.51
Credit receivables	4.59	4.59	0.00	0.00
Other taxes	3.00	3.00	0.00	0.00
Incidental personnel costs	1.92	1.92	0.00	0.00
Other	13.85	10.69	3.14	0.02
	68.60	**64.32**	**3.75**	**0.53**

These liabilities are accounted for at their updated acquisition costs, unless stated otherwise.

The explanations on the relevant receivables in Note 25 should be referred to in connection with deposit liabilities.

Liabilities from other taxes contain, in addition to the amounts for which the Group companies are tax debtors, also such taxes that are remitted for the account of third parties.

Liabilities to employees include bonuses and accrued vacation and overtime.

Incidental personnel costs encompass amounts to be transferred for social security and employers' liability insurance.

Of the remaining liabilities EUR 3.14 million (previous year: EUR 6.28 million) relate to a residual purchase price obligation to be paid in an annual instalment for the acquisition of the remaining shares in a fully consolidated company, as well as EUR 0.96 million (previous year: EUR 1.22 million) in liabilities to affiliated companies.

34. Notes On The Cash Flow Statement

Pursuant to IAS 7 (Cash Flow Statement), the cash flow statement prepared by the indirect method shows how the cash in the group changed in the course of the year under review as a result of the inflow and outflow of funds.

The cash flow statement differentiates between cash flows from operating activity, investment activity and financing activity. The cash balance comprises cheques, cash on hand and deposits with banks with a remaining term of less than three months.

Apart from income tax payments, interest earnings and payments are also allocated to cash flow from operating activity, because they in the first instance serve to finance current operating activity. Dividend receipts are also included in cash flow from operating activity. They represent dividend payments by associated companies accounted for according to the equity method.

Consolidated earnings have risen considerably compared to the previous year after the general economic crisis was mastered (by EUR 33.17 million). Furthermore, income tax payments have been decreased by EUR 14.95 million, because payments for earlier years amounting to EUR 15.98 million occurred in the previous year, while income tax payments for previous years amounted to only EUR 0.25 million in 2010. Cash flow from operating activity is, nevertheless, EUR 27.83 million less than in the previous years, due to a high level of funds tied up in working capital due to price factors and higher interest payments.

Cash inflows of EUR 15.09 million (previous year: cash outflows of EUR 14.53 million) have arisen from investment activity, which can to a large extent be traced to the sale of consolidated companies (EUR 19.37 million). Furthermore, remittances from disposals of assets increased, while payments for investment decreased. Payments for company acquisitions include, in addition to the amounts related to the expansion of the scope of consolidation indicated in Note 5, payments for subsequent acquisition costs associated with consolidated companies fully consolidated in previous years, particularly the second of three instalments for the acquisition of the remaining shares in Wagner Rohstoffe GmbH, Frankfurt am Main (refer to Note 33). Cash received from the acquisition of companies has been deducted.

Cash flow from financing activity shows an inflow of funds totalling EUR 65.11 million (previous year: EUR 115.15 million) in the year under review. Outflows stem to a major extent from the repayment of financial liabilities (in particular from the partial reduction of the syndicated loan taken out; refer to Note 31). Net borrowing from financial debt amounted to EUR 64.03 million (previous year: EUR 112.61 million).

During the year under review cash and cash equivalents fell by EUR 24.17 million (previous year: EUR 76.00 million).

35. Segment Reporting

The companies of the Interseroh Group are divided into three segments; all companies that undertake steel and metals recycling are allocated to the segment of the same name. The other companies are summarised under either the Services segment or the Raw Materials Trading segment depending on where the majority of their activities lie. INTERSEROH SE is assigned fully to the Services segment.

The segments performed as followed over the past financial year:

	Steel and metals recycling		Services		Raw Materials Trading		Cross-segment consolidations		Group	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	EUR million		**EUR million**		**EUR million**		**EUR million**		**EUR million**	
Sales revenues										
External sales	1,383.93	832.52	419.47	287.82	136.51	146.25	0.00	0.00	1,939.91	1,266.59
Sales between the segments	0.53	0.69	33.42	23.86	2.46	2.25	-36.41	-26.80	0.00	0.00
	1,384.46	833.21	452.89	311.68	138.97	148.50	-36.41	-26.80	1,939.91	1,266.59

	Steel and metals recycling 2010	Steel and metals recycling 2009	Services 2010	Services 2009	Raw Materials Trading 2010	Raw Materials Trading 2009	Cross-segment consolidations 2010	Cross-segment consolidations 2009	Group 2010	Group 2009
	EUR million		EUR million		EUR million		EUR million		EUR million	
Segment earnings	35.53	-0.81	22.67	18.73	4.49	2.32	-0.03	-0.42	62.66	19.82
Shares in profit of associated companies accounted for under the at-equity method contained therein	0.08	-2.83	0.00	0.00	0.00	0.00	0.00	0.00	0.08	-2.83
Segment EBIT	35.45	2.02	22.67	18.73	4.49	2.32	-0.03	-0.42	62.58	22.65
included non-cash contributions:										
- Depreciations on tangible assets and property, plant and equipment										
scheduled	13.03	13.98	1.68	4.12	6.40	5.09	0.00	0.00	21.11	23.19
extraordinary	0.09	0.27	3.00	0.67	0.00	0.00	0.00	0.00	3.09	0.94
- Transfers to provisions	1.55	2.07	4.30	5.94	0.06	0.35	0.00	0.00	5.91	8.36
- Transfers to bad debt allowances	5.07	5.93	5.13	1.81	2.13	1.79	0.00	0.00	12.33	9.53
- Impairment losses	1.09	2.14	0.62	1.02	0.29	1.53	0.00	-0.42	2.00	4.27
Reconciliation:										
Segment earnings									62.66	19.82
+ Financial income									2.24	3.80
- Financial expenses									-19.22	-19.81
- Tax expenses									-11.61	-2.91
consolidated profit acc. to income statement									34.07	0.90
Segment assets	431.75	394.12	177.31	159.49	52.45	85.16	-30.54	-19.61	630.97	619.16
including:										
- Interests in associated companies	10.75	8.57	0.00	0.00	0.05	0.00	0.00	0.00	10.80	8.57
Reconciliation:										
Segment assets									630.97	619.16
+ Long-term financial assets									7.62	13.13
+ Deferred tax assets									9.99	13.72
+ Current financial assets									6.76	6.40
+ Income tax refund claims									1.21	7.10
Consolidated assets according to the balance sheet									656.55	659.51
Segment liabilities	142.02	116.66	176.61	151.72	20.68	31.63	-41.52	-14.54	297.79	285.47
Reconciliation:										
+ Deferred tax liabilities									7.35	13.89
+ Non-current financial liabilities									94.74	15.66
+ Income tax liabilities									5.31	3.10
+ Current financial liabilities									55.09	182.58
Consolidated liabilities according to the balance sheet									460.28	500.70
Investments in long-term assets (property, plants and equipment and intangible assets)	9.39	16.14	9.02	3.34	0.77	3.73	0.00	0.00	19.18	23.21

