INTERSEROH

2006 BUSINESS REPORT

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INTERSEROH is a leading European supplier of organisational solutions for materials management.

With the help of around 1,100 waste disposal partners, INTERSEROH collects raw materials, has them recycled and then returns them to the production cycle.

INTERSEROH generated a raw material volume of about 5.3 million tons in 2006, making it one of the biggest suppliers of secondary raw materials in Europe.

KEY GROUP FIGURES

	2006*	2005	2004	2003	2002	2001
Group						
Consolidated turnover in million €						
• Services and raw materials	340.1	248.7	229.7	226.2	235.6	211.1
• Steel and metals recycling	898.7	698.2	810.5	510.5	418.6	158.4
	1,238.8	946.9	1,040.2	736.7	654.2	369.5
Earnings before taxes in million euros	41.1	29.9	44.7	19.0	20.4	24.6
Net income in million euros	25.9	19.0	29.6	8.9	11.4	14.1
Total assets in million euros	446.0	317.7	311.5	253.9	249.7	258.3
Equity ratio (1) in %	30.3	37.3	34.4	31.0	31.3	29.0
Return on equity (2) in %	19.1	16.0	27.6	11.3	14.4	18.7
Total return on capital (3) in %	10.4	10.7	16.0	8.7	9.7	10.6
Workforce (average)	1,380	1,301	1,254	1,285	1,360	893
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 euros	0.11	0.86	0.86	0.86	0.86	0.86

(1) Equity per balance sheet x 100/Total assets
(2) Earnings after tax per income statement x 100/Equity per balance sheet
(3) Earnings before interest and taxes per income statement x 100/Total assets
* 2001-2003 Financial statements per HGB; 2004-2006 Financial statements per IFRS

THE MANAGEMENT BOARD

Christian Rubach

is responsible for the field of steel and metals recycling and has been a member of the Management Board since August 2000. From 1995 to July 2000 the qualified economist was managing director of Krupp Hoesch-Rohstoff und Recycling GmbH (from 1998: Hansa Recycling GmbH).

Johannes-Jürgen Albus

has been Chairman of the Management Board since April 2006 and Chief Financial Officer since April 2003. Following various management positions in Germany and abroad, the graduate in business administration was appointed to the management board of GAH Anlagentechnik AG in 1997, initially as chief financial officer and later as chairman from mid-2000 on.

Roland Stroese

has been responsible for sales and services since October 2005. Prior to joining INTERSEROH the graduate business economist worked for REWE Großverbraucher Service in Cologne and was managing director of various associated companies at Coca Cola, Essen, before moving to the Cologne-based confectionery manufacturers Intersnack as sales director and member of the board of directors.

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LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders,

The year 2006 was a good one for INTERSEROH AG. We developed new fields of business for the take-back of packaging and products and expanded our raw material activities through acquisitions, joint ventures and new companies. At around 1.2 billion euros, turnover in 2006 reached the highest level in the history of INTERSEROH, and our earnings before taxes of about 41 million euros must also be viewed extremely positively.

Another value also broke records in 2006: at close to 35 million euros, INTERSEROH AG realised the highest investment volume in its 16-year history in its two segments of steel and metals recycling as well as services and raw materials trading.

In the steel and metals recycling segment we used the year 2006, which was primarily characterised by high non-ferrous metal prices, to acquire numerous new sites for the processing of scrap. We also invested a double-digit million sum in the modernisation of our existing infrastructure so as to strengthen and expand our position further in the consolidating market.

We are continuing along this road in 2007: at the beginning of the year we already took over three new companies in our group through acquisition, and it is our aim to buy even more. We also increased our share in our Polish joint venture at the beginning of the year to a clear majority interest and are therefore growing further in the steel and metals recycling segment.

We also invested extensively in our services and raw materials trading segment in fiscal 2006. New processing plants for waste wood recycling, new take-back systems for electrical and electronic equipment and for disposable deposit bottles and containers with 11 collection and counting points and the Dual System INTERSEROH, licensed countrywide since August 2006, should strengthen our long-term competitiveness in this segment.

The services segment was, as in previous years, characterised primarily in our traditional market of Germany by rising competition between service suppliers and the resultant pressure on margins. The market is also characterised by increasing consolidation and concentration by our logistical and recycling partners in the waste management industry and by our international raw material customers in the paper, plastics as well as steel and metals industries.

To strengthen our position on the market therefore, it is just as necessary to develop and expand existing and new fields of business through organic and external growth as it is to spread the risks. And INTERSEROH must establish a larger raw material basis in order to keep up with the concentration on the buyer side and the more demanding requirements regarding, for example, the volumes and qualities of supply.

New markets for the collection of secondary raw materials are to be found in, among other countries, the new EU member states in Central and Eastern Europe. European law will apply there in the medium term, and service suppliers like INTERSEROH have already begun to develop countrywide take-back and recovery systems for waste packaging and products.

We want to strengthen our international activities in the buying and trading of raw materials such as recovered paper, waste plastics and waste wood with the secondary raw materials generated from these systems and traded on the free world market – not least also in view of the fact that the individual fields of business in the services sector are often based on legal prescriptions that could be changed at any time.

In view of the need for further capital-intensive investments in the vigorous strengthening of the steel and metal recycling segment and in the expansion of our services and raw materials trading position, we have decided to propose a lower dividend of only 11 euro cents for fiscal 2006 to you. This because in order to be able to realise and soundly finance further growth and further acquisitions, we need a stable equity ratio for refinancing. This can only be achieved if the dividend payments for the past financial year – in contrast to most previous years – remains under a level of 50 percent of net income.

Albeit very poignantly, but still wholly right in its appeal, a proverb known in many languages says: “Waste not, want not”. We are today, following an exceptionally good year in 2006, in a time in which we should not “waste”. Although “want” in all the drama of the word is nowhere to be seen – the underlying idea of this downright sensible saying to retain a sound and stable financial position is a central principle of our work for INTERSEROH AG.

With this principle constantly in our minds, coupled with the visibly positive development in the INTERSEROH share on the stock markets in 2006 and early 2007, we as Management Board of your company look optimistically to the future: for a growing and successful INTERSEROH AG that increases its value for its shareholders.

The positive economic development in 2006 and the high demand for the secondary raw materials we trade in as well as the related increase in consumption have driven INTERSEROH's business forwards. With our investments we have laid an important foundation stone for the ongoing expansion and internationalisation of INTERSEROH's activities.

INTERSEROH already operates today in the markets of tomorrow. The world population is rising and the economic systems of many threshold countries are growing rapidly. It is therefore becoming increasingly important for states and companies to follow alternative roads in production and energy recovery. Ecological consciousness, firmly anchored in economic and political activities in Germany and many European countries for many years, will in times of a growing understanding of the effects of climate change and scarcity of resources increasingly become a driving force behind economic decisions. Whereas closed loop recycling management was still seen as something rather abstract in many countries just a few years ago, it is today accepted internationally as the basis for the protection of resources. This understanding offers INTERSEROH many opportunities, which we want to seize jointly with you for a prosperous INTERSEROH AG.

On behalf of the Management Board I would like to thank you, the shareholders of INTERSEROH AG, for your loyalty and interest in our company in 2006. I would also like to thank our customers and business partners for the confidence in us. The success of INTERSEROH rests on the competence, dedication and determination of all our employees. We also thank them for their work.

Yours sincerely,

Johannes Jürgen Albus
Chairman of the Management Board

REPORT OF THE SUPERVISORY BOARD

In the financial year 2006 the Supervisory Board discharged all the duties incumbent upon it according to law and the company's bylaws, advised the Management Board on the management of the company and supervised its conduct of business. The Supervisory Board was directly involved in all important decisions.

The Management Board informed the Supervisory Board in detail, due time, comprehensively and in full accordance with legal requirements about the financial position of the company, the course of business and the plans and strategy of the company in four ordinary and three extraordinary meetings, two of which were held by telephone conference. Regular, comprehensive and timely written and oral reports by the Management Board, especially regarding business policy, corporate planning, the financial position of the group including the strategic further development of the segments as well as the profitability of the company and the course of business formed the basis for the deliberations of the Supervisory Board. The Chairman of the Supervisory Board also maintained constant contact with the Management Board and was informed of all significant developments and pending decisions. Decisions of fundamental importance were submitted to the Supervisory Board for approval. This approval was also granted after review and assessment of the particular matter in hand. On the basis of the Management Board's reports, the Supervisory Board supervised the conduct of business by the Management Board and advised it in same in keeping with the duties placed upon it by law and the company's bylaws. In particular the Supervisory Board examined the legality, compliance with regulations, expedience and profitability of the conduct of business. The Supervisory Board not only reviewed the activities already initiated by the Management Board, but also discussed business decisions and planning calculations for the future intensively with the Management Board on the basis of its reports and the concrete business documents of each particular case.

Except for isolated cases, the members of the Supervisory Board regularly attended all the meetings of the Supervisory Board.

Main Aspects

The meetings focused primarily on the strategic alignments in the segments of the INTERSEROH Group. In the services and raw materials trading segment this concerned mainly the new fields of business, particularly the Dual System INTERSEROH regarding the expected amendment to the Packaging Ordinance and the resultant activities on a political level. The focus of deliberations in the steel and metals recycling segment lay on the decision to develop the segment further, primarily through acquisition of further companies. Another recurring item on the agenda of every meeting of the Supervisory Board was the report of the Chairman of the Management Board, who reported on the development in turnover and income in the group and segments, on current developments on the raw material markets and on other relevant business data. During the meetings the Supervisory Board also conducted a self-evaluation of its work.

Committees

In keeping with the recommendations of the German Corporate Governance Code, the Supervisory Board has formed three committees:

The Chairman's Committee has a total of four members. In seven ordinary and one extraordinary meeting it was primarily occupied with the earnings situation of the group, personnel matters, preparation of Supervisory Board meetings and their agendas.

The Audit Committee is made up of three members of the Supervisory Board. It met twice in the year under review and once in the form of a telephone conference. Its activities were directed at questions concerning the annual financial statements, stipulation of the main points of focus for the audit, further development of risk management, investor protection and insider regulations.

The Personnel Committee consists of the Chairman of the Supervisory Board, his two deputies and a further member of the Supervisory Board. Its work focused on remuneration and other personnel matters concerning the Management Board. The work of the Personnel Committee was discharged during the meetings of the Chairman's Committee because the members of both are identical.

The committees report on their work regularly in the next meetings of the full Supervisory Board.

Takeover Directive Implementation Act

Every one of the 9,840,000 individual share certificates without par value of INTERSEROH AG grants one vote in the general shareholders' meeting. No shares with special rights that confer supervisory powers exist. According to § 22, Par. 1, No. 1 of the Securities Trading Act, a total of 46.01 percent of the shares and therefore voting rights from 4,527,749 shares are attributable to Dr. Axel Schweitzer and Dr. Eric Schweitzer, Berlin.

According to statutory provisions, the appointment and dismissal of members of the Management Board is incumbent upon the Supervisory Board. The Supervisory Board used these powers.

Amendments to the bylaws are resolved by the general shareholders' meeting. The Supervisory Board is entitled to adopt amendments to the bylaws that are of an editorial nature only. Such resolutions were not adopted in the financial year.

There are no agreements in INTERSEROH AG subject to the proviso of a change in control due to a takeover bid. Likewise, no compensation agreements with the members of the Management Board or workforce exist in INTERSEROH AG for the event of a takeover bid.

Corporate Governance

The Supervisory Board sees the German Corporate Governance Code as an important guide for further development of management practice and corporate control. The Supervisory Board pronounced INTERSEROH AG's compliance for the year 2006 together with the Management Board on 7 December 2006. This declaration is published on the company's website. Further information on the subject of corporate governance is to be found in section B.14. of the management report.

The company Isabell Finance Vermögensverwaltungs GmbH made a voluntary public takeover bid to the shareholders of INTERSEROH AG. The Supervisory Board members Dr. Axel Schweitzer and Dr. Eric Schweitzer had an indirect interest in Isabell Finance Vermögensverwaltungs GmbH, now defunct through merger. The Supervisory Board members Dr. Wolfgang Bosch and Mr. Friedrich Merz are lawyers and partners in law firms that advised Isabell Finance Vermögensverwaltungs GmbH. In keeping with the principles of good corporate governance and to avoid conflicts of interest, the aforementioned members of the Supervisory Board did not participate in meetings and resolutions concerning the offer extended by Isabell Finance Vermögensverwaltungs GmbH. Further information on how the conflict of interests was dealt with in the Supervisory Board in connection with the acquisition offer by Isabell Finance Vermögensverwaltungs GmbH can be found in the joint statement by the Management Board and Supervisory Board pursuant to § 27, Par. 1 of the Securities Acquisition Act. This statement of 17 January 2006 is published on the company's website in the category Investor Relations, Acquisition Offer.

Financial Statements

The 2006 general shareholders' meeting elected to appoint the company KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Cologne, as auditors. KPMG audited the accounting, the annual financial statements and the management report of INTERSEROH AG as well as the consolidated financial statements and consolidated management report. The auditor issued an unqualified auditor's opinion for all.

The closing records and reports of KPMG were presented to the Supervisory Board for inspection in due time. The auditor took part in both the relevant meeting of the Audit Committee and the balance sheet meeting of the Supervisory Board. He reported on the main results of his audit, explained the situation with regards to the assets, financial position and earnings of the company and group and answered the questions of the Supervisory Board.

Based on its own examination of the annual financial statements, the consolidated financial statements, the management report and the consolidated management report, the Supervisory Board endorsed the results of the audit by the external auditor. They gave no cause for objection. The Supervisory Board endorsed the annual financial statements and consolidated financial statements, by way of which the annual financial statements of INTERSEROH AG were adopted.

The Supervisory Board approves the distribution of retained earnings proposed by the Management Board.

Changes

There were personnel changes to the Management Board of the company in the period under review. Dr. Werner Kook left the Management Board of INTERSEROH AG on 30 March 2006. Johannes-Jürgen Albus was appointed Chairman of the Management Board with effect from 30 March 2006.

The Supervisory Board would like to thank Dr. Kook for his valuable work for the well-being of the company. The Supervisory Board would further like to thank the Management Board and all staff for their work in the year under review.

Cologne, March 2007

Dr. Axel Schweitzer
Chairman of the Supervisory Board

MANAGEMENT REPORT OF THE INTERSEROH GROUP FOR FISCAL 2006

The INTERSEROH Group is one of the leading service suppliers and raw material companies in Europe. It organises recycling processes and supplies the paper, steel, metal, plastics and derived timber product industries as well as biomass power stations with more than five million tons of secondary raw materials a year. The business activities of the group are divided into two segments – services and raw materials trading as well as steel and metals recycling.

A. FRAMEWORK CONDITIONS

1. General Economic Development: Growth Driven Primarily by Investments

The economy in Germany began to recover towards the end of 2005 and continued to do so in the year under review. The buoyant industrial economy gained most speed. However, the economic situation also improved in the building industry as well as in the skilled trades and services sectors. Whereas the economic recovery had been driven virtually solely by exports in the years before, foreign trade weakened in the year under review. The prime stimuli of economic growth came from investments in buildings and equipment. Private households also consumed more in the fields of furniture, household articles and entertainment electronics.

The upswing also reached the labour market in 2006. However, for a clear reduction in unemployment, experts see a need for further structural reforms. Further, the forecasted economic growth is too low to drive an increase in employment in the current year. Economists fear that businesses and private households brought investments forward into 2006 to avoid the increase of three percentage points in value added tax effective since 1 January 2007. The higher rate of value added tax will influence the economy negatively this year because it will withdraw purchasing power from consumers. Although this will weaken the upswing, it will not stop it. The reason for this assumption is the continued strong investment activity of the corporate sector. The assumption is further supported by the improved write-down conditions for companies valid only to the end of 2007 and by the expectation of poorer financing terms induced by the increase in interest rates. Further, growth will be stimulated by a slightly weaker, but still positive economic environment in Europe and the rest of the world.

The year 2006 was a good business year for INTERSEROH.

The introduction of new services on to the market led to an increase in turnover in the group's segment of services and raw materials trading. The success in the acquisition of companies that put sales packaging on to the market is especially pleasing. In this regard customers were primarily won for the Dual System INTERSEROH. *The development in INTERSEROH's services business in 2006 is described in section B.2.*

Thanks to an expansion in acquisition capacities, increases in the volumes of recovered paper, plastics and wood traded were realised again in the field of raw materials for the first time. *Further details on the situation on the raw material markets are to be found in section B.3.*

The high demand for scrap, and especially non-ferrous metal scrap, was reflected by significantly higher prices. The prices for scrap rose continuously from January to June. They dropped slightly at the start of the third quarter, but remained above the previous year's level. They then rose again in October, remaining at around this level to year end. INTERSEROH expanded its stock business. Low-margin direct sales business activities were given up completely and the volumes of non-ferrous metals raised significantly over the previous year. *The development in the steel and metals recycling segment is described in section B.4.*

2. Legal Framework Conditions from Brussels and Berlin

INTERSEROH is subject to numerous legal requirements from Brussels and Berlin in the execution of its business activities. There were several important new developments and changes in the past financial year.

Packaging Ordinance

To ensure disposal of household packaging via dual systems, the Packaging Ordinance is being amended. The Environment Ministry expects the amendment to be adopted in mid-2007.

INTERSEROH has used so-called "corresponding collection points"[1] since the start of its self-management waste disposal solution. It also calls for a definition and monitoring of guaranteed quality in self-management waste disposal systems by way of, for example, a quality seal and strict action against abuse of the systems by free-riders, who do not or only partly finance the take-back of their packaging.

The so-called stand-alone solutions for disposable beverage containers set up by large discount stores were abolished on 1 May 2006 by the amendment to the ordinance of 28 May 2005. Since then whoever sells disposable PET or tin containers must usually also take back disposable PET or tin containers regardless of whether they were bought at his store or not. This regulation created a new market with needs for transportation, counting of containers and accounting of deposits.

Section B.2. describes the activities of INTERSEROH regarding disposable deposit beverage containers and the return of sales packaging.