The following table shows the geographic make-up of the segments:

	Steel and metals recycling		Services		Raw Materials Trading	
	2010	2009	2010	2009	2010	2009
	EUR million		EUR million		EUR million	
<u>Germany</u>						
a) Sales	738.49	438.52	388.58	265.85	42.76	43.49
b) Assets	342.63	332.24	169.49	155.65	47.09	45.36
<u>Other EU countries</u>						
a) Sales	313.71	186.49	12.47	19.14	27.70	44.03
b) Assets	59.69	47.91	7.82	3.84	5.36	39.80
<u>Non-EU countries</u>						
a) Sales	331.73	207.51	18.42	2.83	66.05	58.73
b) Assets	29.43	13.97	0.00	0.00	0.00	0.00

Sales revenues are allocated to the regions according to the customer's registered headquarters and assets according to their location.

The transfer prices for internal group sales revenues are determined based on market conditions (arm's length principle).

36. Contingent Liabilities, Operate Leasing And Other Financial Obligations

(a) Contingent liability under joint and several liability for guarantees and cash advances

The group has obligations totalling EUR 8.81 million (previous year: EUR 4.20 million) from surety and guarantee agreements and provision of securities for non-group liabilities.

(b) Operate leasing

Apart from the financial debts already described as finance (refer to Note 31), the Group has also entered into rental and leasing contracts (land, office premises and buildings, as well as fittings and equipment, e.g. vehicles and office machines), which qualify as operating leases according to their economic content. Extension and purchase options customary to the industry are contained in the underlying agreements. In the past year rental and lease payments of EUR 13.13 million (previous year: EUR 12.90 million) were made under these agreements.

The instalments from the operating lease agreements contracts existing on the balance sheet date will fall due in subsequent years as follows:

	2010 EUR million	2009 EUR million
within a year	13.46	14.25
between 1 and 5 years	30.88	31.90
in over five years	13.66	10.65
	58.00	**56.80**

(c) Other financial obligations

Maturities of other financial obligations with respect to open purchase orders, maintenance contracts, etc., are shown below:

	2010 EUR million	2009 EUR million
within a year	3.40	1.84
between 1 and 5 years	4.26	0.85
in over five years	1.11	0.00
	8.77	**2.69**

37. Financial Instruments

The following financial instruments are reported in the consolidated financial statements:

31.12.2010	Total		Amortised acquisition cost		Fair Value	
	Carrying value EUR million	Fair Value EUR million	Carrying value EUR million	Fair Value EUR million	Carrying value EUR million	Fair Value EUR million
Assets						
Loans and receivables						
Cash and cash equivalents	64.87	64.87	64.87	64.87		
Trade receivables	197.83	197.83	197.83	197.83		
Other original financial assets	20.31	20.31	20.31	20.31		
Available for sale						
Holdings	0.68	0.68	0.68	0.68		
Securities	0.50	0.50	0.50	0.50		
Held for trading						
Commodity future contracts	0.02	0.02			0.02	0.02
Derivatives associated with hedging	3.54	3.54			3.54	3.54
	287.75	**287.75**	**284.19**	**284.19**	**3.56**	**3.56**
Liabilities						
Liabilities						
Trade liabilities	216.06	216.06	216.06	216.06		
Liabilities to banks	97.09	97.09	97.09	97.09		
Other original financial liabilities	54.45	54.45	54.45	54.45		
Held for trading						
Commodity future contracts	0.45	0.45			0.45	0.45
Forward exchange transactions	0.01	0.01			0.01	0.01
Derivatives associated with hedging	6.74	6.74			6.74	6.74
	374.80	**374.80**	**367.60**	**367.60**	**7.20**	**7.20**

31.12.2009	Total		Amortised acquisition cost		Fair Value	
	Carrying value EUR million	Fair Value EUR million	Carrying value EUR million	Fair Value EUR million	Carrying value EUR million	Fair Value EUR million
Assets						
Loans and receivables						
Cash and cash equivalents	89.04	89.04	89.04	89.04		
Trade receivables	153.63	153.63	153.63	153.63		
Other original financial assets	29.89	29.89	29.89	29.89		
Available for sale						
Holdings	1.35	1.35	1.35	1.35		
Securities	0.02	0.02	0.02	0.02		
Derivatives associated with hedging	0.17	0.17			0.17	0.17
	274.10	**274.10**	**273.93**	**273.93**	**0.17**	**0.17**
Liabilities						
Liabilities						
Trade liabilities	177.68	177.68	177.68	177.68		
Liabilities to banks	151.62	151.62	151.62	151.62		
Other original financial liabilities	68.84	68.84	68.84	68.84		
Derivatives associated with hedging	7.97	7.97			7.97	7.97
	406.11	**406.11**	**398.14**	**398.14**	**7.97**	**7.97**

All fair values shown are to be assigned to stage 2 in the fair value hierarchy in accordance with IFRS 7, just as in the previous year. This means that fair values are derived from information other than listed market prices, which is directly or indirectly observable (according to the assessment of market conditions).

Credit risk

Credit risks related to trade receivables in the Interseroh Group are essentially transferred to third parties by means of trade credit insurance policies or instruments such as letters of credit or other documents guaranteeing payment. There is an instruction in the Group that transactions exceeding the insured limit per debtor may not be undertaken. This rule may only be deviated from in justified individual cases and only after prior approval by management or the Board of Directors based on reliable knowledge concerning the debtor's creditworthiness. Compliance with the trade credit limits is monitored at regular intervals.

The maximum credit risk with the book value as the equivalent for the maximum default risk of financial assets can be seen in the first column of the previous table (assets).