Waste Electrical and Electronic Equipment Act

The Waste Electrical and Electronic Equipment Act came into force on 24 March 2006. It obligates the manufacturers and importers of electrical and electronic equipment to take back the equipment they sell on the market. The manufacturers and importers are responsible for the disposal and recycling services for the waste equipment. They can assign this responsibility to a third party – such as INTERSEROH.

INTERSEROH's activities in this field are described in section B.2.

B. Business Development

1. Turnover and Earnings

The year 2006 was a good business year for INTERSEROH. The consolidated group turnover amounted to EUR 1,238.78 million (previous year: EUR 946.91 million). The EBT[2] amounted to EUR 41.07 million (previous year: EUR 29.85 million) and the EBIT[3] to EUR 45.32 million (previous year: EUR 32.73 million).

The steel and metals recycling segment once again contributed the largest share to turnover, accounting for EUR 898.66 million (previous year: EUR 698.16 million). Its share of consolidated turnover: 72.54 percent (previous year: 73.73%). The EBT amounted to EUR 21.85 million (previous year: EUR 11.88 million) and the EBIT to EUR 26.86 million (previous year: EUR 16.01 million).

The turnover in the services and raw materials trading segment rose from EUR 248.75 million to EUR 340.12 million, accounting for a share of turnover of 27.46 percent (previous year: 26.27%). The EBT amounted to EUR 19.83 million (previous year: EUR 20.92 million) and the EBIT to EUR 19.26 million (previous year: EUR 19.93 million).

The net income of the group for the year amounted to EUR 25.89 million (previous year: EUR 18.97 million).

[1] "Corresponding collection points" means that the sales structure of the contributing member of a self-management waste disposal system corresponds to the collection points for the disposal of the packaging typical in the branch.

[2] EBT: earnings before taxes

[3] EBIT: earnings before interest and taxes

Development in turnover in the INTERSEROH Group in million euros	Turnover	Change relative to previous year
2000	394.7	39.2%
2001	369.5	-6.4%
2002	654.2	77.0%
2003	736.7	12.6%
2004	1,040.2	41.2%
2005	946.9	-9.0%
2006	1,238.8	30.8%

Development in turnover in steel and metals recycling in million euros	Turnover	Change relative to previous year
2000	125.5	29.5%
2001	158.4	26.2%
2002	418.6	164.3%
2003	510.5	22.0%
2004	810.5	58.8%
2005	698.2	-13.9%
2006	898.7	28.7%

Development in turnover in services and raw materials trading in million euros	Turnover	Change relative to previous year
2000	269.2	44.2%
2001	211.1	-21.6%
2002	235.6	11.6%
2003	226.2	-4.0%
2004	229.7	1.5%
2005	248.7	8.3%
2006	340.1	36.8%

2. Services: New Fields of Business Unfold Their Operational Impact

INTERSEROH's services business was marked by rising turnover due to the introduction of new services on to the market and by pressure on margins sparked by growing competition.

Sales proceeds in the fields of business for which ISD INTERSEROH Dienstleistungs GmbH is responsible rose strongly. The increase in sales proceeds came primarily from the company's system for the collection and recovery of household packaging (Dual System INTERSEROH), which it has been able to operate countrywide since August 2006. Due to a hard-fought market, however, the margins in this field are under considerable pressure. It also proved possible to increase turnover in the self-management waste disposal system for sales packaging in the year under review.

Transport Packaging

INTERSEROH organises and coordinates the take-back of transport packaging for its industrial contracting partners, namely collection, transport, sorting and recovery. At the end of 2005 INTERSEROH lost contracts with partners from two branches. This resulted in a drop in registration fees. Due to growing competition, a significant drop in margins also had to be accepted on the extension of contracts.

Commercial Sales Packaging
The INTERSEROH self-management waste disposal solution can be used wherever empty sales packaging accrues in the commercial sector. It is a cost-effective and legally safe solution for the collection and recovery of sales packaging subject to quotas. All members of the INTERSEROH self-management waste disposal community receive all legally required documentation verifying their packaging has been recycled in conformity with regulations. The volume stream verification documentation required in this regard is certified by an independent, publicly appointed expert in accordance with the criteria of the Working Group of the Federal States on Waste (LAGA) and deposited with the German Chamber of Commerce and Industry (DIHK). The INTERSEROH self-management waste disposal community is based on a system in which packaging material is collected from corresponding (branch-specific) collection points. The INTERSEROH self-management waste disposal system for the collection and recovery of commercial sales packaging again enjoyed rising turnover in the year under review. It proved possible to establish the service particularly strongly among customers from the food industry.

Household Sales Packaging
The Dual System INTERSEROH (DSI) for the collection and recovery of household sales packaging received the outstanding pronouncements from the total of 16 *Länder* by mid-August 2006 and has been able to offer its services countrywide in Germany since then. Numerous contracts have been signed with new customers since then, especially from the food industry. Strong competition is exerting pressure on profit margins especially in this sector.

Full Service
This service comprises the complete spectrum of physical store and warehouse disposal and recovery. Individual concepts are developed in line with customer wishes. The full-service sector is subject to intense competition. Nevertheless, INTERSEROH was able in fiscal 2006 to convince further large companies of its capabilities.

Deposits on Disposable Drinks Packaging
The so-called stand-alone solutions set up by large discount stores to take back one-way packaging subject to deposit were abolished by the Packaging Ordinance on 1 May 2006. INTERSEROH has established 11 collection and counting points to perform the counting work for bottles and cans that has become necessary as a result. They are logistically well-located throughout Germany near the main urban centres. The counting centres are certified according to the requirements of the Deutsche Pfandsystem GmbH (DPG) and the requirements for specialised waste management companies. INTERSEROH operates two counting centres on its own, while the remaining nine are run in cooperation with partners from the waste management industry. Apart from the necessary investments in the counting centres themselves, the related accounting for the deposits required investments in the installation of high-performance IT structures. This resulted in high start-up costs in the first four months. Due to the requirements of the DPG, business, which only began operationally on 1 May when the new deposit regulations came into effect, started sluggishly, but then stabilised by the end of the year under review. Some services have to be optimised further because they do not yet cover their costs.

Waste Electrical and Electronic Equipment
Manufacturers have been obligated to take back waste electrical and electronic equipment since 24 March 2006. Based on its experience in organising the collection and recycling of waste products for companies from various industries, INTERSEROH has developed services for the collection and recovery of waste electrical and electronic equipment and has persuaded several hundred manufacturers of its service.

Niche Businesses and Low-Volume Logistics
The Repasack System for the recycling and recovery of used kraft paper sacks registered higher licensed volumes last year than in the previous year due to one-off effects from relicensing. The licensed volumes of ISD INTERSEROH Dienstleistungs GmbH for kraft paper sacks fell compared to the previous year. In the building industry the kraft paper sack is being replaced increasingly by other packaging. The food and animal feed industry is going over to selling its products in bulk.

"Meike – der Sammeldrache" – the school and kindergarten project for the collection of old mobile telephones as well as empty ink and toner cartridges from printers, photocopiers and fax machines – counted 13,000 participating schools in 2006 (previous year: 11,300) and 3,500 kindergartens (previous year: 2,800). The number of sponsoring partners who collect for the schools and kindergartens rose to 8,000 (previous year: 5,000).

A new project was also launched: the CaritasBox. More than 26,000 companies have already been won for it. They collect ink and toner cartridges as well as old mobile telephones. For every box filled, the charity Caritas receives a sum of money to help it finance welfare projects.

INTERSEROH continued its activities in Eastern Europe. In addition to the existing locations in Croatia and Slovenia, companies were formed in Hungary, Poland and Romania.

3. Raw Materials Trading: Traded Tonnages Increased

Due to the changes on the market, primarily the strong growth in the demand for raw materials internationally and increasing tendencies for concentration on the recycler side, INTERSEROH is orientating itself more and more with its traditional competencies on trading in raw materials. The coordination and management of group-wide trading activities in recovered paper, waste wood and plastics, excluding steel and metal, have therefore been united under the umbrella of ISR INTERSEROH Rohstoffe GmbH since 1 July 2005. The coordination, cooperation and intra-group use of synergies through centrally coordinated trading activities were intensified systematically in the year under review. The direct export channel developed on the Asian market in the year under review won INTERSEROH a competitive edge.

The raw material tonnage for recovered paper, waste wood and plastics was increased group-wide by more than the market overall. The situation on the raw material markets was as follows:

Recovered Paper

The average prices for recovered paper rose slightly in the first half of 2006, although they remained below the previous year's level. In the second half of the year they were stable and lay above the previous year's level in the same period.

The European paper market was characterised in 2006 by the closure of unprofitable paper factories and the development of modern production capacities that use recovered paper. Consequently the demand for recovered paper grew.

Collection and recovery differ vastly in the individual European countries. For example, Italy has developed into a net exporter. INTERSEROH accounted for this situation on the market in the year under review by establishing the company ISR INTERSEROH Italia S.R.L. in Venice, Italy.

INTERSEROH gave up its Belgian production sites as permanent loss-makers at the end of 2005 and was able in 2006 to overcompensate for the lost market share in Belgium with a joint venture with a Belgian trading company. The tonnage marketed amounted to 82,000 tons.

The tonnage traded by ISR amounted to close on 600,000 tons (previous year: 504,300).

Due to the tense economic situation, the volumes of recovered paper collected in France declined further. In addition to this, the closure of production capacities in the paper industry and consolidation tendencies in the waste management industry were responsible for the undiminished strong competitive pressure on the French recovered paper market. In the course of these developments the tonnage traded by INTERSEROH France S.A.S. dropped from 507,000 tons in 2005 to 471,400 tons in the year under review. The French subsidiary nevertheless managed to acquire new customers. The site in Strasbourg was expanded. The relationships between INTERSEROH France and wholesale chains developed positively. The volumes of paper and plastic packaging collected rose. INTERSEROH has planned a campaign targeted specifically at acquiring new customers in this field for this financial year.

Repasack GmbH managed to maintain the tonnage of used kraft paper sacks traded. The volume of food and animal feed kraft paper sacks traded by ISD INTERSEROH Dienstleistungs GmbH also remained stable, but the volume of kraft paper sacks used in the building industry declined due to their substitution by other means of packaging for transport and storage.

Waste Wood

New capacities in the chip board, paper and pelletising industries increased demand for various grades of waste wood. This situation was intensified in the first quarter by the cold winter. The reduction in the remuneration rates as of 30 June 2006 for certain classes of new plants in terms of the Renewable Energy Sources Act (EEG) saw to the rapid commissioning of new plants in the first half of the year. The related strong increase in demand for waste wood for thermal recycling led – to varying degrees region by region – to a considerable decline in selling prices. INTERSEROH managed to serve additionally created recycling capacities and to overcompensate the drop in receipts through higher marketing revenues. The tonnage of waste wood traded was raised by 12 percent.

As an important supplier of waste wood for material and thermal recycling in Germany, INTERSEROH made a number of significant investments.

The expansion in the INTERSEROH Holzkontor NRW to supply the biomass-fuelled combined heating and power station in Lünen was completed. The power station began normal operation on 1 January 2007. Work on the expansion of the processing capacities of the Holzkontor Bückeburg began in March 2006. The expansion is being realised step by step and should be finished in April 2007. The plant equipment and space infrastructure at Holzkontor Bückeburg are being expanded and optimised. With the new INTERSEROH Holzkontore Saarland, Munich and Stuttgart, which are being operated in cooperation with waste management companies, INTERSEROH has invested in establishing a countrywide presence of wood sites.

Plastics

The plastics market was characterised by a continued rise in demand in 2006. The prices for LDPE foil reached a high in February and then fell slightly in March and April. They remained stable from May to October, before declining again somewhat towards the end of the year. The prices for PET remained stable to April. The second half of the year was characterised by oversupply, combined with falling prices to the end of the year.

The tonnage traded by INTERSEROH developed very positively. The main reason for this development was the increased tonnage in PET disposable packaging handled at the INTERSEROH collection and counting points.

The growing spectrum of possible uses for EPS (polystyrene) caused the demand for regranulates to rise. The price curve consequently rose steadily from the middle of the year under review on. However, logistical and production costs, especially energy costs, also rose significantly.

INTERSEROH Kunststoffaufbereitung GmbH in Aschersleben manufactures and then markets regranulates from EPS. The cancellation of contracts with companies in the field of transport packaging recycling led to an end in the EPS supply from this service business. INTERSEROH nevertheless managed to increase its production and sales tonnage by more than 15 percent over 2005. INTERSEROH also invested in new techniques in Aschersleben enabling the company to also process lower-quality feedstock into a high-quality regranulate.

4. Steel and Metals Recycling: Successful Course Continued

The steel and metals recycling segment also developed positively in fiscal 2006. With the acquisition of recycling companies in Bremen, Greifswald and Braunschweig, INTERSEROH further improved its regional presence and strengthened its market position.

In order to be able to go into customer interests and needs even more individually, the sales activities were restructured. Consequently, all large customers have been assigned a single contact person for all business in the segment. The contact coordinates all quantities and qualities available and is therefore able to supply the customer optimally with the required quantity and quality. To this end, all trading activities were incorporated into INTERSEROH Scrap and Metals Trading GmbH.

The prices for steel scrap rose continuously from January to June; the development in prices in the same period in the previous year was exactly opposite. The prices declined slightly from July to September, although they still lay above the previous year’s level, before climbing again in October and then remaining more or less at this level to the end of the year. The general demand from steelworks was good. Almost all companies in the segment were able to expand their tonnages traded. Stock sales were increased, while, allowing for special effects, direct sales hovered at the previous year’s level.

The general shortage of raw materials in the non-ferrous metals sector caused prices to rise steeply in the first half of the year. They also remained at a high level in the second half of the year. The tonnage traded in the INTERSEROH Group rose, not only due to the acquisition of new companies.

Apart from the acquisition of new companies, INTERSEROH also invested systematically in the infrastructure and plant equipment of existing companies.

In August the group bought the companies Erwin Meyer Metallrecycling GmbH in Bremen and Arthur Thies GmbH & Co. KG in Braunschweig. The latter is being operated as a branch of INTERSEROH Jade-Stahl GmbH. The Greifswald-based company Schrotthandel Ohl was taken over by INTERSEROH-Metallaufbereitung Rostock GmbH in an asset deal.

INTERSEROH enlarged the site of INTERSEROH Jade-Stahl in Hanover. The former three small scrap yards at the harbour in Linden were expanded into a single large area of 25,000 square metres.

At INTERSEROH ERC Eisenmetall Rohstoff Celler GmbH in Dortmund the crane installation was overhauled, a new shear bought and extensive fortification of the site carried out.

The Freiburg scrap yard of INTERSEROH BW Rohstoff und Recycling GmbH, Stuttgart, was also modernised.

The company INTERSEROH Hetzel GmbH, Heidelberg, was renamed to INTERSEROH Rhein-Neckar Rohstoff GmbH. The new registered seat of the company is in Mannheim, where investments were made in a new scrap yard.

Secondary raw materials 2006/2005 including steel and metals recycling	2006	2005
	Total volume in t	Total volume in t
Recovered paper	1,187,900	1,104,900
Waste wood	727,300	649,700
Plastics	143,600	123,900
Kraft paper sacks	11,000	15,800
Scrap metal	195,100	134,600
Steel scrap	2,959,600	3,127,600
Compounds	20,700	27,900
Other secondary raw materials	45,800	14,100

5. Major Transactions in the Financial Year

Apart from the business development in the services and raw materials trading and steel and metals recycling segments already described, the following transactions in the year under review must also be mentioned.

Acquisition of Companies

By sales contract of 1 February 2006 INTERSEROH-Metallaufbereitung Rostock GmbH acquired the company Schrotthandel Ohl Recycling & Transport in Greifswald in an asset deal.

By contract of 19 May 2006 ISR INTERSEROH Rohstoffe GmbH, Cologne, acquired 80 percent of the shares in the company INDO CHINA EUROPE BVBA in Vorselaar, Belgium.

INTERSEROH Hansa Recycling GmbH acquired the company Erwin Meyer Metallrecycling GmbH in Bremen with economic effect from 1 August 2006. It now operates under the name of INTERSEROH Erwin Meyer Metallrecycling GmbH.

By contract of 9 August 2006 INTERSEROH Jade-Stahl GmbH, Wilhelmshaven, acquired the company Arthur Thies GmbH & Co. KG in Braunschweig.

ISD INTERSEROH Dienstleistungs GmbH acquired a 51 percent interest in the company S.C. INTERSEROH S.R.L. in Bucharest, Romania, on 1 September 2006. The company offers organisation of the take-back of packaging and waste electrical and electronic equipment countrywide.

Formation of New Companies

ISR INTERSEROH Rohstoffe GmbH formed the company ISR Italia S.R.L. in Venice, Italy, on 16 March 2006.

INTERSEROH opened its sixth wood site in June 2006 in the form of INTERSEROH Holzkontor Saarland. Like all other wood sites with the exception of Worms, the wood site in Wadgassen, near Saarbrücken, is run in the form of a joint venture. Through its subsidiary INTERSEROH Holzhandel GmbH, INTERSEROH has a 51 percent interest in the new company.

In Poland ISD INTERSEROH Dienstleistungs GmbH formed the company INTERSEROH Organizacja Odzysku S.A. with its registered seat in Warsaw on 28 September 2006. On 28 November ISD formed the company INTERSEROH Kft. in Budapest, Hungary. Both companies offer organisation of the take-back of packaging countrywide.

In December INTERSEROH opened two further wood sites, namely INTERSEROH Holzkontor München on 6 December 2006 and INTERSEROH Holzkontor Stuttgart on 19 December 2006. Both wood sites are run as joint ventures.

Assignments and Mergers

The company SUS Schrott und Stahl GmbH, Wilhelmshaven, was merged into INTERSEROH Stahl- und Metallrecycling GmbH & Co. KG, Cologne. Through this merger INTERSEROH Stahl- und Metallrecycling GmbH & Co. KG, Cologne, ceased to exist and accrued to INTERSEROH AG, Cologne, with its assets. INTERSEROH Hansa Recycling GmbH, Dortmund, is therefore the only management company in the group's steel and metals recycling segment.

The branch office of INTERSEROH Hetzel GmbH, Heidelberg, INTERSEROH-Trading in Frankfurt, was seceded to INTERSEROH RSH Recycling-Stahl-Handel GmbH, Cologne.

The company INTERSEROH Holzkontor Bückeburg Verwaltungs GmbH, Bückeburg, was merged into INTERSEROH Holzkontor OWL GmbH, Porta Westfalica. Through the merger INTERSEROH Holzkontor Bückeburg GmbH & Co. KG, Bückeburg, ceased to exist and accrued to INTERSEROH Holzkontor OWL GmbH, Porta Westfalica, with its assets. The site of Holzkontor Bückeburg is being continued as non-independent branch.

Renaming of Companies

INTERSEROH Hetzel GmbH was renamed to INTERSEROH Rhein-Neckar Rohstoff GmbH and moved its registered seat from Heidelberg to Mannheim.

INTERSEROH RSH Recycling-Stahl-Handel GmbH, Cologne, was renamed to INTERSEROH Scrap and Metals Trading GmbH, Cologne.

Management Board
The Supervisory Board appointed Johannes-Jürgen Albus Chairman of the Management Board on 30 March 2006. He replaced Dr. Werner Kook, who left the company. Albus has been on the Management Board since April 2003 as Chief Financial Officer.

Conversion to SAP
In order to standardise the financial accounting and controlling software used in the group and to simplify reporting, the complete financial accounting and cost accounting including fixed asset accounting in virtually all the subsidiaries of the INTERSEROH Group were converted to SAP successively in the course of the financial year. The higher level of automation in reporting will enable better and sooner compliance with the stricter requirements of the International Financial Reporting Standards (IFRS). The related effects will be cost savings, higher efficiency and better quality.

6. Investments Significantly Up

The current investments for the financial year excluding accruals from changes to the group of consolidated companies totalled EUR 36.84 million (previous year: EUR 28.07 million), consisting mostly of accruals to property, plants and equipment at EUR 33.17 million (previous year: EUR 21.91 million), especially land and buildings at EUR 9.01 million, technical equipment and machinery at EUR 7.83 million, other facilities, fittings and equipment at EUR 6.11 million as well as advances to suppliers and investments in construction at EUR 10.22 million. Apart from the establishment of a new site in Mannheim, the investments were mainly spent on alterations to various sites and the construction of large mechanical plants.

The accruals to intangible assets totalled EUR 2.76 million, mainly for the costs of EUR 2.20 million incurred by the closing date for software that is to be introduced group-wide and goodwill of EUR 0.34 million.

Investments in the field of long-term financial assets amounted to EUR 0.91 million in the year under review. Contained in this amount are acquisition costs of EUR 0.32 million for group companies not yet consolidated as of 31 December 2006. Also included are accruals in the field of long-term loans to affiliated and associated companies not yet consolidated and to external third parties totalling EUR 0.38 million.

The services and raw materials segment accounted for EUR 14.66 million of the current investments. The investments in intangible assets of EUR 2.43 million went primarily at EUR 2.00 million on the implementation of new software. A total of EUR 11.62 million was invested in fixed assets. The accruals in the field of fixed assets fell mainly on technical equipment and machinery at EUR 1.48 million, other facilities, fittings and equipment at EUR 3.25 million as well as advances to suppliers and investments in construction at EUR 6.34 million. The accruals in the field of long-term financial assets of EUR 0.70 million comprised mainly the acquisition/establishment of three subsidiary companies not consolidated in 2006 (EUR 0.29 million) and long-term loans to unconsolidated affiliated companies (EUR 0.21 million).

The steel and metals recycling segment accounted for EUR 22.10 million of the current investments. The accruals in intangible assets of EUR 0.33 million comprised mainly the costs of EUR 0.20 million for the implementation of new software as well as goodwill of EUR 0.13 million resulting from acquisitions. A total of EUR 21.55 million was invested in property, plants and equipment, EUR 8.46 million of which in land and buildings, EUR 6.35 million in technical equipment and machinery as well as EUR 2.87 million in other facilities, fittings and equipment. The advances to suppliers and investments in construction totalling EUR 3.88 million were spent primarily on a scrap shear. The accruals in the field of long-term financial assets of EUR 0.21 million comprised mainly long-term loans to associated companies at EUR 0.17 million.

7. Financing Measures: Net Debt Increased

The overwhelming majority of current payment transactions and current account balances for major domestic INTERSEROH companies are concentrated in three banks operating throughout Europe. The relevant accounts are included in a cash pooling arrangement. The former Hansa companies have a separate cash pooling arrangement with the same banks as INTERSEROH AG. The security for the cash pooling credit line is provided by INTERSEROH AG.

Bank liabilities rose in the year under review by EUR 16.85 million to EUR 50.70 million and liquid funds slightly by EUR 0.43 million to EUR 29.91 million. The net debt of the group to banks therefore rose by a total of EUR 16.42 million.

With equity of EUR 135.32 million, the group's equity ratio is 30.34 percent (previous year: 37.28%). In view of the investments in holdings in the first quarter of 2007 and the group’s growth aims, a further rise in debt is likely.

8. Human Resources and Social Security: Qualification Measures Improved

Workforce Grows

The average size of the group’s workforce over the year amounted to 1,380 (previous year: 1,301).

The workforce in the services and raw materials trading segment rose on average from 593 to 606. The number of employees was 439 (previous year: 400) and the number of industrial workers 167 (previous year: 193).

An average of 774 people were employed in the steel and metals recycling segment in the financial year (previous year: 708), comprising 277 employees (previous year: 247) and 497 industrial workers (previous year: 461).

Carefully Tailored Qualification Measures

The personnel development concept for senior and junior management personnel introduced in 2005 was continued in the year under review.

INTERSEROH supported the development of specialist and management personnel with individual, skills-based development modules focussing on leadership and general management.

In addition to them, INTERSEROH again offered IT and other specialised seminars as well as interdisciplinary training courses in 2006.

Structured Selection Process

INTERSEROH introduced an assessment centre for the selection of junior sales managers for the subsidiary ISD INTERSEROH Dienstleistungs GmbH in the year under review. Candidates are selected on the basis of a skills-based requirements model.

Promotion of Transparency and Cooperation

A group information system helps to give new employees a quick idea of the overall group and its growth. The brochure presents the activities of the individual subsidiary companies clearly and efficiently with the purpose of promoting transparency and inter-company cooperation. Due to the growing fields of business, the group information system is not a static instrument, but is updated regularly. The latest version is available to all employees on the intranet.

Company Pension Scheme Supported

Analysis of one’s own personal income and life situation is an important building block in the search for suitable retirement pension possibilities. The INTERSEROH Group has made arrangements so that its employees can have such an analysis performed by qualified consultants. INTERSEROH supports the selected insurance products with an employer contribution of 10 percent.

Cooperation with Universities

INTERSEROH has been cooperating with various universities in the recruitment of management personnel since 2006. In addition to participation in business days and network meetings, INTERSEROH also maintains contacts with student organisations. At the end of the year under review INTERSEROH established a Creative Marketing Award for a private university in Cologne as a student semester project with a practical connection.

Awards

INTERSEROH-Metallaufbereitung Rostock GmbH won the award TOP 100. This seal of quality is given to the best one hundred SMEs to certify their outstanding innovative strength and continuous innovation process as a firm component of their corporate objectives.

ISD INTERSEROH Dienstleistungs GmbH won an award from TOP JOB in January 2006 for the third time in a row and can therefore count itself among the best employers in Germany.

An employee of ISD was named Junior Manager of the Year by the German food industry foundation "Goldener Zuckerhut". The foundation bestows this award countrywide on ten German junior managers once a year.

Social Commitment Continued and Honoured

The lifelong partnership with a Cologne orphanage entered into during the First Cologne Volunteer Day in September 2003 was continued in fiscal 2006. This partnership involves regular work for the orphanage by INTERSEROH employees. For these activities the company was awarded the Honorary Prize of the City of Cologne at a ceremony on 24 September 2006.

On the initiative of various employees, a bone marrow donor typification day was held on the premises of INTERSEROH at the end of February 2006 in favour of the DKMS Deutsche Knochenmarkspenderdatei gemeinnützige Gesellschaft mbH. In this way INTERSEROH supported the DKMS in its search for life-saving stem cell donors for leukaemia patients. INTERSEROH again also supported the activities of the association Diagnose Leukämie e.V., which works to promote the healing of children suffering from leukaemia.

9. INTERSEROH is Environmental Protection

The term "closed loop recycling management" conveys a concrete promise for sustainable use of natural resources in production and consumption and has become a guiding principle. Sustainability is an integral component of INTERSEROH's philosophy. By closing recycling loops, the group generates streams of raw materials to supply industry. In this way INTERSEROH makes a valuable contribution to the creation and development of demand for recycled raw materials and thus to the protection of natural resources.

By supplying steelworks with scrap iron, INTERSEROH also contributes to the protection of the climate. Steel production from steel scrap requires almost 75 percent less energy than steel production from the primary raw material ore. This not only protects ore resources, but also reduces CO_2 emissions by 75 percent. INTERSEROH further contributes to reducing CO_2 gases by supplying biomass-fuelled combined heating and power stations with renewable raw materials.

For INTERSEROH, therefore, environmental protection is not a side issue, but the object of its business activities.

Like all companies, INTERSEROH is subject to international, national and regional environmental laws, ordinances and guidelines. To ensure compliance, the group's operations are continually inspected by certification companies because almost all INTERSEROH plants are certified as specialised waste management companies and 95 percent already have a certified quality management system in place.

10. Marketing and Advertising Support New Fields of Business

The focus of marketing activities in the year under review lay on a campaign for the new service brand Dual System INTERSEROH (DSI). Specially developed campaign themes supported the development of DSI in selected publications serving the target groups in the nutrition and food industries. The advertising campaign was also supported by several direct mailing campaigns targeted specifically at decision-makers in trade and industry.

INTERSEROH also exhibited at various food industry trade fairs: in January/February at the international confectionery fair ProSweets in Cologne and in September in Düsseldorf at the InterMopro, InterMeat, InterCool, which, with dairy, meat and deep-frozen food products, covers large parts of the food industry. The sales team of ISD INTERSEROH Dienstleistungs GmbH used the fairs not only to cultivate intensive customer contacts at the company's booths, but also for talks with other exhibitors. Numerous customer contacts led to contracts being signed after the fairs.

Other fields of business also used trade fairs to acquire new customers and consolidate customer loyalty, for example the Paperworld in Frankfurt in January, where three themes were presented for the office branch, namely ink and toner cartridge recycling via the INTERSEROH Grüne Umwelt-Box (GUB), recycling of waste electrical and electronic equipment and recovery of used transport packaging. In October INTERSEROH exhibited its complete portfolio of services in Cologne at the international environment fair Entsorga-Enteco. Numerous contacts with both customers and waste management partners were established there.

11. Public Relations: Media Presence Expanded

In addition to the press conference convened in April 2006 to present the group's annual financial statements, INTERSEROH also presented itself to media representatives at the Entsorga-Enteco in October 2006 and at various press conferences called by subsidiary companies. For example, two new scrap companies in the steel and metals recycling segment were presented. On the occasion of the commissioning of the biomass-fuelled combined heating and power station in Lünen INTERSEROH presented the power station's exclusive supplier, namely INTERSEROH Holzkontor NRW. INTERSEROH also demonstrated the mode of operation of the pilot collection and counting point for disposable deposit beverage containers in Osnabrück to journalists. INTERSEROH also organised trips for journalists to inform them about scrap recycling at INTERSEROH-Metallaufbereitung Rostock and about the Dual System INTERSEROH in Berlin and enabled them to talk to the INTERSEROH Management Board.

Contacts to general-interest and trade media were intensified further through visits to editorial offices and individual talks. INTERSEROH also issued around 50 press releases to provide up-to-date information on all important business activities. The press releases were published simultaneously on the Internet at the INTERSEROH website. INTERSEROH was mentioned in numerous articles and programmes throughout the year. They included several TV documentaries and radio programmes with INTERSEROH participation.

INTERSEROH again distributed its newsletter FaxFACTS to its partners in 2006. The newsletter focuses on developments in environmental policy and related INTERSEROH services. Four issues of the customer magazine CIRCLE were published, each with a circulation of 24,000 copies.

12. Investor Relations: INTERSEROH Share Remains an Attractive Alternative

Interest in the INTERSEROH AG stock was again strong in the year under review. The INTERSEROH Management Board and Investor Relations Officers accordingly held numerous talks with analysts, shareholders and potential investors from Germany and abroad. Investor conferences and roadshows with the Management Board met with great interest. INTERSEROH is now regularly observed and analysed by various financial analysts.

At the beginning of 2006 the company Isabell Finance Vermögensverwaltungs GmbH offered to buy the shares of shareholders in INTERSEROH AG, an offer which 20.26 percent of the shareholders accepted. According to a notice presented to INTERSEROH on 4 September 2006, the company's successor, Isabell Finance Vermögensverwaltungs GmbH & Co. KG, holds 46.01 percent of INTERSEROH shares. Like the ALBA Group, Isabell Finance Vermögensverwaltungs GmbH & Co. KG belongs to Dr. Axel Schweitzer and Dr. Eric Schweitzer.

All the items on the agenda for the ordinary general shareholders' meeting on 22 June 2006 were adopted with a large majority. The dividend approved amounted to EUR 0.86 per individual share certificate for the fifth year in a row. The ordinary general shareholders' meeting for 2007 will be held in Cologne on 21 June.

INTERSEROH authorised a new designated sponsor with effect from 1 July 2006.

In September INTERSEROH presented itself to private and institutional investors at the International Anlegermesse (IAM) in Düsseldorf. The IAM is Germany's oldest and most important trade fair for investors with 100 exhibitors and around 10,000 visitors over its three days.

The press conference convened to present the group's annual financial statements reported on the economic development of the INTERSEROH Group. INTERSEROH informed the public about the economic development of the company in the individual quarters of the year in press releases. Analysts and institutional and private investors also received this information in the form of shareholder letters. The information was also published simultaneously on the Internet at the INTERSEROH website.

Share information:
Security type: Domestic share, bearer share
Quoted: Regulated markets in Frankfurt, Düsseldorf and
XETRA trading; regulated unofficial markets in Stuttgart, Munich, Hamburg
and Berlin-Bremen
Financial year: 31.12.
Notifiable shareholders: Isabell Finance Vermögensverwaltungs GmbH & Co. KG (46.01%)
Float: 53.99%
Arithmetic par value: EUR 2.60
Shares: 9.84 million
Bloomberg code: ITS.ETR
Reuters code: INSG.de
ISIN: DE0006209901
German securities identification number: 620990

PRICE AND TURNOVER STATISTICS IN EUROS	XETRA	FRANKFURT
Highest variable price	33.50	33.30
Lowest variable price	26.46	26.82
Spread	23.84 %	21.56 %
Opening price 1st day of trading	27.75	27.30
Closing price	30.49	29.51
Performance	9.87 %	8.10 %

13. Proposal on Use of Net Income

The Management Board and Supervisory Board propose to the general shareholders' meeting that the net income of INTERSEROH AG for the past financial year of EUR 4,802,969.81 should be used to pay a dividend of EUR 0.11 per individual share certificate (previous year: EUR 0.86), i.e. a total sum of EUR 1,082,400.

The Management Board and Supervisory Board further propose that the remainder of the net income of EUR 3,720,569.81 should be transferred to retained earnings. Against the background of the significant increase in turnover and total assets – together with the declining equity ratio – and due to the investments in holdings already realised in the first quarter of 2007, most of the net income for 2006 should be retained so that the further growth being aimed for can be financed soundly.

14. INTERSEROH and Corporate Governance

INTERSEROH identifies with corporate governance. Good corporate governance comprises all the principles for responsible and best-possible management practice and corporate control by generally accepted values. It pursues the object of communicating reliability, securing the confidence of shareholders, business partners, staff and general public and influencing the intrinsic value of the company positively over the long term by way of exemplary conduct.

Shareholder rights, the quality of the Supervisory Board and the guarantee of reasonable transparency are all important components of a value-orientated corporate philosophy. In addition to them and the complete internal organisational structure, including the company's risk management, the German Corporate Governance Code (DCGK) was adopted on 26 February 2002, with whose recommendations and ideas the Management Board and Supervisory Board overwhelmingly identify.

The aims of keeping the company in good shape, to which the Supervisory Board and Management Board of INTERSEROH AG are committed, were pursued vigorously by the boards in the past. They are codified to a large part in applicable laws, the company's bylaws and in the rules of procedure of the INTERSEROH Group.

Within the INTERSEROH Group, only INTERSEROH AG writes a governance report. There is no such obligation for other companies in the group. INTERSEROH AG has not set up any own corporate governance principles in supplementation of DCGK.

Shareholders and the General Shareholders' Meeting

For INTERSEROH, guaranteeing shareholder rights and holding a shareholders' meeting that is orientated towards the shareholders, with the possibility of permanent voting by proxy, as an annual forum for direct contact with the Management Board and Supervisory Board are enduring components of business management.

Due to a lack of interest, broadcasting of the general shareholders' meeting via the Internet is currently not planned.

Management Board and Supervisory Board

The Management Board and Supervisory Board continuously work together closely for the well-being of INTERSEROH. The full Supervisory Board, the Chairman's Committee, the Personnel Committee and the Audit Committee meet regularly or when required. Regarding the frequency of meetings, reference is made to the Report of the Supervisory Board. The Audit Committee is chaired by neither the Chairman of the Supervisory Board nor a former member of the Management Board of the company.

The Supervisory Board also deliberates when necessary without the Management Board.

Following the voluntary public takeover bid by Isabell Finance Vermögensverwaltungs GmbH on 5 January 2006, the Management Board did not convene an extraordinary general shareholders' meeting for discussion or resolution on legal measures. Following the joint statement of the Management Board and Supervisory Board on 17 January 2006 pursuant to § 27 of the German Securities Acquisition and Takeover Act, there was no additional need for information or resolutions by the general shareholders' meeting.

Compensation Report

Compensation of the Management Board

The annual compensation of the members of the Management Board is made up of a non performance-related component and a performance-related bonus. Further components such as long-term performance-related compensation (stock option programmes, granting of shares, etc.) do not exist.