Maturities of financial assets accounted for as "loans and receivables" – not including cash and cash equivalents – are displayed in the following table:

	Carrying value total EUR million	of which: as at the balance sheet date neither impaired nor overdue EUR million	of which: as at the balance sheet date not impaired and overdue according to the following stages in time:			
			Less than 10 days EUR million	Between 11 and 30 days EUR million	Between 31 days and 1 year EUR million	More than 1 year EUR million
31.12.2010						
Trade receivables	197.83	138.30	37.00	12.76	7.47	2.08
Other original financial assets	20.37	9.75	0.52	0.28	7.73	2.09
	218.20	148.05	37.52	13.04	15.20	4.17
31.12.2009						
Trade receivables	153.63	100.32	21.03	10.86	11.56	7.43
Other original financial assets	29.89	24.25	0.93	0.17	3.32	1.21
	183.52	124.57	21.96	11.03	14.88	8.64

None of the other financial assets are overdue. Impairment losses are explained if appropriate with the affected balance sheet items.

Changes in the bad debt account for trade receivables, as well other original financial assets, are shown below:

	2010 EUR million	2009 EUR million
Value adjustments as at 01.01.	20.18	43.36
Changes in the scope of consolidation	-0.74	-0.01
Allocations	7.50	8.11
Utilisation	-10.88	-27.18
Liquidations	-1.83	-4.10
Value adjustments as at 31.12.	14.23	20.18

Liquidity risk

The liquidity that the Interseroh Group requires is essentially secured by the Interseroh Group's syndicated loan agreement extended in December 2010 until the end of 2013, consisting of a medium-term facility with a variable interest rate and credit lines that can be used in the short term to cover the need for operating funds. Daily inflow and outflow planning guarantees a permanent overview of the liquidity requirements in the Interseroh Group. Any requirements beyond the short-term liquidity available can be covered completely at all times by rolling cash credit lines granted by commercial banks.

The following analysis of the agreed due dates for financial liabilities can be used to assess the liquidity risk.

	Carrying value total EUR million	Gross In-/ Outflows EUR million	up to 30 days EUR million	from 31 to 180 days EUR million	from 181 days up to 1 year EUR million	1 to 5 years EUR million	more than 5 years EUR million
31.12.2010							
Trade receivables	216.06	216.06	130.18	62.27	23.52	0.09	0.00
Liabilities to banks	97.09	107.05	5.65	3.68	6.74	89.21	1.77
Other original financial liabilities	54.44	56.23	38.91	3.91	5.71	4.73	2.97
Derivatives in hedge accounting	6.74	6.74	1.18	1.27	0.48	3.81	0.00
Other derivatives:							
Commodity future contracts	0.45	0.45	0.01	0.44	0.00	0.00	0.00
Forward exchange transactions	0.01	0.01	0.01	0.00	0.00	0.00	0.00
	374.79	386.54	175.94	71.57	36.45	97.84	4.74
31.12.2009							
Trade receivables	177.68	177.68	97.70	61.35	17.94	0.69	0.00
Liabilities to banks	151.62	153.57	14.68	124.85	7.57	4.82	1.65
Other original financial liabilities	68.84	70.16	52.96	2.89	8.98	4.74	0.59
Derivatives in hedge accounting	7.97	7.97	0.02	1.62	0.00	6.33	0.00
	406.11	409.38	165.36	190.71	34.49	16.58	2.24

Gross inflows and outflows include future interest payment obligations in addition to the carrying values of liabilities.

Bad debts or infringements of payment agreements in connection with loan obligations held by the Interseroh Group did not arise.

Currency risk

The foreign currency receivables and liabilities resulting from contracts must be hedged when they exceed a level of EUR 0.025 million per transaction according to internal guidelines. Hedging may be effected exclusively by way of foreign exchange forward contracts (in the form of micro or macro hedging) with banks of impeccable credit standing or by means of existing currency stocks. Options and similar transactions are not permitted. Micro hedging secures the risks of each individual item separately. In macro hedging the net risk is determined initially. To this end, existing hedge items (receivables and liabilities in the same foreign currency – provided their amounts and maturities correspond) are eliminated. The open surplus remaining is then closed by an opposing hedge transaction. Hedging is used according to standardised guidelines, subject to strict control and usually restricted to the hedging of operational business. Stockpiling of foreign currencies is not permitted either.

As of the balance sheet date the Interseroh Group had forward exchange transactions for the hedging of the exchange rate risk for deliveries invoiced in foreign currencies, each of which was based on a corresponding underlying transaction with the identical amount and term.

Forward exchange contracts are reported under current financial assets at their nominal value of USD 69.14 million and EUR 7.76 million (previous year: USD 67.99 million and EUR 2.30 million) – which is equivalent to EUR 59.51 million (previous year: EUR 49.54 million) - at a market value of EUR -0.44 million (net) with EUR 0.30 million (hedged) under current financial assets and EUR 0.73 million (hedged) and EUR 0.01 million (unhedged) under current financial liabilities (previous year: EUR -0.66 million net, of which EUR 0.17 million (hedged) and EUR 0.00 million (unhedged) under current financial assets and EUR 0.83 million (hedged) under current financial liabilities).

All the forward exchange transactions entered into have a remaining term of up to one year as in the previous year.

The remaining currency risks in the Interseroh Group, which are mainly in US dollars, were subjected to sensitivity analysis. It was found that a 10-percent rise or fall in the rate of the Euro against the US dollar would reduce or increase equity, respectively, by EUR 0.17 million. No significant impact on earnings would have resulted.

Interest rate risk

Interest rate change risks are countered by suitable instruments from the derivatives market (e.g. exchange of fixed for variable interest rates). Due to the currently low interest rates in the money markets, variable interest rates are accepted for short-term current account lines.

As at the balance sheet date interest rate hedge instruments for the minimisation of interest rate risk amounted to EUR 130.00 million. The purpose of these contracts is to limit the majority of variable interest payments under medium-term or long-term bank liabilities and under the ongoing asset-backed securities programme.

In order to limit the interest rate risk under Interseroh's syndicated loan agreement new interest rate swaps and interest rate caps were negotiated for a loan volume of EUR 40,00 million with maturities up to May of 2017 during the past fiscal year. The interest rate swap transactions that existed at the previous balance sheet date either expired or were compensated by offsetting transactions during the course of the year under review. The average basic interest rate after hedging costs and not including the loan margin during the term of the hedging transactions is now at approximately 2.3 percent to a maximum of 3.4 percent in relation to the loan hedging volume of EUR 80.00 million.

In order to hedge the variable interest payments under the asset-backed securities programme the Group's interest rate swap with a hedged volume of EUR 50.00 million at an interest rate of 4.57 percent with a maturity date of August 30, 2012, continues in place.

As at the balance sheet date the fair value of interest rate derivatives amounts to EUR -1.05 million (previous year: EUR -7.13 million). The interest rate swaps from previous years are reported under current financial liabilities in the amount of EUR 0.48 million (previous year: EUR 0.80 million) and under non-current financial liabilities in the amount of EUR 3.81 million (previous year: EUR 6.33 million). The derivatives entered into in 2010 are shown as current financial assets (EUR 0.48 million) and non-current financial assets (EUR 2.76 million).

The remaining interest rate risks in the Interseroh Group were subjected to sensitivity analysis. It was found that an interest rate rise or fall of 100 basis points would bring about an increase or drop in income of EUR 0.87 million and EUR -0.46 million and an increase or reduction in equity of EUR 3.88 million and EUR -3.59 million, respectively. The results of the sensitivity analysis are influenced primarily by the interest rate hedging instruments entered into; the changes in their fair market values have a tendency to increase income in an environment of rising interest rates.

	EUR million	EUR million	EUR million	EUR million	EUR million	Total 31.12.2010 EUR million
Interest rate swaps from previous years						
Secured loan amount	20.00	11.00	12.50		50.00	93.50
Fair Value	-0.48	-0.43	-0.48		-2.91	-4.29
Maturity date	31.10.2011	18.04.2012	18.04.2012		30.08.2012	
payable fixed interest rate	3.93%	4.40%	4.40%		4.57%	
Counter swaps in 2010						
Nominal volume	20.00	11.00	12.50			43.50
Fair Value	0.48	0.43	0.48			1.39
Maturity date	31.10.2011	18.04.2012	18.04.2012			
payable fixed interest rate	3.93%	4.40%	4.40%			
New interest rate swaps 2010						
Secured loan amount	9.75	15.75	5.00	9.50		40.00
Fair Value	0.06	0.19	0.02	0.06		0.33
Maturity date	11.05.2017	11.05.2017	11.05.2017	12.05.2017		
payable fixed interest rate	2.395%	2.325%	2.450%	2.400%		
Interest rate caps 2010						
Secured loan amount	9.75	15.75	5.00	9.50		40.00
Fair Value	0.37	0.61	0.18	0.36		1.52
Maturity date	11.05.2017	11.05.2017	11.05.2017	12.05.2017		
Cap interest rate	2.955%	2.995%	2.960%	2.980%		

Effective June 1, 2010, the interest rate swaps from previous years were neutralised by offsetting interest rate swaps and replaced by new interest rate swaps adapted to the altered Group financing. Changes in the fair value of the older interest rate swaps up to this point in time and of the new interest rate swaps were recorded in equity at a total of EUR 1.21 million (previous year: EUR -1.43 million) without impacting income and taking into account deferred income taxes. The fair value changes of interest rate swaps from previous years, the counter-swaps from June 2010 and the interest rate caps (EUR -0.04 million) were recorded under other operating income or expense. The expenses related to the old interest rate swaps are precisely equivalent to the income from the counter-swaps (EUR 0.73 million). Changes in the intrinsic value of the interest rate caps are in principle recorded in equity without impacting income. The intrinsic value did not change in 2010.

The medium-term and long-term portion of the Group’s syndicated loan agreement is thus fully hedged by interest rate hedging instruments. Variable interest rates also apply to credit facilities for short-term utilisation and the financing of operating funds in the amount of EUR 50.00 million; these facilities had not been taken up as at the balance sheet date.

Price change risk

Commodity future transactions to hedge warehouse inventories under a fair value hedge existed in individual companies of the steel and metals recycling segment as at the balance sheet date. The price change risk of the metals nickel and copper was hedged.

Commodity future transactions were accounted for at fair value. The carrying amount of the hedged warehouse inventory was adjusted with the changes in fair value of the hedged risks.

As at December 31, 2010, commodity future transactions in the amount of EUR 1.72 million with negative fair value were designated and accounted for as a hedging instrument. Fluctuations in fair value are immediately recorded under sales revenues or cost of materials depending on the type of underlying transaction. In fiscal 2010 an amount of EUR -1.72 million was recorded against income from the measurement of instruments in the fair value hedge, while at the same time an amount of EUR 1.69 million was recognised in income from the associated underlying transaction.

The remaining price change risks in the Interseroh Group, which principally arise from the change in the price of copper, were subjected to sensitivity analysis. It was found that a ten percent rise or fall in copper prices would result in a reduction or increase, respectively in earnings and equity of approximately EUR 0.99 million.

Net income from financial instruments for the fiscal year and the previous year can be seen in the table below:

Category according to IAS 39	Interest	Dividends	from subsequent valuation				Disposals	Net earnings 2010
			at Fair Value	currency conversion	bad debt allowance	impairment losses		
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Loans and receivables	1.94	0.00	0.00	0.00	-11.30	1.98	-1.03	-8.41
Financial assets available for sale	0.00	0.29	0.00	0.00	-0.03	0.00	0.00	0.26
Financial instruments held for trading	0.00	0.00	-0.61	-0.42	0.00	0.00	-0.28	-1.31
Derivatives associated with hedging	-3.47	0.00	0.00	0.00	0.00	0.00	0.00	-3.47
Financial liabilities valued at updated acquisition cost	-17.87	0.00	0.00	0.00	0.00	0.00	0.00	-17.87
	-19.40	**0.29**	**-0.61**	**-0.42**	**-11.33**	**1.98**	**-1.31**	**-30.80**

Category according to IAS 39	Interest	Dividends	from subsequent valuation				Disposals	Net earnings 2009
			at Fair Value	currency conversion	bad debt allowance	impairment losses		
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Loans and receivables	3.65	0.00	0.00	0.00	-10.72	4.27	-0.03	-2.83
Financial assets available for sale	0.00	0.01	0.00	0.00	-0.06	0.00	0.00	-0.05
Financial instruments held for trading	0.00	0.00	0.00	-0.54	0.00	0.00	0.00	-0.54
Derivatives associated with hedging	-3.26	0.00	0.00	0.00	0.00	0.00	0.00	-3.26
Financial liabilities valued at updated acquisition cost	-15.81	0.00	0.00	0.00	0.00	0.00	0.00	-15.81
	-15.42	**0.01**	**0.00**	**-0.54**	**-10.78**	**4.27**	**-0.03**	**-22.49**

The value adjustment column reflects additions to loans and receivables at the amount of EUR 7.50 million (previous year: EUR 8.11 million), which have not directly impaired the carrying value of the financial instruments concerned. The reversal of impairment loss account relates only to reductions in the corresponding value adjustments.