The non performance-related components are fixed remuneration and fringe benefits (use of a company car, payment of insurance premiums.) The bonuses are fixed by the Supervisory Board on the basis of the existing contracts. They are based in the case of all members of the Management Board on the development in the earnings of the individual segments and/or the group overall.

The compensation paid to the active members of the Management Board in fiscal 2006 amounted to EUR 1.56 million (previous year: EUR 1.47 million). Of this total sum, EUR 0.92 million (previous year: EUR 1.00 million) was for non performance-related components (EUR 0.82 million fixed remuneration, EUR 0.10 million fringe benefits) and EUR 0.64 million (previous year: EUR 0.48 million) for bonuses. The compensation for fiscal 2006 was made up as follows:

NAME	FIXED REMUNERATION	FRINGE BENEFITS	BONUSES	TOTAL
Johannes-Jürgen Albus	276,000	26,366	270,000	572,366
Christian Rubach	252,000	44,555	200,000	496,555
Roland Stroese	230,000	24,952	170,000	424,952
Dr. Werner Kook[4]	61,453	8,174	0	69,627
Total	819,453	104,047	640,000	**1,563,500**

[4] Dr. Werner Kook left the Management Board of INTERSEROH AG on 30 March 2006.

The remuneration for former members of the Management Board amounted to EUR 0.90 million (previous year: EUR 0.11 million). Provisions for the pension claims of former members of the Management Board amounted in the previous year to EUR 0.05 million. Loans or similar benefits were not granted to the members of the Management Board. The members of the Management Board did not receive payments from third parties in the year under review pledged or granted due to their work as members of the Management Board.

Compensation of the Supervisory Board

Pursuant to § 15, Par. 1 of the bylaws of INTERSEROH AG adopted by the general shareholders' meeting, the Chairman and Vice Chairmen of the Supervisory Board receive compensation of EUR 15,000 net per annum. Every other member of the Supervisory Board receives compensation of EUR 10,000 net per annum. If members of the Supervisory Board work in one or more committees without simultaneously being Chairman or Vice Chairman of the Supervisory Board, they receive further compensation of a single payment of EUR 2,500 net per annum to compensate them for their work in one or more committees. The compensation is payable at the end of a financial year.

The total compensation of the Supervisory Board in fiscal 2006 amounted to EUR 110,000 net, made up as shown in the following table:

NAME	FUNCTION	COMPENSATION IN EUROS (NET)
Dr. Axel Schweitzer	Chairman Supervisory Board, Chairman Chairman's Committee	15,000
Friedrich Carl Janssen	Vice Chairman Supervisory Board, Member Chairman's Committee, Member Audit Committee	15,000
Hans-Jörg Vetter	Vice Chairman Supervisory Board, Member Chairman's Committee	15,000
Dr. Jürgen R. Neuhaus	Member Supervisory Board, Member Chairman's Committee, Chairman Audit Committee	12,500
Bernd Aido	Member Supervisory Board, Member Audit Committee	12,500
Dr. Wolfgang Bosch	Member Supervisory Board	10,000
Joachim Edmund Hunold	Member Supervisory Board	10,000
Friedrich Merz	Member Supervisory Board	10,000
Dr. Eric Schweitzer	Member Supervisory Board	10,000
Total		**110,000**

No compensation or benefits were granted for personal services rendered outside the Supervisory Board, especially consulting or mediation work.

The members of the Supervisory Board of INTERSEROH AG are not granted stock option programmes.

Transparency, Submission of Accounts and Auditing

In addition to the possibility of direct contact with the company at any time, INTERSEROH also continually publishes information on important developments in the group on the Internet at the address www.interseroh.de.

A portrait of the company as well as its annual reports, quarterly reports and information on certain services are also available there in English.

The annual financial statements of the companies in the INTERSEROH Group are prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The external audits are conducted by KPMG Deutsche Treuhand-Gesellschaft Wirtschaftsprüfungsgesellschaft in Cologne.

The shares in the company and related financial instruments owned by members of the Management and Supervisory Boards are listed in the annex. According to this list, the Supervisory Board Chairman Dr. Axel Schweitzer and the Supervisory Board member Dr. Eric Schweitzer together hold a voting share of 46.01 percent in INTERSEROH AG. The voting rights are attributable to both gentlemen according to § 22, Par. 1, No. 1 Securities Trading Act.

Deviations

Where the group deviated or deviates from the recommendations of the DCGK in isolated cases, this is stated in the declarations of compliance by the Management Board and Supervisory Board of INTERSEROH AG. They can be called up on the Internet at:
http://www.interseroh.de, Investor Relations, Corporate Governance.

15. Information Pursuant to the Takeover Directive Implementation Act

The subscribed capital of INTERSEROH AG of EUR 25,584,000.00 is divided into 9,840,000 individual share certificates without par value with an arithmetic par value of EUR 2.60 each. The shares of the company are made out in the name of the bearer. Every share grants one vote in the general shareholders' meeting. The Management Board is not aware of restrictions pertaining to voting rights or the assignment of shares. According to § 22, Par. 1, No. 1 Securities Trading Act, a total of 46.01 percent of the shares and therefore voting rights from 4,527,749 shares are attributable to Dr. Axel Schweitzer and Dr. Eric Schweitzer, Berlin. 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 Management Board is incumbent upon the Supervisory Board. Amendments to the bylaws are resolved by the general shareholders' meeting. The Supervisory Board is entitled to adopt amendments to the bylaws that are of an editorial nature only.

The Management Board is not authorised at present by the general shareholders' meeting to issue or buy back shares.

There are no agreements in INTERSEROH AG subject to the proviso of a change in control due to a takeover bid. Likewise, no compensation agreements with the members of the Management Board or workforce exist in INTERSEROH AG for the event of a takeover bid.

16. Total Return on Capital Employed as Management Instrument

The Management Board of INTERSEROH AG stipulates the strategy for the corporate divisions and group subsidiaries and manages their business. The management system aims at a reasonable return on capital employed. This applies to both equity and debt capital. To meet this goal, the main management parameter for group 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 valuate investments, both in financial and fixed assets. The future payment surpluses are discounted with the help of the 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 expand the total return on capital employed of the group.

Due to the volatility of raw material prices, the return on sales often named in other groups is not a telling parameter for the INTERSEROH Group as a total entity.

C. Presentation and Explanation of the Earnings and Financial Position and Key Consolidated Ratios

1. Earnings Position	2006		2005		Change
	EUR million	%	EUR million	%	EUR million
Turnover	1,238.78	99.5	946.91	101.8	291.87
Increase/Decrease in inventories	6.71	0.5	-17.09	-1.8	23.80
Total performance	**1,245.49**	**100.0**	**929.82**	**100.0**	**315.67**
Cost of materials	-1,052.70	-84.5	-763.45	-82.1	-289.25
Gross profit	**192.79**	**15.5**	**166.37**	**17.9**	**26.42**
Other operating income	4.37	0.4	5.55	0.6	-1.18
Operating income	**197.16**	**15.8**	**171.91**	**18.5**	**25.24**
Personnel expenses	-72.70	-5.8	-64.82	-7.0	-7.88
Scheduled depreciation	-12.92	-1.0	-11.49	-1.2	-1.43
Operating and administrative expenses	-40.32	-3.2	-41.35	-4.4	1.03
Selling expenses	-34.08	-2.7	-27.52	-3.0	-6.56
Non profit related taxes	-1.50	-0.1	-1.27	-0.1	-0.23
	-161.52	-13.0	-146.45	-15.8	-15.07
Operating result	**35.64**	**2.9**	**25.46**	**2.7**	**10.17**
Investment result	2.01	0.2	0.97	0.1	1.04
Interest result	-4.25	-0.3	-2.88	-0.3	-1.37
Other financial result	0.16	0.0	0.09	0.0	0.07
Result from ordinary operations	**33.56**	**2.7**	**23.64**	**2.5**	**9.91**
Extraordinary depreciation	-0.64		-1.18		0.54
Results relating to other periods	8.15		7.38		0.77
Earnings before taxes	**41.07**		**29.85**		**11.22**
Taxes on income	-15.18		-10.88		-4.30
Consolidated net income	**25.89**		**18.97**		**6.92**
Profit/Loss for other shareholders	-0.82		-0.52		-0.30
Consolidated unappropriated net income	**25.07**		**18.44**		**6.62**

Turnover rose by 30.8 percentage points (EUR 291.87 million) in the year under review. The main reason for this increase in turnover was the rise in prices and volumes in the steel and metals recycling segment compared to the previous year and the introduction of new services in the services and raw materials trading segment.

The **personnel expenses** rose by 12.2 percentage points (EUR 7.88 million) compared to the previous year. This may be attributed primarily to the increase in the workforce.

The rise in the **selling expenses** of EUR 6.56 million coincided with the expansion in business activities, especially in the development of new fields of business in the group's services and raw materials trading segment.

The positive **results relating to other periods** are primarily made up of revenues from the use of provisions and value adjustments on receivables on the one hand and of expenditure on appropriations to value adjustments on receivables, especially receivables from associated companies not included in the consolidated financial statements, on the other.

The **taxes on income** rose by an absolute sum of EUR 4.3 million due to the higher net group result compared to the previous year. The tax rate rose by 0.5 percent to 37.0 percent.

2. Financial Position

Assets	31.12.2006 EUR million	%	31.12.2005 EUR million	%	Change EUR million
Intangible assets	26.61	6.0	23.99	7.6	2.62
Property, plants and equipment	81.87	18.4	60.23	19.0	21.64
Holdings valued at equity	7.48	1.7	6.64	2.1	0.84
Financial assets	4.17	0.9	4.23	1.3	-0.06
Other receivables	0.31	0.1	0.44	0.1	-0.13
Deferred tax claims	6.65	1.5	5.79	1.8	0.86
Long-term assets	**127.09**	**28.5**	**101.31**	**31.9**	**25.78**
Inventories	47.20	10.6	37.97	11.9	9.23
Trade accounts receivable	188.46	42.3	126.91	39.9	61.55
Financial assets	2.43	0.5	1.95	0.6	0.48
Other receivables	36.99	8.3	10.11	3.2	26.88
Current income tax claims	13.91	3.1	10.01	3.2	3.90
Liquid assets	29.91	6.7	29.48	9.3	0.43
Short-term assets	**318.90**	**71.5**	**216.43**	**68.1**	**102.47**
	445.99	**100.0**	**317.74**	**100.0**	**128.25**

Liabilities	31.12.2006 EUR million	%	31.12.2005 EUR million	%	Change EUR million
Subscribed capital	25.58	5.7	25.58	8.1	0.00
Reserves	107.74	24.2	91.08	28.7	16.66
Share of equity attributable to the shareholders of INTERSEROH AG	133.32	29.9	116.66	36.7	16.66
Minority interests	2.00	0.4	1.78	0.6	0.22
Shareholders' equity	**135.32**	**30.3**	**118.44**	**37.3**	**16.88**
Provisions for pensions	20.02	4.5	20.12	6.3	-0.10
Other long-term provisions	5.41	1.2	3.43	1.1	1.98
Deferred tax liabilities	5.72	1.3	2.87	0.9	2.85
Financial liabilities	38.88	8.7	17.32	5.5	21.56
Other long-term liabilities	0.05	0.0	0.76	0.2	-0.71
Long-term debt	**70.08**	**15.7**	**44.49**	**14.0**	**25.58**
Provisions	4.63	1.0	3.74	1.2	0.89
Current income tax liabilities	8.55	1.9	4.64	1.5	3.91
Financial liabilities	20.83	4.7	27.72	8.7	-6.89
Trade accounts payable	151.80	34.1	97.74	30.8	54.06
Other short-term liabilities	54.78	12.3	20.97	6.6	33.81
Short-term debt	**240.59**	**54.0**	**154.80**	**48.7**	**85.79**
	445.99	100.0	317.74	100.0	128.25

The **total assets** of the group rose by EUR 128.25 million (28.8%) to EUR 445.99 million in 2006.

The **long-term assets** grew mainly due to the high investments in fixed assets (EUR 33.17 million).

The increase in **short-term assets** may be attributed mainly to the rise in trade accounts receivable – primarily due to the rise in turnover in the two group segments – and other receivables. The other receivables are primarily made up of receivables from the deposit business.

The **equity ratio** in the group deteriorated compared to 2005 (37.3%) by 7.0 percentage points to 30.3 percent due to the significant increase in the total assets.

The increase in **long-term debt** resulted primarily from new bank loans.

The increase in **short-term debt** may be attributed mainly to the rise in trade accounts payable – also caused by the rise in turnover in the two group segments – and other liabilities. The other liabilities are primarily made up of liabilities from the deposit business.

3. Key Consolidated Ratios in %

Balance Sheet Ratios	Definition	**2006**	**2005**
Intensity of property, plants and equipment	Property plants and equipment per balance sheet x 100/Total assets	18.4	19.0
Inventory turnover	Turnover per income statement/Inventories per balance sheet	26.2	24.9
Turnover of accounts receivable	Turnover per income statement/Trade accounts receivable per balance sheet	6.6	7.5
Equity ratio	Shareholders' equity per balance sheet x 100/Total assets	30.3	37.3
Earnings Ratios			
Return on sales	Earnings before interest and taxes per income statement x 100/Turnover per income statement	3.7	3.6
Return on equity	Earnings after tax per income statement x 100/Equity per balance sheet	19.1	16.0
Return on capital employed	Earnings before interest and taxes per income statement x 100/Total assets	10.4	10.6
Return on investment (ROI)	Operating result per earnings position x 100/(Assets less financial assets)	8.2	8.3
Intensity of materials	Cost of materials per income statement x 100/ Total operating performance per income statement	84.5	82.1
Intensity of personnel	Personnel expenses per income statement x 100/ Total operating performance per income statement	5.8	7.0
Financial result ratio	(Investment, interest and other financial result) per income statements x 100/Earnings before taxes per income statement	-5.1	-6.1

D. Other Information

1. Transactions of Special Importance After the Close of the Financial Year

INTERSEROH Hansa Recycling GmbH, Dortmund, which is responsible for the management and coordination of group-wide activities in steel and metals recycling, acquired several holdings after the close of the year under review.

At the beginning of 2007 INTERSEROH Hansa Recycling GmbH acquired 83.2 percent of the company Wagner Rohstoffe GmbH, Frankfurt, and 53 percent of the company Müller Rohstoffe GmbH, Gelnhausen, subject to approval by the cartel authorities. The remaining 47 percent of Müller Rohstoffe GmbH is held by Wagner Rohstoffe GmbH.

The company RuP Rohstoffhandelsgesellschaft in Düsseldorf was taken over completely on 1 January 2007. The previous share of 50 percent in TOM Sp.z o.o. in Szczecin, Poland, was increased to 70 percent on 1 January 2007.

2. Risk Management

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

Further development of the risk management system in order to provide necessary and successful support to the segments of the INTERSEROH Group was again the goal and responsibility of group management and the segment directors in fiscal 2006. As components of the risk management system, the definition, identification, evaluation and response to existing risks are routinely checked for completeness. The benefits of this were again evident in the year under review in the form of stable business development.

Risks and Opportunities from the Market Environment

The ongoing scarcity of natural resources will continue to determine the further development of raw material prices. Due to steep economic growth, Asia, and especially China, also had a voracious appetite for raw materials of every type in the year under review. Risks for stable continued development are seen especially in the emerging decline in growth in the USA in the current financial year. This could cool down the world economy. Domestically the building industry faces a slowdown in its recovery due to the abolition of housing grants for homeowners in 2006 and the higher rate of value added tax in 2007.

In the medium-term the price level for steel and the industrially most important non-ferrous metals is expected to remain well above that to 2000, albeit with continued high volatility. Steelwork order books are full and scrap supply is good, meaning significantly higher prices were achieved for steel scrap and scrap metal in 2006 compared to 2005.

Paper prices hovered a little higher than the previous year's level. The supply of recovered paper saw to equilibrium on the market. Worldwide a slight decline in prices is expected, driven by reductions in exports to the Far East and for US recovered paper.

The market for waste plastic tended to weaken towards the end of 2006, which may also be attributed to restrained exports to the Far East. Seen over the year, the development in prices was mostly stable.

The purchase prices for waste wood lay slightly above the previous year's level and were influenced significantly by the volumes on offer. According to market estimates, the volume of waste wood available is, primarily in view of the needs of the biomass power stations, good, which may be attributed to the significantly improved economic situation of the building industry compared to previous years and the mild weather.

Risks and Opportunities from the Group Environment

Regarding the risks from the original services business of the group, reference is made to the reports on the individual segments and the section “Foreseeable Development, Possible Chances and Potential Risks” (D.3.).

Risk Management System
The risk management system extends to and integrates all operational units of the group, and includes the following characterising elements:

- strategic planning at segment level;
- detailed short and medium-term planning at individual company level;
- monthly reporting of results and developments (financial, earnings and liquidity position) for all group companies;
- centralised reporting on receivables based on structure and risk potential;
- assessment of price change risks (value-at-risk analysis) in all raw materials trading segments;
- timely hedging of exchange rate risks;
- IT coordination, management and standardisation;
- coordination of insurance;
- weekly status report on overall group liquidity as basis for short-term and strategic financial management;
- bank ratings (non public);
- investment procedures and controlling;
- internal audits (assigned directly to the Chairman of the Management Board) with regular audit reports on routine and extraordinary audits;
- organisational manual as binding guideline for all group units;
- rules of procedure with defined approval requirements;
- contract review;
- personnel recruitment and development;
- ongoing expert opinions on tax matters;
- purchase coordination;
- certification, quality, environmental and safety management based on certifiable criteria;
- complete end-of-year audits.

Individual hedging transactions are concluded for non-payment risks on current accounts, for price and interest-rate change risks and for liquidity risks.

Trade credit insurance policies are generally taken out with the normal excesses from international insurance companies for all debtors.

In the case of some non-ferrous metals a certain market price level is secured by hedging negotiable items at suitable exchanges (e.g. London Metal Exchange). Price change risks are also kept low with a conservative inventory and valuation policy.

Group companies must hedge transactions in foreign exchange upwards of a value of EUR 25,000. Foreign currency items above this limit are sold to banks directly after concluding the transaction. Adequate group liquidity is ensured at all times even under the payment flow fluctuations that exist by way of short-term investments and needs-orientated facilities at INTERSEROH’s banking partners.