Interest income from loans and receivables shows interest income from impaired financial receivables in the amount of EUR 0.03 million (previous year: EUR 0.15 million).

Exchange gains and losses cannot be shown separately for loans and receivables on the one hand and financial liabilities on the other, since separate data capture has not been supported until now by IT structures. The netted amount is EUR -0.12 million (previous year: EUR -0.89 million).

38. Asset-backed securities

In 2007 companies in the steel and metals recycling segment entered into a framework receivables purchase and management agreement with WestLB AG, Dusseldorf, in order to participate in the ABS pro^{M}-Programme it administers for the securitisation of receivables – so-called “Asset Backed Securities – ABS”, with a term of five years.

Under this programme, the companies (so-called originators) initially bundle the trade debtors they generate fulfilling specific criteria into a consolidated group company as a portfolio which is then transferred to a “Special Purpose Vehicle” (SPV) in the Republic of Ireland in the form of a receivables sale without recourse. In compensation, the originators receive a purchase price corresponding to the nominal value of the receivables sold, less certain amounts retained for security. These deductions are allocated to the default, dilution, and transaction cost reserve.

The default reserve is created to cover the risk that receivables purchased by the SPV may become non-performing or the relevant debtor become insolvent.

Amounts retained in the receivables dilution reserve are designed to counter the anticipated probability of future reductions in the level of receivables sold, for instance, as a result of credit balances granted.

The deduction from the transaction cost reserve is used for the settlement of refinancing costs and other fees that may arise in connection with the administration of the ABS programme.

By means of the framework receivables purchase and administration agreement, the companies selling the receivables are simultaneously appointed as so-called servicers. This means that receivables management remains with the originators, who are also authorised to collect the payments made by the debtors of receivables (so-called deposits).

The sale of receivables in the consolidated financial statements is presented according to the “Risk-and-Reward-Approach” pursuant to IAS 39. Accordingly, receivables are written off the balance sheet at their nominal value at the time they are transferred to the SPV. The default reserve created to take credit risks into account is recalculated at every purchase date for the newly sold receivables. It is fully recognised in the income statement under other operating expenses.

Receivables dilution and transaction cost reserves are capitalised as current financial assets in the consolidated balance sheet.

The remittances from trade debtors received as part of this service function between the time the receivables are sold and the balance sheet date are recognised as a liability to the SPV at their nominal value. They are reported under current financial liabilities in the consolidated financial statements.

The amount of the default reserve no longer required as a result of deposits received is recognised on the consolidated income statement under other operating revenue.

As of December 31, 2010, a total volume of EUR 66.68 million (previous year: EUR 45.56 million) in trade receivables has been sold to the SPV. A total of EUR 10.39 million (previous year: EUR 7.33 million) was allocated to the default reserve through profit and loss from the receivables sold to the SPV up to the balance sheet date. Revenues realised from default reserves released as a result of deposits to receivables amounted to EUR 10.20 million (previous year: EUR 7.57 million). From collections made between the sales date preceding the balance sheet date and December 31, liabilities in the amount of EUR 32.02 million (previous year: EUR 22.57 million) remain after deduction of the released reserves. These liabilities are secured by the pledging of a total of eight collection accounts maintained at two banks in this connection.

As at the balance sheet date receivables from the Irish SPV from the retained receivables dilution reserve and transaction cost reserve totalling EUR 3.61 million (previous year: EUR 2.36 million) have been recorded.

39. Subordinate Status Report

ALBA Group plc & Co. KG (Isabell Finance Vermögensverwaltungs GmbH & Co. KG until December 31, 2010), Berlin, is the INTERSEROH SE shareholder. As at the balance sheet cut-off date of December 31, 2010, the voting rights share amounts to 75.003 percent, representing voting rights from 7,380,329 shares.

Isabell Finance Beteiligungs GmbH, Berlin, (in future: ALBA Finance plc & Co. KGaA) holds the majority of the shares (95%) in ALBA Group plc & Co. KG, which are in turn held equally by Dr. Axel and Dr. Eric Schweitzer. Pursuant to Section 21 of the German Securities Trading Act (WpHG) Dr. Axel and Dr. Eric Schweitzer notified the Company that the voting rights held by ALBA Group plc & Co. KG pursuant to Section 22, paragraph 1, clause 1, no. 1 of the German Securities Trading Act via Isabell Finance Beteiligungs GmbH are to be attributed to them.

INTERSEROH SE's consolidated financial statements are included in the consolidated financial statements of ALBA Group plc & Co. KG, Berlin. ALBA Group Europe plc, 50% of which is owned by Alpsee Ltd. (100% of shares held by Dr. Axel Schweitzer) and 50% by Eibsee Ltd. (100% of the shares held by Dr. Eric Schweitzer) is the sole partner with unlimited liability in ALBA Group plc & Co. KG. ALBA AG and Isabell Finance Beteiligungs GmbH are partners with limited liability in ALBA Group plc & Co. KG.

Since 2006 INTERSEROH SE is a company dependent on Dr. Axel Schweitzer and Dr. Eric Schweitzer; the latter are considered, as “owners of the waste disposal group ALBA plc & Co. KGaA” , to be a company pursuant to section 312 of the German Companies Act.

Since fiscal 2008 INTERSEROH SE has been producing a report every year regarding the business relationships of all companies associated with INTERSEROH SE with Dr. Axel Schweitzer and Dr. Eric Schweitzer (refer to section 312 of the German Companies Act).

The subject of the present report is all INTERSEROH SE legal transactions and measures in accordance with section 312 of the German Companies Act, as well as all companies associated with INTERSEROH SE on the one hand and on the other hand

(i) Dr. Axel Schweitzer and Dr. Eric Schweitzer personally,

(ii) Companies associated with Dr. Axel Schweitzer and/or Dr. Eric Schweitzer, as well as

(iii) Companies in which Dr. Axel Schweitzer and/or Dr. Eric Schweitzer jointly hold the majority of voting rights and companies associated with them (in particular also ALBA plc & Co. KGaA and companies of the ALBA group of companies)

during the period from January 1 to December 31, 2010.

The entire business operations of ALBA AG, Berlin, were transferred to ALBA Group plc & Co. KG, formerly under the name of Isabell Finance

Vermögensverwaltungs GmbH & Co. KG, effective January 1, 2011. ALBA AG has been operating under the name of ALBA plc & Co. KGaA, Berlin, since March 1, 2011.

40. Notes on Related Parties

The main shareholder of INTERSEROH SE is ALBA Group plc & Co. KG (formerly: Isabell Vermögensverwaltungs GmbH & Co. KG), Berlin, in which the chairman of the Board of Directors and the chairman of the Supervisory Board of INTERSEROH SE each holds 50 percent indirectly. No business transactions with the exception of the payment of dividends took place between ALBA Group plc & Co. KG, Berlin, and the Group during the fiscal year.

Via ALBA Group plc & Co. KG, Berlin, the chairmen of the Board of Directors and the Supervisory Board are attributed an indirect holding of the shares issued in INTERSEROH SE of 75.003 percent as of December 31, 2010.

In the course of operational business the companies in the Interseroh Group obtain materials, supplies and services from numerous business partners Europe-wide. Among them are companies in which Interseroh holds an interest, as well as companies that have connections with the chairmen of the Management and Supervisory Boards of INTERSEROH SE. Business with these companies is transacted on the same terms as with external third parties. Trading transactions are undertaken according to market conditions and under the same reservation of title.

(a) Information on companies associated with the Interseroh Group

Associated companies of the Interseroh Group as of December 31, 2010, are: ISR Interseroh Italia S.r.l., Genoa, Italy; TOM II Sp. z o.o., Stettin, Poland; The ProTrade Group LLC, Hudson, Ohio, USA; fm Beteiligungsgesellschaft mbH, Lübbenau; Ziems Recycling GmbH, Malchow.

In the past financial year legal transactions were made with associated companies that flowed into the Interseroh income statement as follows:

Type of business event	2010 EUR million	2009 EUR million
Purchase of goods	5.16	17.16
Sale of goods	5.52	10.85
Other operating income	0.01	1.32
Other operating expense	0.20	0.01

On the balance sheet date the balance sheet includes the following receivables and liabilities with associated companies:

Outstanding balances	31.12.2010 EUR million	31.12.2009 EUR million
Receivables (in words from trade)	0.37	13.32
Liabilities (in words from trade)	0.11	6.11
Other receivables (in words from Cash-Pool)	0.00	3.03
Other liabilities	0.00	0.02
Loans to associated companies	2.77	13.24

Loans to associated companies primarily reflect long-term and short-term loans to The ProTrade Group LLC, Hudson, Ohio, USA in the amount of EUR 2.13 million.

No additional securities and/or guarantees have been granted.

(b) Notes on companies associated with members of the Supervisory and Board of Directors.

In the past fiscal year legal transactions with related companies that are connected with members of the Board of Directors and/or the Supervisory Board have taken place. They are reflected in the income statement of the Interseroh Group as follows:

Type of business event	2010 EUR million	2009 EUR million
Purchase of goods	24.04	13.05
Sale of goods	36.42	18.62 *
Purchased services	37.48	25.01
Services rendered	0.19	0.29 *
Other operating income	0.92	0.40
Other operating expense	4.04	2.93
Interest income	0.01	0.40
Interest expense	0.00	0.25

*Reclassification of previous year's figures

On the balance sheet date the balance

sheet includes the following receivables and liabilities with related parties:

Outstanding Balances	31.12.2010 EUR million	31.12.2009 EUR million
Receivables (in words from trade)	0.00	4.68
Liabilities (in words from trade)	0.00	6.59
Other receivables	0.00	4.27
Other liabilities	3.14	8.12

The balances for fiscal 2009 related to the ALBA companies as related parties. As of December 31, 2010, these have been reported as associated companies, so the relevant balances are now to be found in the listings in the Notes. Other liabilities shown exist vis-à-vis Mr. Joachim Wagner from outstanding purchase price payments.

In addition to his activity as a member of the Supervisory Board, Dr. Werner Holzmayer received payments for services totalling EUR 0.32 million in 2010 (previous year: EUR 0.13 million).

Former Board of Directors members and persons close to them received remuneration for services totalling EUR 0.05 million in the financial year.

Companies of the Interseroh Group did not participate in any transactions in favour of the other members of the Board of Directors of INTERSEROH SE or any related party.

According to internal rules of procedure the companies of the Group are required to submit one-time, specific transactions or contracts with related parties above and beyond operational business activities to the Board of Directors of

INTERSEROH SE with the appropriate “fairness opinion” of an independent auditor. The Board of Directors is required to submit such transactions to the Audit Committee for approval.

Furthermore, the internal rules of procedure of the Supervisory Board provide that in the case of resolutions concerning such business transactions, as well as other Supervisory Board decisions that affect the companies of members of the Supervisory Board, the members in question may not be involved in consultations and decisions.

On December 10, 2010, the Board of Directors of ALBA AG informed Interseroh’s management of its intention to conclude a control and profit transfer agreement between ALBA Group plc & Co. KG, a company in the ALBA group of companies, and INTERSEROH SE in accordance with section 291, paragraph 1, of the German Companies Act, with ALBA Group plc & Co. KG as the controlling company.

On December 15, 2010, the Board of Directors and Supervisory Board of INTERSEROH SE spoke in favour of entering into the control and profit transfer agreement envisioned by ALBA Group plc & Co. KG after thorough consultation and without the participation of Dr. Axel Schweitzer and Dr. Eric Schweitzer.

The shareholdings of all other members of the Supervisory Board and Board of Directors as of December 31, 2010 were neither directly nor indirectly more than one percent of the shares issued by the Company. Total shareholdings of all other members of the Supervisory Board and Board of Directors also fell short of one percent on the closing date.

41. Board of Directors and Supervisory Board

(a) Board of Directors

The Board of Directors comprised the following members in the year under review:

- Dr. Axel Schweitzer, Berlin (chairman)
- Roland Stroese, Cologne – until December 13, 2010
- Joachim Wagner, Frankfurt – from August 1, 2010

Compensation paid to members of the Board of Directors in the 2010 fiscal year amounted to EUR 2.41 million (previous year: EUR 3.53 million). This amount contains a variable component of EUR 1.70 million (previous year: EUR 0.80 million). In fiscal 2010 obligations for variable remuneration components for the Board of Directors in the amount of EUR 0.08 million were liquidated and charged to profit and loss. The allocation to the pension provision for Board of Director members totalled EUR 0.15 million (previous year: EUR 0.34 million). A total of EUR 0.94 million (previous year: EUR 0.57 million) has been provided for pension obligations for former Board of Director members and their next-of-kin.