The responsible segment representatives (management of the core areas), acting on behalf of the expanded group of risk managers (the risk managers of the individual companies), must make quarterly assessments of risks qualifying as “existential risks”. The assessments, which relate to the core areas, must take information from day-to-day business and the overall context of the relevant markets into account. In this way INTERSEROH ensures that risks from the environment of each operational unit can be assessed.

The principal risks are defined as follows:

1. Strategic risks – inadequate vision and strategy
2. Strategic risks – inadequate integration of strategic orientation into the management of individual companies and communication
3. Strategic risks – inadequate customer orientation: trading and sales (particularly steel and metal scrap)
4. Strategic risks – inadequate customer orientation: services
5. Risks from new acquisitions (projects/corporate acquisitions)
6. Risks from customer relations – dependence on customers
7. Risks from customer relations – dependence on suppliers
8. Investment and financing risks

These principal risks are all assigned glossaries (sub-risks), which the risk managers also use for their assessments. Together with their assessment of the principal risks, the risk managers were also asked to name and assess any new risks they had identified. No new risks were named.

The probability of occurrence of the standard individual risks in 2006 is seen as higher in five of the eight risk categories compared to 2005 and exceeds the "low" category in two cases. The change results from the fields "raw materials" and steel and metals recycling. Whereas risks from new acquisitions and investment risks are deemed higher for the field "raw materials" and the group's steel and metals recycling segment, risks have risen for the steel and metals recycling segment on the buyer side (steelworks) due to consolidations. The improved assessment for France concerns mainly the investment and financing risks.

Customer orientation is deemed significantly better in the services sector. The risk of negative influences on earnings and market share continues to exist in the services sector due to the consolidation in the waste management branch.

The risk managers estimate the risk effect a little higher overall than in the previous year. The estimated risk effect for France is lower than in the previous year. The risks from the integration of individual companies and the competitive position in the trading and sales of raw materials are deemed higher. The overall risk assessment remained unchanged in the moderate category. This estimation has not changed fundamentally since 1999, and therefore there is again no reason for short-term measures.

Risk Inventory at Segment Level

The risk inventory per segment was updated. The individual risks in the inventories were assigned probabilities of occurrence, potential effects on the earnings situation estimated and appropriate measures initiated.

From a group point of view, the analysis revealed the following risk issues:

- negative influences on earnings and market share in the services segment due to the ongoing consolidation in the waste management branch with larger, more comprehensive groups of waste management companies expected to form based on systems and raw materials;
- changes to the Packaging Ordinance with effects on earnings and cessation of individual fields of business in the group's services and raw materials trading segment (e.g. self-management waste disposal, deposit);
- increased competition in the steel and metals recycling segment due to large mergers.

Although the remaining risks may indeed become significant for the individual segments or units, they will not impact noticeably on the group as a whole.

In the course of the discussion on the individual risks the segments are sensitised continuously to adopt counteractive measures.

Risks that pose a fundamental danger to INTERSEROH in a broader sense or which threaten the very existence of the company are not apparent at the moment.

3. Foreseeable Development, Possible Chances and Potential Risks

The estimation of the short to medium-term development of the INTERSEROH Group is based on current expectations and assumptions regarding the effects of future events and economic conditions on the operational companies.

Services

Due to the higher tax burden from the increase in value added tax of three percentage points effective since the beginning of January, experts fear weaker private consumption. INTERSEROH accordingly expects a decline in packaging volumes in transport packaging recycling.

INTERSEROH is following and selectively engaging in the process for the amendment of the Packaging Ordinance, whose outcome could have effects on INTERSEROH services in the field of packaging recycling.

INTERSEROH plans to expand its full-service sector further this year too. INTERSEROH sees good opportunities in the expansion of its range of complex waste management services for companies in the system gastronomy sector and retail trade. The risks in this field include the growing competition and the concentration tendencies in the retail trade and waste management industry.

INTERSEROH sees growth opportunities in the current financial year and 2008 primarily in the further expansion of its relatively new services Dual System INTERSEROH, deposit system and the take-back of waste electrical and electronic equipment.

Most noteworthy in this regard is the Dual System INTERSEROH (DSI) for the collection of household sales packaging. The DSI received pronouncements from all 16 *Länder* by August of the year under review. INTERSEROH is therefore now in a position to offer the service throughout Germany. INTERSEROH also expects a strong increase in customers in the current financial year. However, due to the strong competition, the margins in this business sector are under pressure.

The INTERSEROH deposit system is another growth field. It is planned to intensify customer acquisition activities and to reach a market volume of 10 percent. Risks exist in the possibility food retailers have to erect more of their own take-back machines in their stores than originally planned. This would result in declining volumes at the INTERSEROH collection and counting points. This is countered by the trend that the market for one-way packaging will continue to grow as a result of the easier take-back situation since May 2006.

Further customers are to be acquired in the field of waste electrical and electronic equipment.

The international services around the collection of packaging will be expanded steadily especially in Eastern Europe.

Since the services segment will continue to be characterised by increasing competition in the future as well, the focus of INTERSEROH activities will continue to be aimed at sales.

Raw Materials Trading

Potential risks exist in the volatility of raw material prices. INTERSEROH's turnover should, accordingly, also be evaluated on the basis of the level of these raw material prices.

Following the construction of modern production capacities in the European Union and the increased number of production plants that use recovered paper in the Far East, the expectation of rising demand for recovered paper is connected with at least stable prices. In the field of recovered paper INTERSEROH plans to enter the market in other net exporting countries besides Italy. In France the sales activities with trading companies will be intensified. Contracts for the collection of paper and plastic packaging are to be concluded in this regard. As in 2006, the development of new procurement markets for recovered paper and plastics will also be accorded great importance in the current financial year. INTERSEROH sees opportunities in further expansion in its Far East exporting competency.

Supply and demand on the market for LDPE foil is balanced. However, the market is and remains strongly characterised by exports to the Far East. Accordingly, slight increases in prices are likely again. On the PET market the development of new recycling capacities in Germany and Switzerland have led to a noticeable easing in sales. Rising prices for PET are expected from the second half of 2007. The volume of EPS (polystyrene) in 2007 will again depend primarily on the economic situation.

In the field of waste wood INTERSEROH expects continued growth in demand from thermal recycling plants and the derived timber products industry.

To improve regional coverage throughout Germany, INTERSEROH plans to buy new wood sites or expand existing ones. Together with the volumes of waste wood imported from abroad, INTERSEROH aims to strengthen its position in the waste wood sector even further.

Steel and Metals Recycling

Experts expect the good steel economy to continue into the coming years, together with a high level of demand for steel scrap. The modernisation of technical equipment and acquisition of new companies have established the prerequisites for further profitable growth. The group strategy aims to establish a stronger presence in Germany and to acquire suitable sites in further countries in Eastern Europe. Increased quantities of steel scrap are being generated in these countries due to the relocation of labour-intensive production to them. Experts predict the demand for non-ferrous scrap metal will remain at a stable level in the future as well with correspondingly high prices. The risk of volatile scrap prices is being counteracted by market-compliant inventory management.

Since the legal regulations for environmental protection undergo continuous change, are becoming increasingly stricter and further tightening will occur due to new EU directives, investments may become necessary in the group in the future, the amount and time of which are difficult to predict.

4. 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.

5. Branch Offices

The group has one branch office in the sense of the German Commercial Code. It is INTERSEROH Jade-Stahl, a branch office in Hanover of INTERSEROH Jade-Stahl GmbH in Wilhelmshaven.

Cologne, February 2007

INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen

The Management Board

Johannes-Jürgen Albus

Christian Rubach

Roland Stroese

ANNUAL FINANCIAL STATEMENTS OF THE INTERSEROH GROUP FOR FISCAL 2006

Consolidated Balance Sheet
as of 31 December 2006

Assets	Note	31.12.2006 EUR	31.12.2005 EUR
Long-term assets			
Intangible assets	(12)	26,613,382.50	23,985,639.32
Property, plants and equipment	(13)	81,869,952.31	60,230,724.70
Holdings valued at equity	(14)	7,483,752.54	6,637,057.95
Financial assets	(15)	4,167,014.50	4,228,227.76
Other receivables	(19)	303,559.74	435,761.64
Deferred tax claims	(16)	6,652,656.93	5,794,102.38
		127,090,318.52	**101,311,513.75**
Short-term assets			
Inventories	(17)	47,205,162.40	37,968,808.34
Trade accounts receivable	(18)	188,459,623.36	126,905,787.91
Financial assets	(15)	2,431,944.65	1,954,516.24
Other receivables	(19)	36,988,606.76	10,114,026.95
Current income tax claims	(19)	13,907,083.57	10,011,019.46
Cash and cash equivalents	(20)	29,911,875.80	29,475,494.96
		318,904,296.54	**216,429,653.86**
		445,994,615.06	**317,741,167.61**

Liabilities	Note	31.12.2006 EUR	31.12.2006 EUR	31.12.2005 EUR	31.12.2005 EUR
Equity					
Share of equity attributable to the shareholders of the parent company					
Subscribed capital	(21)	25,584,000.00		25,584,000.00	
Reserves	(22)	107,736,898.88	133,320,898.88	91,081,294.62	116,665,294.62
Minority interests			1,997,211.47		1,778,721.67
			135,318,110.35		**118,444,016.29**
Debt					
Long-term debt					
Provisions for pensions and similar liabilities	(23)	20,024,715.00		20,118,490.62	
Other long-term provisions	(24)	5,414,229.68		3,426,815.76	
Deferred tax liabilities	(16)	5,721,369.84		2,868,873.14	
Financial liabilities	(25)	38,878,960.34		17,317,018.64	
Other liabilities	(27)	48,997.16	70,088,272.02	761,641.46	44,492,839.62
Short-term debt					
Provisions	(24)	4,632,140.53		3,741,861.79	
Current income tax liabilities	(27)	8,545,112.27		4,638,332.67	
Financial liabilities	(25)	20,834,696.06		27,720,693.24	
Trade accounts payable	(26)	151,796,998.99		97,736,055.77	
Other liabilities	(27)	54,779,284.84	240,588,232.69	20,967,368.23	154,804,311.70
			310,676,504.71		**199,297,151.32**
			445,994,615.06		**317,741,167.61**

Consolidated Income Statement
for the Period from 1 January to 31 December 2006

	Note	2006 **EUR**	2005 **EUR**
1. Turnover	(1)	1,238,784,444.08	946,908,637.21
2. Increase (previous year: decrease) in inventories of finished goods and work in progress	(2)	6,707,067.69	-17,093,605.33
3. Other operating income	(3)	20,032,162.22	17,426,827.30
4. Cost of materials	(4)	1,052,699,305.00	763,453,319.29
5. Personnel expenses	(5)	72,699,721.17	64,817,643.13
6. Depreciation on intangible assets and property, plants and equipment	(6)	13,557,702.84	12,280,256.74
7. Other operating expenses	(7)	83,407,863.91	74,626,879.77
8. Result from holdings valued at equity	(8)	1,867,850.10	868,461.79
9. Financial earnings	(8)	1,215,583.64	1,149,375.99
10. Financial expenses	(8)	**5,176,946.16**	**4,231,417.79**
11. Earnings before taxes		41,065,568.65	29,850,180.24
12. Taxes on income and earnings	(9)	**15,175,073.10**	**10,882,370.11**
13. Consolidated net income		25,890,495.55	18,967,810.13
14. Profit/Loss for other shareholders	(10)	**-818,669.90**	**-522,679.60**
15. Consolidated unappropriated net income		25,071,825.65	18,445,130.53
16. Basic earnings per share[5]	(11)	2.55	1.87

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[5] There were no dilutive effects

CONSOLIDATED NOTES FOR THE FINANCIAL YEAR 2006
Explanation of the Principles and Methods Applied for the Consolidated Financial Statements

I. General Information

The INTERSEROH Group is one of the leading service providers and raw material companies in Europe. The business activities of the group are divided into the segments of services and raw materials trading as well as steel and metals recycling. As service provider INTERSEROH organises recycling processes and as supplier delivers to the paper, steel, plastics and derived timber product industries as well as biomass power stations with more than five million tons of secondary raw materials a year.

As a company listed on the stock exchange, INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen, Cologne, (hereinafter called “INTERSEROH AG” or “parent company”) must according to Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (Official Journal of the European Communities No. L 243, p. 1) prepare its consolidated financial statements since the financial year 2005 according to the International Financial Reporting Standards (IFRS) adopted by the European Union (EU); the IFRS consolidated opening balance was prepared on 1 January 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 § 315a German Commercial Code (HGB) according to the regulations of the accounting rules valid on the closing date in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and the interpretations of the International Accounting Standards Board (IASB) in London. They comply with the directives of the European Union on consolidated accounts (Directive 83/349/EEC) and comprise the annual financial statements of INTERSEROH AG and its subsidiaries.

The differences to the book 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 included as equity without influence on net income.

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

II. Consolidated Companies

Apart from INTERSEROH AG, the consolidated financial statements as of the closing date also include a total of 24 inland and five foreign subsidiaries by way of full consolidation. The fully consolidated companies fulfil the requirement that INTERSEROH AG directly or indirectly holds the majority of voting rights in them. Two companies (INTERSEROH Stahl- und Metallrecycling GmbH & Co. KG, Cologne, and INTERSEROH Holzkontor Bückeburg GmbH & Co. KG, Bückeburg) left the group of consolidated companies through merger/accrual in the financial year. Two companies inactive in the previous year and therefore not consolidated then were added to the group of consolidated companies (INTERSEROH Pfand-System GmbH, Cologne, and INTERSEROH RSH Sweden AB, Gothenburg/Sweden). Further, 80 percent of the shares in INDO CHINA EUROPE BVBA, Vorselaar/Belgium, and all the shares in Erwin Meyer Metallrecycling GmbH, Bremen, were acquired with economic effect from 1 July 2006 and 1 August 2006 respectively. The remaining externally-held shares in INTERSEROH Holzkontor Bückeburg GmbH & Co. KG, Bückeburg (25%), and in INTERSEROH BW Rohstoff und Recycling GmbH, Stuttgart (10%), were also bought in 2006. In addition to this, already fully consolidated subsidiary companies acquired the business operations of the sole proprietorships Ohl Recycling & Transport, Greifswald, and Artur Thies GmbH & Co. KG, Braunschweig. The effects of these acquisitions on the financial, earnings and liquidity position and the payment flows of the group are neither individually nor collectively of significant importance.

The consolidated financial statements of INTERSEROH AG include – as in the previous year – five companies (four inland and one foreign company) at equity.

Forty-five companies, which – also together – are of subordinate significance to the financial, earnings and liquidity position and the payment flows of the group, were not included in the consolidated financial statements.

The consolidated companies included by way of full consolidation or at equity are indicated in the list of shareholdings attached to these Notes. The list also indicates the subsidiaries that were not included due to their subordinate importance insofar as their size or the interest held in them directly or indirectly makes this seem appropriate.

Below is a summary of the change in the group of consolidated companies in the financial year.

Number of companies	Fully consolidated	Not included due to insignificance				Total
		Valued at equity	Interest >50%	Interest >20%<=50%	Interest <20%	
As of 01.01.2006	28	5	20	16	9	78
Accruals	4	0	4	1	1	10
Retirements	-2	0	-5	0	-1	-8
As of 31.12.2006	**30**	**5**	**19**	**17**	**9**	**80**

III. Consolidation Principles

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

Consolidation of capital is performed pursuant to IAS 27 (Consolidated and Separate Financial Statements) in conjunction with IFRS 3 (Business Combinations) by the acquisition method, where the acquisition costs of the holding are netted out against the consolidated subsidiary's share of group equity taking the fair values of the assets and liabilities at the time of acquisition into consideration. Any excess is shown as goodwill. Pursuant to IFRS 3 in conjunction with IFRS 1, goodwill is not written off by scheduled depreciation. Instead the value of the goodwill is reviewed by way of an impairment test at least once a year or when occasion arises. 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 AG exercises a significant influence – usually due to an interest between 20 and 50 percent – are valued by the equity method and shown accordingly with their proportionate equity.

Subsidiaries and holdings whose influence on the financial, earnings and liquidity position as well as the payment flows are individually and collectively insignificant are not consolidated, but considered in the consolidated financial statements at their acquisition costs or reliably calculated fair values.

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

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

Significant **interim profits** from internal group supplies and services and from the sale of tangible fixed assets between consolidated companies are eliminated insofar as their influence on the financial, earnings and liquidity position of the group is not of subordinate significance. The corresponding transactions from previous years are updated insofar as they were eliminated as significant interim profits in the year of occurrence.

Regarding the companies valued at equity, no significant profits and losses arose in the past financial year – as in the previous year – from transactions with other group companies.

In the course of consolidation entries the income tax effects are taken into consideration and shown as **deferred taxes** where applicable.

IV. Currency Conversions

All receivables and liabilities in foreign currency in the individual financial statements of group companies are valued at the average exchange rate on the closing date irrespective of any exchange rate hedging. Forward business transacted to hedge exchange rates is shown at its respective fair value.

Current cash in banks or bank liabilities are converted with the buying exchange rate on the closing date and other foreign currency sums with the rate on the transaction date. Insofar as the exchange rate on the closing date is lower for receivables or higher for liabilities, the foreign currency value is shown converted with the rate on the closing date. Resultant currency conversion differences are included in the group income statement with effect on net income.

The consolidated financial statements are prepared in euros. The sums are – with the exception of the consolidated balance sheet and consolidated income statement – shown in million euros rounded up to two decimal places. There are rounding differences to the unrounded sums in individual cases.

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

Only one fully consolidated and one associated company prepare their annual financial statements in Swedish crowns and Polish zloty respectively. The sums incorporated in the consolidated financial statements are converted pursuant to IAS 21 (The Effects of Changes in Foreign Exchange Rates) to euros by the functional currency concept. The following rates were used as a basis:

	Closing date rate		Average rate	
1 euro	2006	2005	2006	2005
Poland PLN	3.85652	3.86343	3.90550	4.02880
Sweden SEK	9.05211	9.41570	9.25830	9.28657

The currency differences resulting from the conversion of the proportionate equity are shown in the equity of the group without influence on net income.

V. Accounting and Valuation Methods

The annual financial statements of the fully consolidated companies have generally been prepared in accordance with standardised accounting and valuation methods. The methods and valuation rules applied by the parent company are also observed by the subsidiaries. There have not yet been any changes to the accounting and valuation methods applied for the IFRS opening date (1 January 2004).

No changes to the accounting and valuation methods for the year under review or earlier periods resulting from first-time application of or changes to a standard or interpretation (IFRS/IAS) had to be made in fiscal 2006.

According to IAS 8.30, a company must report about 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 were applied in these consolidated financial statements. This applies especially to the following standards and interpretations:

- IFRS 7 – Financial Instruments: Disclosures
- Amendments to IAS 1 Presentation of Financial Statements – Capital Disclosures
- IFRS 8 – Segment Reporting
- IFRIC 7 – Applying the Restatement Approach under IAS 29: Financial Reporting in Hyperinflationary Economies
- IFRIC 8 – Scope of IFRS 2
- IFRIC 9 – Reassessment of Embedded Derivatives
- IFRIC 10 – Interim Financial Reporting and Impairment
- IFRIC 11 – Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangements

IFRS 7 and the addendum to IAS 1 require extensive disclosure of information in the consolidated notes on the financial instruments used with regard to the economic position of the group. Qualitative and quantitative information on the situation regarding risks must also be given. IFRS 7 and the amended IAS 1 will become mandatory from the consolidated financial statements for fiscal 2007 on.

According to IFRIC 9 – applicable for the first time for financial years beginning after 31 May 2006 – a company must check whether a contract contains an embedded financial instrument on the day the company becomes party to the contract for the first time. According to this interpretation, a reassessment is not permitted save the contract is modified such that this influences primarily the payment flows. INTERSEROH will apply the new regulations from fiscal 2007. No circumstances are known at present that would affect the consolidated financial statements were IFRIC 9 to be applied.

IFRIC 10 prohibits the reversal of an impairment loss from an earlier interim statement with regard to the valuation of goodwill, equity instruments or financial assets carried at acquisition cost. All impairment losses carried in interim financial statements since INTERSEROH began applying the valuation criteria of IAS 36 and IAS 39 a are included. IFRIC 10 will become mandatory for all financial years beginning after 31 December 2006. The standard is not expected to have any impact on the consolidated financial statements of INTERSEROH.

INTERSEROH also does not expect the other standards and interpretations named but not yet applicable to have significant impacts on the consolidated financial statements.

To improve clarity, individual items in the income statement and balance sheet have been grouped together. They are explained in the Notes. In accordance with IAS 1 (Presentation of Financial Statements), the balance sheet distinguishes between long and short-term assets and between long and short-term debts. Short-term assets and debts are assets and debts that are realised or eliminated respectively within a year.

The consolidated financial statements were prepared on the basis of historical acquisition and production costs except for the derivative financial instruments, which were valued at their fair value.

Intangible assets are generally valued at acquisition cost less scheduled depreciation over their respective periods of use. With the exception of goodwill with unlimited periods of use, intangible assets are depreciated linearly over a period of two to 15 years. Extraordinary depreciations are effected when this is deemed appropriate in the course of the impairment tests performed at least annually. When the reasons for extraordinary depreciations disappear, corresponding appreciations are – with the exception of goodwill – effected, which may not exceed the updated book values.

In accordance with the option codified in IFRS 1.15 and Appendix B, the goodwill from acquisitions before 1 January 2004 is updated 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.

Property, plants and equipment are valued pursuant to IAS 16 (Property, Plant and Equipment) at acquisition or production cost less accumulated depreciation and scheduled depreciation in the financial year. Interest on debt capital in terms of IAS 23 (Borrowing Costs) is not capitalised.

Rented or leased intangible assets and property, plants and equipment, which according to the requirements of IAS 17 (Leases) must be deemed 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 cash values of the minimum leasing payments taking one-off payments into consideration or at the lower fair values. They are written off by scheduled depreciation over their normal period of economic use. If later transfer of ownership of the leased object is uncertain, the term of the leasing contract is used as basis insofar as it is shorter. The payment obligations resulting from the future leasing instalments are stated as financial liabilities.

The obligations to return the property to its original condition are pursuant to IAS 16.16 (c) included in the acquisition or production costs of the asset concerned at the amount of the discounted performance sum and written off linearly as scheduled depreciation over the normal period of use of the asset. The expected liabilities are shown as provisions.

The costs for the repair of property, plants and equipment are generally netted out with effect on net income. They are only capitalised if the costs result in an addition or significant improvement to the respective asset.

The immovable property, plants and equipment (buildings and structures) are depreciated linearly over the expected period of economic use. This also applies to movable property, plants and equipment. When determining the depreciation sums, significant residual values remaining at the end of the normal period of use are taken into consideration.

The retirement of minor fixed assets (acquisition costs to EUR 410.00) in the financial year is assumed.

When selling or closing down property, plants and equipment, the profit or loss from the difference between the sales proceeds and residual book value are stated under other operating income or expenses as the case may be.

The scheduled depreciations are based on the following periods of use and depreciations rates standardised throughout the group:

	Period of use **Years**	Depreciation rate **%**
Land and buildings		
Business and factory premises and other buildings	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	6 - 9	11.11 - 20.00
Fittings, office machines and equipment	3 - 25	4.00 - 33.33
Minor assets (up to EUR 410)	< 1 year	100.00

Extraordinary depreciations may be effected in the course of the impairment tests performed at least once a year. When the reasons for extraordinary depreciations disappear, corresponding appreciations are effected.

The **holdings valued at equity** are initially entered with their acquisition costs and updated by the equity method. If in the course of initial consolidation of these holdings hidden reserves or liabilities were uncovered, they are – if applicable, taking the depreciations by the criteria already named into consideration – also contained in this balance sheet item.

According to IAS 39 (Financial Instruments: Recognition and Measurement), **financial assets** must among others be differentiated between “keep to maturity” and “available for sale”. They are stated at their fair value or, if a fair value on an active market is not available and the fair value cannot be measured reliably, at their updated acquisition costs.

At INTERSEROH both the long-term and the short-term financial assets are classified as “available for sale” and valued at updated acquisition costs because their fair values cannot be measured reliably.

Interest-free and low-interest loans are reported in the balance sheet at cash value and the other loans at updated acquisition costs.

The raw materials, supplies and merchandise reported under **inventories** according to IAS 2 (Inventories) are valued at the lower value of average acquisition or production costs and their net sales value, i.e. the sales proceeds achievable in the normal course of business less the estimated completion and sales costs (principle of loss-free valuation). Apart from the individual costs, the production costs also include reasonable shares of the necessary fixed and variable material and production overheads insofar as they were incurred in connection with the production process. Costs for administration are taken into consideration insofar as they fall on the production section.

According to IAS 39 (Financial Instruments: Recognition and Measurement), **trade accounts receivable** are classified as “loans and receivables” and stated at acquisition costs. Where there are doubts about their complete realisability, the receivables from customers are stated at their lower realisable amount. Apart from the necessary individual value adjustments, the recognisable risks from the general credit risk is accounted for by forming lump-sum value adjustments.

The financial assets shown in **other receivables** that according to IAS 39 are classed as “loans and receivables” are valued at their updated acquisition costs.

The **deferred tax claims and liabilities** are calculated according to IAS 12 (Income Taxes). Deferred taxes are calculated firstly from the differences in time between the valuations of assets and debts in the commercial and tax balance sheet and from consolidation processes and secondly on realisable loss carry-forwards. The tax rates expected in the individual countries at the time of realisation are used as basis for calculation. These are fundamentally based on the legal regulations valid or adopted on the closing date. The income tax rates expected for INTERSEROH AG are used for all the companies domiciled in Germany. The municipal trade tax is rated at 18.37 percent of profit before income taxes. The corporation tax rate is 25 percent plus a solidarity surcharge on corporation tax of 5.50 percent. The total tax rate is therefore 39.90 percent.

Deferred taxes from loss carry-forwards are only taken into consideration when it appears adequately certain that the loss carry-forwards can indeed be used for tax purposes. The loss carry-forwards usable for tax purposes are calculated by calculating the total planned EBIT for the next three years for every company. The taxes due on this total planned EBIT per company are then determined using the consolidated municipal trade tax and corporation tax rates and taking the tax loss compensation rules into consideration and compared with the municipal trade tax and corporation tax carry-forwards of the respective company. Finally the deferred taxes from loss carry-forwards are determined at individual company level taking single-entity relationships for tax purposes into consideration.

In accordance with the criteria in IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), where applicable also in accordance with IAS 19 (Employee Benefits), **provisions** are formed for uncertain liabilities when it appears probable in each case that performance of a current obligation will result in a direct outflow of resources that contain future economic benefits and the value of this obligation or performance sum can be determined reliably, also in the form of estimates. All known uncertain liabilities and risks concerning the past financial year are taken into consideration in the performance sum with the highest probability of occurrence. If the expected scope of obligation is reduced by a changed estimation, the provisions are reduced proportionately and the earnings entered as other operating income.

In the case of long-term provisions the share that will only flow out after more than one year and for which a reliable estimation of the payment sums or times is possible is stated at the cash value calculated by discounting at an interest rate commensurate with the market and term.

Generally all **financial liabilities** are stated in accordance with IAS 39 (Financial Instruments: Recognition and Measurement) at their updated acquisition costs using the effective interest method. Financial debts designated as underlying transaction within a fair value hedge are entered as liabilities at their fair value. The fair values stated for the financial debts are determined on the basis of the interest rates valid on the closing date for the corresponding remaining terms and repayment structures. Financial liabilities from finance-leasing contracts are entered as liabilities at the cash value of the future leasing instalments.

The **trade accounts payable** are stated at their updated acquisition costs in accordance with IAS 39 (Financial Instruments: Recognition and Measurement).

The **other liabilities** are also stated at their repayment value in accordance with IAS 39 (Financial Instruments: Recognition and Measurement) insofar as they do not concern derivative financial instruments.

Derivative financial instruments are used exclusively to reduce risks. They are used within the framework of the group's respective foreign currency regulations.

All derivative financial instruments are reported in the balance sheet in accordance with IAS 39 (Financial Instruments: Recognition and Measurement) at acquisition cost on first valuation and at fair value on subsequent valuations and shown as “other receivables” or “other liabilities”.

For valuation of derivative financial instruments, the fair value is calculated using approved financial models. The respective fair values stated correspond to the sum at which an asset or debt could be settled between knowledgeable business partners not linked to each other and willing to enter into such a contract.

Profits and losses from derivative financial instruments that are used as qualified hedging instruments within a **fair value hedge** are entered in the income statement with effect on net income. Any changes to the results from the ineffectiveness of these financial instruments are entered immediately in the income statement with effect on net income.

Changes to the fair value of a hedging derivative within a **cash flow hedge** are entered as equity without influence on net income. They are only entered directly in the income statement with effect on net income if the changes in the value of the derivative do not represent effective hedging for the future cash flow of the secured underlying transaction.

Turnovers are realised in the case of supplies at the time of the passage of risk or in the case of services at the time of rendering of the service taking the taxes and reductions in revenue that have to be deducted into consideration.

Review of Value by Impairment Tests

The values of assets are reviewed in the INTERSEROH Group at least once a year at year end or more often if special reasons for this become apparent at the level of the cash generating unit (CGU) in the sense of IAS 36 (Impairment of Assets). Based on the economic interdependencies, INTERSEROH has identified the two segments of services and raw materials trading and steel and metals recycling as independent cash generating units.

In the segment steel and metals recycling scrap is bought unsorted in small quantities, sorted, processed if necessary and then sold in large quantities. Fundamentally the segment is transparent regarding realisable selling prices and general market developments. Further, the segment's trade volumes overall are significant to the consumers, which has an additional positive effect on the negotiating positions of the individual companies. The contributions of the segment therefore result on the whole from internal transparency of information in the segment combined with market and especially price advantages from the segment-wide consolidation of sales volumes. Insofar and due to collective management by the parent company, the individual companies cannot be seen as "largely independent", but rather all companies in this segment are classified as a CGU.

The companies in the segment services and raw materials trading render waste disposal services. The secondary raw materials obtained in the course of these services are consolidated and resold to large customers by the same unit or a sister unit within the framework of contracts. Since the companies in this segment are also managed collectively and both buying and trading as well as the related contributions cannot be seen independently of the other companies, the companies in this segment also form a CGU together.

In the impairment tests the residual book values of the individual cash generating units are compared with their respective recoverable amounts as the higher value of net selling price and value in use. The calculation of the value in use is based on the cash value, calculated by 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 by business field and site.

The starting point for the calculation of the free cash flow per segment is (unlike in the previous year) the planned EBIT of the respective segment in accordance with the three-year plan approved by the Management Board. They are adjusted by income and expenses without effect on payments, investment payments and changes in net current assets. For the following years a constant result is presumed and also discounted on the basis of the average planned EBIT.

The plans are based on the assumption that against the background of positive domestic demand the economy will grow by up to 1.8 percent. It was further presumed that the year 2007 will remain difficult due to the continued structural problems in Germany and restrained spending due to the reforms in social security and taxation.

It is presumed consumption in the services segment will improve and therefore also the economic situation of the industries concerned. The level of August 2006 was presumed as price basis.

A price basis at the level of June/July 2006 was used for the planning of the steel and metals recycling segment.

The interest rate used for this is calculated from the average of equity and debt capital weighted by their respective market values. The capital costs are considered at the average of equity and debt capital weighted by their respective market values, with the equity capital costs corresponding to the yield expectations of management for the business and the debt capital costs the current financing conditions of the INTERSEROH Group.

If the recoverable amount of the cash generating unit calculated in this way is lower than its book value, there is an impairment loss amounting to the difference. In the event of an impairment loss the value of any goodwill in the cash generating unit concerned is first adjusted. Any residual amount still remaining after this is distributed proportionately to the other assets of the respective cash generating unit on the basis of the residual book values of every single asset on the closing date.

No indication of a need for value adjustments emerged in the course of the impairment tests.

Use of Assumptions and Estimates

Assumptions and estimates were made when preparing the consolidated financial statements that had an effect on the reporting and amount of the assets, debts, earnings, expenses and contingent liabilities. These assumptions and estimates relate on the whole to the definition of periods of economic use, the valuation of provisions and the realisability of future tax relief used uniformly throughout the group. The actual values can differ in each individual case from the assumptions and estimates made.

Changes are made with effect on net income when better is known.

Notes on the Income Statement

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

(1) Turnover

Due to the settlement system, turnover includes accrued and deferred revenues from current business activity to the amount of EUR 2.75 million (previous year: EUR 4.45 million).

The development in turnover by fields of business and regions is shown in the segment reports.

(2) Increase/Decrease in inventories of finished goods and work in progress

	Inventories		Inventory change	
	2006 **EUR million**	2005 **EUR million**	2006 **EUR million**	2005 **EUR million**
Work in progress	12.61	7.42	5.19	-2.93
Finished goods	10.43	8.38	2.05	-13.99
			7.24	**-16.92**
Changes from changes to group of consolidated companies			-0.53	-0.17
			6.71	**-17.09**

(3) Other operating income

	2006 **EUR million**	2005 **EUR million**
Earnings from the reduction of “provisions” and “accruals”	10.44	8.16
Earnings from the disposal of assets	1.01	0.99
Insurance compensation	0.98	1.04
Rental income	0.63	0.70
Offset remuneration in kind for employees	0.80	0.83
Earnings from the reduction of individual value adjustments	1.99	1.22
Earnings from deconsolidations	0.00	0.20
Other	4.18	4.29
	20.03	**17.42**

(4) Cost of materials

	2006 **EUR million**	2005 **EUR million**
Purchased raw materials and merchandise, less cash discount	844.34	626.39
Waste disposal costs	147.48	92.37
Storage and freight costs	35.96	33.17
Energy costs	9.16	6.19
Counting services, deposit packaging	3.01	0.00
Other services purchased	12.75	5.33
	1,052.70	**763.45**

The group's cost of materials includes accrued and deferred expenses from purchased services to the amount of EUR 1.11 million (previous year: EUR 2.61 million).

(5) Personnel expenses

	2006 **EUR million**	2005 **EUR million**
Wages and salaries	60.10	53.14
Social security contributions	11.83	11.13
Expenses for pensions and other benefits	0.77	0.55
	72.70	**64.82**

(6) Depreciation on intangible assets and property, plants and equipment

	2006 **EUR million**	2005 **EUR million**
Scheduled depreciation		
Intangible assets	1.42	0.82
Property, plants and equipment	11.50	10.67
	12.92	**11.49**
Extraordinary depreciation		
Intangible assets	0.44	0.00
Property, plants and equipment	0.20	0.79
	0.64	**0.79**
	13.56	**12.28**

The extraordinary depreciations concern software and hardware for deposit bottle take-back machines that can no longer be used due to a change in standards.

(7) Other operating expenses

	2006 EUR million	2005 EUR million
Operating and administrative expenses		
Maintenance costs	10.35	11.18
Rents and other room costs	6.61	6.18
Legal, consulting and annual report costs	6.92	5.44
Insurance policies	4.23	4.51
Leasing expenses	1.86	3.31
Telephone, postage, Internet	1.72	1.70
Other tax expenses	1.50	1.27
Other operating and administrative expenses	8.62	9.04
	41.82	**42.62**
Selling expenses		
Costs of goods delivery	16.97	16.70
Advertising and travelling expenses	9.25	6.08
Temporary personnel leasing	6.93	4.20
Other selling expenses	0.92	0.54
	34.08	**27.52**
Accrued and deferred expenses		
Value adjustments on receivables	5.33	1.95
Losses from disposal of assets	0.12	0.49
Transfers to provisions for restructuring	0.24	0.62
Other accrued and deferred expenses	1.82	1.42
	7.51	**4.49**
	83.41	**74.63**

Apart from individual value adjustments (especially on trade accounts receivable and short-term loans), the value adjustments on receivables contained in the accrued and deferred expenses also contain depreciations and write-offs of receivables.