Furthermore, EUR 0.05 million (previous year: EUR 0.13 million) has been paid to former members of the Board of Directors and related persons as remuneration for consulting services.

The profession practiced by the members of the Board of Directors consists of management and representation of the Company. In addition, Dr. Axel Schweitzer operates as a member of the Board of Directors of ALBA AG, Berlin.

A share in the total equity capital of INTERSEROH SE in the amount of 75.003 percent and, therefore, voting rights from 7,380,329 shares were attributable to Dr. Axel Schweitzer as at the balance sheet cut-off date of December 31, 2010.

b) Supervisory Board

The following individuals were members of the Company's Supervisory Board during the past financial year:

Supervisory Board Member **(Profession)**	**Membership in Committees of the Supervisory Board of INTERSEROH SE**	**Membership in other statutory** **Supervisory Boards**	**Membership in Other Controlling Boards in Terms of section 125, par. 1, clause 5 (2) of the German Companies Act**
Dr. Eric Schweitzer, Berlin Chairman (Member of the Board of Directors of ALBA AG, Berlin)	Presiding Committee Nominating Committee Personnel Committee		
Mr. Friedrich Carl Janssen, Cologne (private individual; former banker)	Presiding Committee Nominating Committee Personnel Committee		
Mr. Peter Zühlsdorff, Berlin Deputy Chairman (Businessman, Deutsche Industrie Holding GmbH, Frankfurt am Main)	Presiding Committee Nominating Committee Personnel Committee Audit Committee	Sinn Leffers GmbH, Hagen* (Chairman) OBI Group Holding GmbH, Wermelskirchen Kaiser's Tengelmann AG, Viersen YOC AG, Berlin	Tengelmann Verwaltungs- und Betriebs GmbH, Mühlheim a.d. Ruhr (Advisory Committee) Dodenhof Gruppe, Posthausen (Advisory Committee) KMS Group Management GmbH, Viersen (Advisory Committee) GfK Nürnberg e.V., Nuremberg (President of Presiding Committee)
Dr. Werner Holzmayer, Cologne Auditor, lawyer, tax adviser at Ebner Stolz Mönning Bachem Wirtschaftsprüfer, Steuerberater, Rechtsanwälte Partnerschaft, Cologne	Chairman of Audit Committee	Intersport Deutschland e.G., Heilbronn	Dr. Jürgen Meyer Holding GmbH, Mühlheim (Advisory Committee Spokesperson) Dr. Jürgen Meyer GmbH, Mühlheim (Advisory Committee Spokesperson)
Mr. Joachim Edmund Hunold, Dusseldorf (Chairman of the Board of Directors of AIR BERLIN PLC & Co. Luftverkehrs KG)		LTU Lufttransport-Unternehmen GmbH, Dusseldorf* (Chairman)	
Mr. Roland Junck, Zurich, Switzerland (CEO Managing Director at Nyrstar NV, Balen, Belgium; Consulting Engineer)	Audit Committee		AGFA GEVAERT N.V., Mortsel/ Belgium SAMHWA Steel S.A., Krakelshaff-Bettembourg, Luxembourg Talvivaara Mining Company Plc, Espoo, Finland (since April 15, 2010)
		* Group mandate	

Liabilities totalling EUR 0.24 million (previous year EUR 0.24 million) were formed for remuneration of members of the Supervisory Board for the period from January 1 to December 31, 2010. No loans had been extended to members of the Supervisory Board as at December 31, 2010. No loans were repaid during the year under review.

A share in the total equity capital of INTERSEROH SE in the amount of 75.003 percent and, therefore, voting rights from 7,380,329 shares were attributable to Dr. Eric Schweitzer as at the balance sheet cut-off date of December 31, 2010.

42. Employees

The average number of employees is reflected below:

	2010	2009
Salaried employees	903	947
Industrial workers	871	889
	1,774	1,836

43. Auditors' Fee

The audit fee recorded as expense in the fiscal year in accordance with section 319, paragraph 1, clause 1, 2 of the German Commercial Code amounts to EUR 1.30 million (previous year: EUR 1.30 million). EUR 0.96 million (previous year: EUR 1.11 million) is attributable to the year-end audit, EUR 0.14 million (previous year: EUR 0.00 million) to other consulting services, EUR 0.04 million (previous year: EUR 0.05 million) to tax advisory services and EUR 0.16 million (previous year: EUR 0.14 million) to other services. EUR 0.20 million of the audit expenses apply to the previous year.

In the fiscal year the auditors' fee amounted to EUR 0.19 million (previous year: EUR 0.28 million) for the audit of INTERSEROH SE's financial statements, to EUR 0.11 million (previous year: EUR 0.00 million) for confirmation services and EUR 0.13 million (previous year: EUR 0.09 million) for other services.

44. Subsequent Events After The Balance Sheet Date

INTERSEROH Scrap and Metals Holding GmbH acquired the remaining shares of fm Beteiligungsgesellschaft mbH, Lübbenau, effective January 1, 2011. The latter holds all shares in TVF Altwert GmbH, Lübbenau, (TVF Altwert), a leading European company in the field of demolition, reconstruction and waste disposal projects. Furthermore, it holds shares in Brandenburgische Boden Gesellschaft für Grundstücksverwaltung und -verwertung mbH, Zossen (BBG). This acquisition should serve especially to expand the range of services in the area of environmental service provision and raw materials trading. fm GmbH was merged into INTERSEROH Scrap and Metals Holding GmbH with retroactive effect to January 1, 2011, upon entry into the commercial register on February 4, 2011. The total purchase price of EUR 3.24 million is composed of a fixed purchase price of EUR 1.95 million, as well as variable purchase price components in the amount of EUR 1.29 million. The variable components represent an expectation value and depend on the results of BBG and TVF Altwert in 2010 and the following years.

Based on a contract dated February 7, 2011, RDB plastics GmbH, Aukrug, raised its shares in ISR Interseroh Italia S.r.l., Genoa, Italy, effective January 1, 2011, from 50 percent to 100 percent at a purchase price of EUR 0.23 million. ISR Interseroh Italia S.r.l's business purpose is the purchase and sale of recovered paper and plastics. In part these are traded domestically. It was necessary to acquire a 100 percent shareholding in ISR Interseroh Italia S.r.l., since this enterprise is to play a central part in expanding our pan-European purchasing organisation for the aforementioned materials flows.

The provisionally calculated amounts reflecting the assets and liabilities of the acquired companies recorded at the time of acquisition can be found in the table below:

	ISR Italia 100 % EUR million	**fm GmbH (sub-group)** 100 % EUR million
Goodwill	0.43	0.98
Non-current assets	0.07	7.33
Current assets	2.13	7.87
Non-current liabilities	0.00	2.30
Current liabilities	2.17	7.52
Cash inflows included in current assets	0.38	3.83

Synergy and income expectations for the future were taken into consideration in the purchase price negotiations, resulting in a purchase price that exceeded the carrying value, i.e. the (pro rata) equity of the company purchased; the difference was recorded in the appropriate amount as goodwill. It is not expected that the acquisition will bring about goodwill that might be deductible for tax purposes.

ISR Italia has no hidden reserves or liabilities. The fair values of fm GmbH have to date only been calculated on a provisional basis, since the precise analysis of the distribution of the purchase price over the acquired assets and assumed liabilities has not yet been finalised.

The fair value of the receivables acquired reflect the gross and carrying amounts of EUR 3.19 million (fm GmbH) and EUR 1.69 million (ISR Italia). Receivables include trade receivables of EUR 2.63 million and other receivables of EUR 0.56 million (fm GmbH) or exclusively trade receivables (ISR Italia).

As at December 31, 2010, in other words immediately prior to the time of acquisition the hitherto 49-percent interest in fm GmbH was recorded at its fair value of EUR 2.84 million. This was derived from the acquisition costs for the remaining shares in 2011 in accordance with the new version of IFRS 3.

The carrying value of the holding in ISR Italia measured at equity is EUR 0.05 million at present. The fair value of the remaining shares acquired in 2011 can be derived from the purchase price and amounts to EUR 0.23 million.

Furthermore, INTERSEROH Scrap and Metals Holding GmbH has acquired the remaining 40 percent share in Europe Metals B.V., Heeze, Netherlands, at a price of EUR 8.00 million effective January 1, 2011.

Separate Notes and Information According to Section 315 a of the German Commercial Code

45. Corporate Governance Pursuant To Section 161 Of The Germany Companies Act

The Board of Directors and Supervisory Board of INTERSEROH SE issued their annual declaration on the recommendations of the “Government Commission on the German Corporate Governance Code” in December of 2010, updated it in March and posted it on the Company’s website (www.interseroh.de, Investor Relations, Corporate Governance), thereby affording permanent access to the public.

46. Exemption Option Pursuant To Section 264, Paragraph 3 Of The German Commercial Code

The following companies, which are fully consolidated in the Interseroh Group’s financial statements, have exercised their option for exemption from the duty to audit and to prepare and disclose notes to the financial statements and a management report in accordance with the provisions applicable to corporations pursuant to section 264, paragraph 3, of the German Commercial Code:

INTERSEROH Pfand-System GmbH, Cologne
INTERSEROH BW Rohstoff und Recycling GmbH, Stuttgart
INTERSEROH NRW GmbH, Dortmund
INTERSEROH Evert Heeren GmbH, Leer
INTERSEROH Franken Rohstoff GmbH, Sennfeld
INTERSEROH Jade-Stahl GmbH, Wilhelmshaven
INTERSEROH Rhein-Neckar Rohstoff GmbH, Mannheim
INTERSEROH Scrap und Metals Trading GmbH, Cologne
Wagner Rohstoffe GmbH, Frankfurt

The following company, which is fully consolidated in the Interseroh Group’s financial statements, has exercised its option for exemption from the duty to audit and to prepare and disclose a management report in accordance with the provisions applicable to corporations pursuant to section 264, paragraph 3, of the German Commercial Code:

INTERSEROH Hansa Finance GmbH, Dortmund

The following companies, which are fully consolidated in the Interseroh Group's financial statements, have exercised their option for exemption from the duty to disclose prepare and disclose notes to the financial statements in accordance with the provisions applicable to corporations pursuant to section 264, paragraph 3, of the German Commercial Code:

INTERSEROH Holzhandel GmbH, Cologne
Repasack Gesellschaft zur Verwertung gebrauchter Papiersäcke mbH, Wiesbaden
INTERSEROH Pool-System GmbH, Cologne
INTERSEROH Product Cycle GmbH, Cologne
INTERSEROH Management GmbH, Cologne
INTERSEROH Hansa Rohstoffe GmbH, Dortmund
Jade-Entsorgung GmbH, Rostock
INTERSEROH SEROG GmbH, Bous

The following companies, which are fully consolidated in the Interseroh Group's financial statements, have exercised their option for exemption from the duty to disclose in accordance with the provisions applicable to corporations pursuant to section 264, paragraph 3, of the German Commercial Code:

INTERSEROH Dienstleistungs GmbH, Cologne
RDB plastics GmbH, Aukrug (formerly: ISR INTERSEROH Rohstoffe GmbH, Cologne)
INTERSEROH Scrap and Metals Holding GmbH (formerly: INTERSEROH Hansa Recycling GmbH, Dortmund

The shareholder resolutions required for this purpose has been submitted to the relevant commercial register in each case.

47. Inclusion in the consolidated financial statements under commercial law

INTERSEROH SE and its subsidiaries and holdings are included in the consolidated financial statements under commercial law prepared for ALBA Group plc & Co. KG, Berlin (formerly: Isabell Finance Vermögensverwaltungs GmbH & Co. KG, Berlin). These consolidated financial statements are published in the Federal Electronic Gazette (district court of Charlottenburg, commercial registry number 36525 B).

48. Affirmation By The Statutory Representatives Pursuant To Section 297 Paragraph 2 Clause 4, 315 Paragraph 1 Clause 6 Of The German Commercial Code (HGB)

We make assurances to the best of our knowledge that in line with the applicable accounting principles the consolidated financial statements present a true and fair view of the Group's net assets, financial position and results of operations and that the Group's consolidated management report accurately reflects the Group's net assets, financial position and results of operations, as well as the key opportunities and risks of the Group's future development.

Cologne, March 3, 2011

INTERSEROH SE

The Board of Directors

Dr. Axel Schweitzer | Joachim Wagner

Imprint

INTERSEROH SE

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