(8) Result from investment in associated companies

	2006 EUR million	2005 EUR million
Result from holdings valued at equity	1.87	0.87
Financial earnings		
Earnings from other holdings	0.14	0.10
Earnings from long-term loans	0.16	0.09
Other interest and similar earnings	0.92	0.96
	1.22	1.15
Financial expenses		
Depreciation on long-term financial assets	-0.01	-0.39
Interest on transfers to pension provisions	-0.99	-1.01
Interest on leasing instalments from finance-leasing contracts	-0.18	-0.31
Other	-4.00	-2.52
	-5.18	-4.23
	-2.09	-2.21

The extraordinary depreciations on long-term financial assets are made on the respective current value on the closing date and concern interests in associated companies not included in the consolidated financial statements (previous year: also other holdings).

(9) Taxes on income and earnings

The taxes on income and earnings contain the taxes on income and earnings paid or due in the individual countries and the deferred tax apportionments. The main German companies in the INTERSEROH Group are subject to an average municipal trade tax rate of 18.37 percent of profit before income tax. The corporation tax rate is 25 percent plus a solidarity surcharge on corporation tax of 5.50 percent. The total tax rate is 39.90 percent. The deferred taxes on loss carry-forwards are calculated taking the restrictions currently in force in Germany on the setting off of losses in subsequent periods for tax purposes into consideration.

The calculation of deferred taxes is based on the expected tax rates in the individual countries at the time of realisation. These are fundamentally based on the legal regulations valid or adopted on the closing date.

The calculation of foreign income tax is based on the valid laws and regulations in the individual countries. The income tax rates applied to foreign companies vary from 25 to 34 percent.

	2006 EUR million	2005 EUR million	2004 EUR million
Taxes paid or due			
for the current year	13.62	8.76	11.46
for previous years	-0.57	-0.34	0,17
	13.05	**8.42**	**11.63**
Deferred taxes			
on temporary differences	2.00	-0.44	3.20
on change loss carry-forwards	0.13	2.91	0.31
	2.13	**2.46**	**3.51**
	15.18	**10.88**	**15.14**

The share of actual tax expenditure falling on foreign subsidiaries amounts to EUR 0.18 million (previous year: EUR 0.06 million).

The actual expenditure on income tax can be derived from the expected tax expenditure for the past consolidated financial year as follows:

	2006 EUR million	2006 EUR million	2005 EUR million	2005 EUR million
Earnings before taxes		41.07		29.85
Expected income tax expenditure (39.90%)		16.39		11.91
Effects of lower national tax rates	-0.36		0.07	
Deferred taxes on results of foreign subsidiaries not considered	0.65		0.74	
Tax-free earnings by holdings, incl. result from at-equity valuations	-0.22		-0.39	
Deviating use of loss carry-forwards for tax purposes	-1.70		0.19	
Change to non capitalised deferred taxes on temporary differences of foreign subsidiaries	-0.55		-1.03	
Accrued and deferred tax expenses and earnings	0.14		-0.34	
Non tax-deductible operating expenses	0.81		0.07	
Other deviations	0.02	-1.21	-0.34	-1.03
Actual income tax expenditure		**15.18**		**10.88**

(10) Profit/Loss for other shareholders

The profit/loss for other shareholders of EUR 0.82 million (previous year: EUR 0.52 million) concerns profit shares at EUR 1.04 million and loss shares at EUR 0.22 million (previous year: exclusively profit shares).

(11) Earnings per share

The earnings per share are calculated by subtracting the profit/loss for other shareholders from the consolidated net income and then dividing the result by the number of shares issued. Dilutive effects did not have to be taken into consideration in either the year under review or the previous year.

With a consolidated unappropriated net income of EUR 25.07 million (previous year: EUR 18.44 million) and an unchanged number of issued shares of 9,840,000, this results in an earnings per share of EUR 2.55 (previous year: EUR 1.87).

Notes on the Balance Sheet

(12) Intangible assets

	Goodwill **EUR million**	Other intangible assets **EUR million**	Total **EUR million**
Acquisition/Production costs			
As of 01.01.2005	19.37	4.92	24.29
Accruals	1.55	2.28	3.83
Retirements	0.00	-0.36	-0.36
As of 31.12.2005	**20.92**	**6.84**	**27.76**
Value adjustments			
As of 01.01.2005	0.00	2.96	2.96
Accruals, scheduled	0.00	0.83	0.83
Retirements	0.00	-0.02	-0.02
As of 31.12.2005	**0.00**	**3.77**	**3.77**
Book values			
As of 01.01.2005	19.37	1.96	21.33
As of 31.12.2005	**20.92**	**3.07**	**23.99**
Acquisition/Production costs			
As of 01.01.2006	20.92	6.84	27.76
Consolidation changes	2.56	0.02	2.58
Accruals	0.34	2.42	2.76
Retirements	0.00	-0.90	-0.90
As of 31.12.2006	**23.82**	**8.38**	**32.20**
Value adjustments			
As of 01.01.2006	0.00	3.77	3.77
Accruals, scheduled	0.00	1.42	1.42
Accruals, extraordinary	0.00	0.44	0.44
Retirements	0.00	-0.04	-0.04
As of 31.12.2006	**0.00**	**5.59**	**5.59**
Book values			
As of 01.01.2006	20.92	3.07	23.99
As of 31.12.2006	**23.82**	**2.79**	**26.61**

The goodwill reported in the consolidated financial statements consists of residual book values of goodwill from the initial consolidation of subsidiaries to the amount of EUR 17.08 million (previous year: EUR 15.49 million) as well as the goodwill taken over from the individual financial statements to the amount of EUR 6.74 million (previous year: EUR 5.42 million). A sum of EUR 0.92 million (previous year: EUR 0.90 million – for other companies) was spent in the year under review for the acquisition of companies (share deals INDO CHINA EUROPE BVBA, Vorselaar/Belgium, and Erwin Meyer Metallrecycling GmbH, Bremen). This resulted in goodwill of EUR 1.02 million (previous year: EUR 0.30 million). In addition to this, goodwill from the individual financial statements to the amount of EUR 1.19 million was accrued in the course of initial consolidation of these holdings. With acquisition costs of EUR 0.96 million from previous years, goodwill of EUR 0.35 million resulted from the initial consolidation of the hitherto unconsolidated INTERSEROH Pfand-System GmbH, Cologne. At a purchase prices of EUR 0.23 million, goodwill of EUR 0.22 million resulted from the acquisition of the remaining 25 percent of shares in the already consolidated company INTERSEROH Holzkontor Bückeburg GmbH & Co. KG, Bückeburg. In addition to this, goodwill to the amount of EUR 1.32 million (previous year: EUR 1.17 million) was generated in asset deals, which can be attributed to the fact that the customer relations acquired cannot be entered in the balance sheet as independent intangible asset. All purchase prices were settled exclusively by transfer of funds.

The other intangible assets contain intangible assets with a residual book value of EUR 0.46 million (previous year: EUR 0.55 million) that are to be capitalised in the course of finance-leasing contracts. As in the previous year, there were no accruals in this segment in fiscal 2006. The depreciations on these assets amounted to EUR 0.09 million (previous year: EUR 0.09 million).

Extraordinary depreciations to the amount of EUR 0.44 million (previous year: EUR 0.00 million) were effected on intangible assets (software) in the past financial year. All depreciations on intangible assets are contained in the income statement item “Depreciation on intangible assets and property, plants and equipment”.

Except for the leased assets, there are no restraints on ownership or disposal or acquisition obligations regarding the intangible assets.

(13) Property, plants and equipment

	Land and buildings EUR million	Technical equipment and machinery EUR million	Fittings and equipment EUR million	Advances to suppliers, investments in construction EUR million	Total EUR million
Acquisition/Production costs					
As of 01.01.2005	63.97	82.19	48.79	0.42	195.37
Accruals from consolidation changes	0.00	0.00	0.04	0.00	0.04
Retirements from consolidation changes	-1.34	-1.03	-0.35	0.00	-2.72
Accruals	4.33	4.95	4.66	7.97	21.91
Retirements	-0.21	-4.92	-3.79	-0.55	-9.47
Reorganisations	-0.07	0.28	-0.13	-0.08	0.00
As of 31.12.2005	**66.68**	**81.47**	**49.22**	**7.76**	**205.13**
Value adjustments					
As of 01.01.2005	33.76	70.74	38.13	0.00	142.63
Accruals from consolidation changes	0.00	0.00	0.01	0.00	0.01
Retirements from consolidation changes	-0.65	-0.73	-0.31	0.00	-1.69
Accruals, scheduled	2.02	4.34	4.31	0.00	10.67
Accruals, extraordinary	0.15	0.41	0.00	0.23	0.79
Retirements	-0.13	-4.12	-3.26	0.00	-7.51
Reorganisations	-0.03	0.00	0.03	0.00	0.00
As of 31.12.2005	**35.12**	**70.64**	**38.91**	**0.23**	**144.90**
Book values					
As of 01.01.2005	30.21	11.45	10.66	0.42	52.74
As of 31.12.2005	**31.56**	**10.83**	**10.31**	**7.53**	**60.23**
Acquisition/Production costs					
As of 01.01.2006	66.68	81.47	49.22	7.76	205.13
Accruals from consolidation changes	0.00	1.21	0.21	0.00	1.42
Accruals	9.02	7.83	6.11	10.22	33.18
Retirements	-3.19	-2.96	-3.84	-0.15	-10.14
Reorganisations	5.76	9.53	-2.70	-12.59	0.00
As of 31.12.2006	**78.27**	**97.08**	**49.00**	**5.24**	**229.59**
Value adjustments					
As of 01.01.2006	35.12	70.64	38.91	0.23	144.90
Accruals from consolidation changes	0.00	0.09	0.03	0.00	0.12
Accruals, scheduled	2.24	5.09	4.17	0.00	11.50
Accruals, extraordinary	0.00	0.00	0.00	0.20	0.20
Appreciations	-0.04	0.00	0.00	0.00	-0.04
Retirements	-2.89	-2.71	-3.36	0.00	-8.96
Reorganisations	0.99	0.14	-1.13	0.00	0.00
As of 31.12.2006	**35.42**	**73.25**	**38.62**	**0.43**	**147.72**
Book values					
As of 01.01.2006	31.56	10.83	10.31	7.53	60.23
As of 31.12.2006	**42.85**	**23.83**	**10.38**	**4.81**	**81.87**

The property, plants and equipment contain assets to the amount of EUR 2.61 million (previous year: EUR 3.80 million) whose underlying rental or leasing contracts are, due to the IFRS criteria applied, to be characterised as finance-leasing contracts and therefore to be entered in the balance sheet of their economic owner. Reference is made to note (25) regarding the corresponding liabilities.

These assets basically concern technical equipment and machinery as well as other facilities, fittings and equipment with book values of EUR 1.73 million and EUR 0.84 million respectively (previous year: EUR 0.65 million and EUR 3.10 million respectively).

The leased and capitalised assets in property, plants and equipment experienced no accruals (previous year: EUR 0.65 million) and depreciations to the amount of EUR 1.18 million (previous year: EUR 1.27 million) in the year under review.

Extraordinary depreciations to the amount of EUR 0.20 million (previous year: EUR 0.79 million) were effected on property, plants and equipment in the past financial year. All depreciations on property, plants and equipment are contained in the income statement item “Depreciation on intangible assets and property, plants and equipment”.

The assets in property, plants and equipment, especially the land and buildings with a total residual book value of EUR 4.66 million (previous year: EUR 6.40 million), serve as security for liabilities, which were valued at a total of EUR 5.16 million (previous year: EUR 5.72 million) on the closing date.

Except for the leased assets, there are no other restraints on ownership or disposal regarding the property, plants and equipment. There are also no acquisition obligations.

(14) Holdings valued at equity

The following holdings are/were valued by the “at-equity method” in INTERSEROH’s consolidated financial statements:

	Country	Interest		Book value	
		2006	2005	31.12.2006 EUR million	31.12.2005 EUR million
TOM Sp. z o.o	Poland	50.0%	50.0%	3.62	3.09
HR Hüttenwerkentsorgung GmbH	Germany	50.0%	50.0%	0.54	0.48
Eisen- und Stein Horn KG	Germany	50.0%	50.0%	2.05	1.88
Mineralmahlwerk Westerwald GmbH	Germany	50.0%	50.0%	1.13	1.04
Jade-Entsorgung GmbH	Germany	24.9%	24.9%	0.14	0.14
				7.48	**6.63**

All associated companies belong to the segment steel and metals recycling.

The book values named contain hidden reserves in property, plants and equipment with residual book values totalling EUR 0.38 million (previous year: EUR 0.40 million) uncovered in the course of the initial consolidation of Eisen- und Stein Horn KG and Jade-Entsorgung GmbH.

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

	Total assets **EUR million**	Equity **EUR million**	Turnover **EUR million**	Result for the year **EUR million**
2006				
TOM Sp. z o.o	27.17	7.90	76.09	0.87
HR Hüttenwerkentsorgung GmbH	2.34	1.08	2.39	1.12
Eisen- und Stein Horn KG	12.46	3.65	11.31	0.77
Mineralmahlwerk Westerwald GmbH	8.86	2.25	14.95	0.50
Jade-Entsorgung GmbH[6]				
2005				
TOM Sp. z o.o	24.66	7.32	75.35	0.31
HR Hüttenwerkentsorgung GmbH	3.02	0.96	6.26	0.30
Eisen- und Stein Horn KG	11.51	3.27	10.95	0.77
Mineralmahlwerk Westerwald GmbH	8.65	2.09	13.61	0.34
Jade-Entsorgung GmbH	2.04	1.34	8.58	0.78

[6] Financial statement for 2006 not yet available

All numbers relate to the annual financial statements prepared according to the respective national law. Where significant deviations from the accounting regulations according to IFRS were established, the proportionate results and the respective equity were adjusted accordingly for the purposes of consolidated accounting.

(15) Financial assets

	2006 **EUR million**	2005 **EUR million**
Long-term		
Interests in associated companies	0.68	1.40
Other holdings	0.37	0.31
Loans	2.86	2.51
Securities	0.02	0.01
Other	0.24	0.00
	4.17	**4.23**
Short-term		
Loans	1.10	0.73
Interest-bearing receivables from minority shareholders	0.84	0.00
Receivables from factoring business	0.49	1.22
	2.43	**1.95**

The 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 in them due to their subordinate significance. The other holdings concern holdings in which the group holds an equity and voting-right rate of less than 20 percent. Extraordinary depreciations totalling EUR 0.01 million (previous year: EUR 0.39 million) were effected for these groups of assets as a result of impairment tests.

The list of shareholdings of the INTERSEROH Group is contained in the annex to these Notes.

The long-term loans shown concern mainly loans to non-group companies as well as long-term tied security payments. As in the previous year, no extraordinary depreciations were necessary on loans and securities.

The receivable from factoring concerns a short-term receivable from the sale of trade accounts receivable to the factoring company. The underlying agreement is to be seen as a financing transaction because not all risks in connection with the legally assigned receivables went over to the factor. The corresponding repayment obligation is shown under the short-term financial liabilities.

After consideration of the extraordinary depreciations effected, the book values of all other financial liabilities shown correspond to their current values on the closing date.

Regarding information on financial derivatives, reference is made to the notes (32) and (33).

(16) Deferred tax claims and liabilities
The deferred taxes entered in the balance sheet can be assigned to the individual balance sheet items by cause as follows:

	Deferred taxes 2006		Deferred taxes 2005	
	Assets **EUR million**	Liabilities **EUR million**	Assets **EUR million**	Liabilities **EUR million**
Goodwill	2.77	0.66	2.93	0.99
Other intangible assets	0.00	0.19	0.00	0.23
Property, plants and equipment	0.86	2.46	0.40	1.78
Financial assets	0.12	0.69	0.00	0.00
Inventories	0.00	0.39	0.00	0.25
Provisions for pensions	1.85	0.00	1.90	0.00
Other provisions	1.88	0.36	1.71	0.74
Financial liabilities	1.37	0.00	1.69	0.00
Loss carry-forwards for tax purposes	0.57	0.00	0.56	0.00
Reserves (from consolidation entries)	0.00	3.74	0.00	2.27
	9.42	**8.49**	**9.19**	**6.26**
Balance	-2.77	-2.77	-3.39	-3.39
	6.65	**5.72**	**5.80**	**2.87**

Deferred tax liabilities are balanced against corresponding claims insofar as the same tax subject and same fiscal authority are concerned.

All loss carry-forwards for tax purposes can be used for an unlimited period of time.

Deferred tax receivables due to temporary differences and existing loss carry-forwards for tax purposes totalling EUR 10.74 million (previous year: EUR 12.10 million) were not capitalised. They concern mainly inland and foreign companies where realisation of the deferred tax claims can be seen as uncertain today.

(17) Inventories

	2006 **EUR million**	2005 **EUR million**
Raw materials and supplies	1.60	1.29
Work in progress	12.61	7.42
Finished goods	10.43	8.38
Merchandise	19.60	17.13
Advances to suppliers	2.97	3.75
	47.21	37.97

Of the inventories shown on the closing date, EUR 7.86 million (previous year: EUR 9.10 million) were entered in the balance sheet at their net selling value.

The value adjustments on inventories amounted to EUR 1.90 million (previous year: EUR 1.37 million) in the financial year.

(18) Trade accounts receivable

	2006 EUR million	2005 EUR million
Receivables from		
Third parties	193.40	129.80
Less value adjustments	-5.25	-4.54
Affiliated companies	0.12	0.41
Associated companies	0.00	0.01
Holdings	0.19	0.01
	188.46	**125.69**

All trade accounts receivable shown are due within a year.

Receivables amounting to EUR 10.14 million (previous year: EUR 5.22 million) serve as security for liabilities valued at a total of EUR 2.40 million (previous year: EUR 1.40 million) within the framework of a global assignment. There are no other restraints on ownership and disposal regarding the trade accounts receivable.

(19) Current income tax claims and other receivables

	2006 EUR million	2005 EUR million
Tax reimbursement claims		
Current income tax	13.91	10.01
Other	2.54	4.72
Deposit receivables	30.01	0.00
Security payments	0.46	1.11
Advances to suppliers	0.31	0.59
Creditors with debits	1.10	0.41
Receivables from insurance companies and other claims for compensation	0.02	0.42
Other	2.85	3.31
	51.20	**20.57**

The amounts named contain the following sums that are only realisable at the end of a year:

	2006 EUR million	2005 EUR million
Security payments	0.19	0.02
Tax reimbursement claims		
Other	0.04	0.00
Receivables from insurance companies and other claims for compensation	0.01	0.03
Other	0.06	0.39
	0.30	**0.44**

(20) Liquid assets

	2006 EUR million	2005 EUR million
Cash in banks		
Sight deposits and fixed deposits	29.31	29.13
Cash on hand	0.22	0.20
Cheques	0.38	0.15
	29.91	**29.48**

This item corresponds to the financial resources fund in the flow-of-funds analysis and is not subject to any restraints on ownership or disposal.

(21) Subscribed capital

The fully paid-in subscribed capital of INTERSEROH AG amounted to an unchanged EUR 25.58 million on the closing date. The capital stock is distributed among (also unchanged) 9,840,000 individual share certificates without par value with an arithmetic share of the 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 the dividend declared by the general shareholders’ meeting.

According to the German Corporation Act, the distributable dividend is determined according to the net income of the annual financial statements of INTERSEROH AG prepared in accordance with the regulations of the German Commercial Code.

A dividend of EUR 0.86 was paid per share for fiscal 2005 (EUR 8.46 million in all). The proposed dividend for fiscal 2006 is EUR 0.11 per share (EUR 1.08 million in all). The amount of the dividend for 2006 depends on approval by the shareholders at the general shareholders’ meeting on 21 June 2007 and was not entered in the consolidated financial statements as liability.

(22) Reserves

	2006 **EUR million**	2005 **EUR million**
Surplus capital	38.61	38.61
Adjustment items from currency conversion	0.22	0.12
Difference from capital consolidation	1.18	1.18
Other retained earnings, incl. net income	67.73	51.17
	107.74	**91.08**

The surplus capital generally contains the premium received on issuing shares. This reserve is subject to certain restraints on disposal contained in the German Corporation Act.

The other retained earnings contain (as in the previous year) amounts totalling EUR 6.99 million from the new valuations or revaluations for preparation of the IFRS opening balance on 1 January 2004.

The adjustment items from currency conversion concern the annual financial statements of the at-equity valued holding TOM Sp.zo.o. prepared in Polish zloty and the annual financial statements of INTERSEROH RSH Sweden AB prepared in Swedish crowns.

Apart from the adjustment items from currency conversion, an amount of EUR 0.02 million from the valuation of a financial derivative (cash flow hedge) was transferred to the other retained earnings without influence on net income for the first time in 2006.

(23) Provisions for pensions and similar liabilities

The pension provisions for the company pension scheme were valued actuarially according to the projected unit credit method prescribed in IAS 19 (Employee Benefits). This method of valuating the cash value of claims takes both the known pensions and acquired claims as of the closing date as well as the future expected increases in salaries and pensions into consideration. Differences resulting at the end of the year (so-called actuarial profits or losses) between scheduled pension liabilities calculated in this way and the actual cash value of claims are only entered in the balance sheet if they lie outside a range of 10 percent of the scope of liability. In this case the profits and losses are, if they exceed the 10-percent corridor, distributed over the average remaining service periods of the entitled employees and entered as earnings or expense. The share of interest on the allocations to provisions contained in the pension expenses is shown as interest expense within the financial result. All other provisions for pensions and similar liabilities are formed on the basis of expert actuarial opinions.

Individual companies in the INTERSEROH Group have in the past provided benefits to their employees for the time after retirement in the form of contribution payments to private institutions and retirement benefit schemes. The plan assets exist exclusively in the form of reinsurance. The results of these commitments are consolidated company-wise in a “funded” plan. For all other commitments for which no reinsurance exists, the results are shown in the category “unfunded” plan.

The promised payments by the company vary depending on the legal, tax and economic circumstances of the respective country and are usually based on the period of employment and the remuneration of the employee. The promises comprise both those from pensions already running and from claims to pensions to be paid in the future. The group’s company pension scheme is exclusively performance-orientated. New employees are not given any promise of a company pension because all the pension schemes, which are based on collective agreements between the company and its workforce, are closed.

The obligations existing exclusively in Germany were calculated using the following parameters:

	31.12.2006	31.12.2005
Interest rate for accounting purposes	4.50%	4.25%
Salary trend	2.50%	2.50%
Pension adjustment	1.75%	1.75%
Expected return from plan assets	6.00%	6.00%

The parameters for mortality, invalidity 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 according to German law was used as retirement age.

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

	31.12.2006		31.12.2005	
Change rate per year	Men	Women	Men	Women
Age to				
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%
above 50	0.0%	0.0%	0.0%	0.0%

The net liabilities developed as follows:

	Funded plan **EUR million**	Unfunded plan **EUR million**	Total **EUR million**
As of 01.01.2005	0.10	21.28	21.38
Periodic net costs from pension commitments (fixed benefit plan)			
Interest expenses	0.05	1.01	1.06
Expected profits from plan assets	-0.06	0.00	-0.06
Current expenses for pension claims	0.08	0.17	0.26
Employer contributions to plan assets	-0.11	0.00	-0.11
Direct benefit payments by the company	0.00	-1.23	-1.23
As of 31.12.2005	**0.06**	**21.22**	**21.28**
As of 01.01.2006	0.06	21.22	21.28
Periodic net costs from pension commitments (fixed benefit plan)			
Interest expenses	0.06	1.00	1.06
Expected profits from plan assets	-0.07	0.00	-0.07
Current expenses for pension claims	0.10	0.18	0.28
Adjustment of actuarial net (profit)/loss	0.01	0.08	0.09
Immediate adjustment due to maximum limit	0.04	0.00	0.04
Employer contributions to fund assets	-0.20	0.00	-0.20
Direct benefit payments by the company	0.00	-1.22	-1.22
As of 31.12.2006	**0.00**	**21.26**	**21.26**

The cash value of claims has changed as follows:

	Funded plan **EUR million**	Unfunded plan **EUR million**	Total **EUR million**
As of 01.01.2005	1.16	22.93	24.09
Current expenses for pension benefits	0.08	0.17	0.26
Interest expenses	0.05	1.01	1.06
Actuarial loss	0.00	1.27	1.27
Benefit payments (payments from plan assets and by the company)	-0.02	-1.23	-1.25
As of 31.12.2005	**1.27**	**24.15**	**25.42**
As of 01.01.2006	1.27	24.15	25.42
Current expenses for pension benefits	0.10	0.18	0.28
Interest expenses	0.05	1.00	1.05
Actuarial loss	0.05	-0.72	-0.67
Benefit payments (payments from plan assets and by the company)	-0.03	-1.22	-1.25
As of 31.12.2006	**1.44**	**23.39**	**24.83**

The payments prospectively due in 2007 amount to EUR 1.24 million (previous year: EUR 1.23 million) and will be reported under short-term provisions.

The pension expenses are made up as follows:

	Funded plan **EUR million**	Unfunded plan **EUR million**	Total **EUR million**
2005			
Interest expenses	0.05	1.01	1.06
Expected profits from plan assets	-0.06	0.00	-0.06
Current expenses for pension claims	0.08	0.17	0.26
Amortisation actuarial profits and losses	0.00	0.00	0.00
Periodic net costs from pension commitments Fixed benefit plan	**0.07**	**1.18**	**1.25**
2006			
Interest expenses	0.06	1.00	1.06
Expected profits from plan assets	-0.07	0.00	-0.07
Current expenses for pension claims	0.10	0.18	0.28
Adjustment of actuarial net (profit)/loss	0.01	0.08	0.09
Amortisation actuarial profits and losses	0.04	0.00	0.04
Periodic net costs from pension commitments Fixed benefit plan	**0.14**	**1.26**	**1.40**

The interest expenses are – netted out against the expected profits from plan assets – shown in the financial expenses, while the other expenses are contained in the personnel expenses.

(24) Other provisions

	As of 01.01.2006 EUR million	Change cons. comp. EUR million	Utilisation EUR million	Reduction EUR million	Transfer EUR million	As of 31.12.2006 EUR million
Lawsuits	1.61	0.00	0.10	1.00	1.12	1.63
Obligation to return property to original condition	1.28	0.00	0.02	-0.05	1.07	2.38
Restructuring	0.87	0.00	0.04	0.37	0.24	0.70
Pending transactions	0.51	0.00	0.00	0.00	0.94	1.45
Anniversary obligations	0.51	0.00	0.00	0.03	0.08	0.56
Other	1.18	0.04	0.02	-0.08	0.81	2.09
	5.96	**0.04**	**0.18**	**1.27**	**4.26**	**8.81**

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

	As of 31.12.2006 **EUR million**	As of 31.12.2005 **EUR million**
Lawsuits	1.61	1.36
Restructuring	0.70	0.87
Other	1.08	0.31
	3.39	**2.54**

The short-term share of provisions for pensions (prospective pension payments in the coming financial year) are reported in the balance sheet under short-term provisions at EUR 1.24 million (previous year: EUR 1.23 million) so that the total amount of the balance sheet item “Provisions” in the short-term debt amounts to EUR 4.63 million (previous year: EUR 3.74 million).

Provisions for current **lawsuits** are formed if their risks can be reasonably estimated. These provisions are determined on the basis of notifications and cost estimates by the company's own legal department and lawyers appointed to represent the company and cover all the estimated fees and legal expenses for these lawsuits and possible settlement costs.

The **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 2007 or further extensions to the existing agreements are not agreed, due between 1 January 2008 and 31 December 2023. Due to the passage of time, the discounted amount of the provisions rose by EUR 0.04 million (previous year: EUR 0.03 million) as of 31 December 2006.

The provisions for **restructuring** contain expected expenditures in connection with planned restructuring measures in one foreign subsidiary.

(25) Financial liabilities

As of 31.12.2006	Total **EUR million**	With a remaining term of to 1 year **EUR million**	> 1 year to 5 years **EUR million**	> 5 years **EUR million**
Liabilities (to/from)				
Banks	50.70	16.41	32.82	1.47
Finance-leasing	3.07	1.07	2.00	0.00
Bills and notes	0.02	0.02	0.00	0.00
Other	5.92	3.34	1.20	1.38
	59.71	**20.84**	**36.02**	**2.85**

As of 31.12.2005	Total **EUR million**	With a remaining term of to 1 year **EUR million**	> 1 year to 5 years **EUR million**	> 5 years **EUR million**
Liabilities (to/from)				
Banks	33.84	20.42	12.90	0.52
Finance-leasing	4.25	1.28	2.62	0.35
Bills and notes	2.03	2.03	0.00	0.00
Other	4.91	3.98	0.66	0.27
	45.03	**27.71**	**16.18**	**1.14**

INTERSEROH generally does not provide security for **liabilities to banks**. Secured loans do exist in exceptional cases. These loans were valued on the closing date at EUR 7.56 million (previous year: EUR 7.12 million), of which EUR 3.10 million (previous year: EUR 3.33 million) are secured by liens. The interest rates for medium and long-term liabilities lie between 3.20 percent and 6.00 percent. The durations of the main loans as far as their sums are concerned expire between 15 March 2007 and 18 January 2009.

Liabilities from finance-leasing are entered as liabilities if the leased assets are entered in the balance sheet under property, plants and equipment as economic property of the group (finance-leasing). They are reported at their cash values.

The leasing liabilities reported can be subdivided by maturity as follows:

	Future min. lease instalment		Interest share therein		Repayment share therein	
	2006 EUR million	2005 EUR million	2006 EUR million	2005 EUR million	2006 EUR million	2005 EUR million
Within 1 year	1.17	1.42	0.10	0.14	1.07	1.28
Between 1 and 5 years	2.19	2.97	0.19	0.35	2.00	2.62
In more than 5 years	0.00	0.36	0.00	0.01	0.00	0.35
	3.36	**4.75**	**0.29**	**0.50**	**3.07**	**4.25**

Finance-leasing 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 terms. One leasing contract, which must be seen by its form as finance-leasing, has a term of 10 years, combined with an extension option for a further five years respectively if the contract is not terminated. Insofar as these options are deemed favourable, the corresponding amounts were incorporated in the calculation of the cash values. Accordingly, the liabilities from finance-leasing contracts reported contain the purchase price payments of EUR 0.04 million (previous year: EUR 0.04 million) needed to exercise the favourable purchase options. The underlying interest rates of the contracts vary depending on the market and time the contracts were concluded between 3.44 and 10.06 percent.

Of the **other financial liabilities**, EUR 0.20 million (previous year: EUR 0.20 million) were due to affiliated companies.

The book values reported for all financial liabilities correspond to their current values.

(26) Trade accounts payable

Liabilities to	2006 **EUR million**	2005 **EUR million**
Third parties	151.66	97.56
Affiliated companies	0.04	0.17
Associated companies	0.07	0.00
Holdings	0.02	0.01
	151.79	**97.74**

All trade accounts payable are due within a year.

The liabilities to third parties contain liabilities from outstanding invoices based on services already received but not yet invoiced at EUR 49.22 million (previous year: EUR 28.35 million) and liabilities in connection with concluded contracts that basically concern repayment obligations to manufacturers and waste disposal obligations at EUR 11.44 million (previous year: EUR 15.82 million).

(27) Current income tax liabilities and other liabilities

As of 31.12.2006		With a remaining term of		
	Total **EUR million**	to 1 year **EUR million**	> 1 year to 5 years **EUR million**	> 5 years **EUR million**
Liabilities (to/from)				
Deposit liabilities	32.99	32.99	0.00	0.00
Current income taxes	8.55	8.55	0.00	0.00
Other taxes	3.04	3.04	0.00	0.00
Personnel	9.01	9.00	0.01	0.00
Advances received for orders	1.05	1.05	0.00	0.00
Other	8.73	8.69	0.04	0.00
	63.37	**63.32**	**0.05**	**0.00**

As of 31.12.2005		With a remaining term of		
	Total **EUR million**	to 1 year **EUR million**	> 1 year to 5 years **EUR million**	> 5 years **EUR million**
Liabilities (to/from)				
Deposit liabilities	0.00	0.00	0.00	0.00
Current income taxes	4.64	4.64	0.00	0.00
Other taxes	1.46	1.46	0.00	0.00
Personnel	7.50	7.50	0.00	0.00
Advances received for orders	0.07	0.07	0.00	0.00
Other	12.70	11.94	0.76	0.00
	26.37	**25.61**	**0.76**	**0.00**

These liabilities are entered in the balance sheet at their updated acquisition costs if not stated otherwise.

The current income tax liabilities contain almost exclusively domestic corporation and municipal trade tax liabilities. The consolidated balance sheet as of 31 December 2006 additionally contains foreign income tax liabilities totalling merely EUR 0.07 million (EUR 0.05 million for Austria and EUR 0.02 million for the Netherlands; previous year: EUR 0.07 million: EUR 0.05 million for Sweden and EUR 0.02 million for Austria).

The 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.

The **personnel** liabilities comprise mainly bonuses, holiday and overtime credit balances, contributions to social security and employers' liability insurance fund yet to be remitted as well as personnel costs.

Of the other liabilities, EUR 0.01 million (previous year: EUR 0.04 million) concern liabilities to affiliated companies.

Other Notes and Information

(28) 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 current business activity, investment activity and financing activity. The cash balance comprises cheques, cash on hand and cash in banks.

Apart from income tax payments, interest earnings and payments are also assigned to the cash flow from current business activity because they in the first instance serve financing of current business activity. The income from dividends is also contained in the cash flow from current business activity. They mainly concern distributions by companies valued at equity.

The consolidated result increased by EUR 6.92 million compared to the previous year. The fact that the cash flow from current business nevertheless fell by EUR 10.30 million over the previous year is mainly the result of the high commitment of funds in the net operating assets, especially the trade accounts receivable and inventories, which in turn can be attributed to the exceptionally high price level at the turn of the year 2006/2007 compared to the previous year, especially in the steel and metals recycling segment.

The net cash flow after deduction of payments for interest and income tax developed accordingly, although the income tax payments resulting from the relatively low result of the previous year and corresponding reduced advance tax payments for the current year declined considerably. As a result the net cash flow only fell by EUR 3.91 million compared to the previous year.

The outflow of funds in the field of investment activity in the year under review rose considerably over the previous year again to EUR 36.95 million (previous year: EUR 20.98 million; 2004: EUR 6.10 million). This was due to extensive investments in the financial year, especially in property, plants and equipment. The funds were used mainly to develop a new site in Mannheim, modernise various sites and to construct a wood processing plant as well as several large plants in the steel and metals sector.

The cash flow from financing activity shows an inflow of funds totalling EUR 5.46 million (previous year: outflow of funds of EUR 16.60 million) in the year under review. The inflows result mainly from the new financial liabilities entered into to finance the extensive investments. As a result the financial liabilities rose – for the first time in years – on balance by EUR 14.48 million (previous year: repayment of EUR 8.60 million).

There was therefore a payment-effective increase in funds of EUR 0.43 million (previous year: reduction by EUR 1.75 million) in the year under review.

(29) Description of segments

The companies in the INTERSEROH Group are divided into two segments, with all the companies engaged in steel and metals recycling belonging to the steel and metals recycling segment and all the other companies to the services and raw materials trading segment. INTERSEROH AG belongs completely to the services and raw materials trading segment.

The segments performed as follows in the past financial year according to IAS 14:

	Services and raw materials trading		Steel and metals recycling		Inter-segment consolidations		Group	
	2006 EUR million	2005 EUR million	2006 EUR million	2005 EUR million	2006 EUR million	2005 EUR million	2006 EUR million	2005 EUR million
External sales	340.12	248.75	898.66	698.16	0.00	0.00	1,238.78	946.91
Sales between the segments	0.52	0.41	2.27	2.67	-2.79	-3.08	0.00	0.00
	340.64	**249.16**	**900.93**	**700.83**	**-2.79**	**-3.08**	**1,238.78**	**946.91**

	Services and raw materials trading		Steel and metals recycling		Inter-segment consolidations		Group	
	2006 EUR million	2005 EUR million	2006 EUR million	2005 EUR million	2006 EUR million	2005 EUR million	2006 EUR million	2005 EUR million
Segment result	19.00	19.87	26.86	16.13	-0.69	-2.96	45.17	33.04
including:								
Inter-segment								
- Accrual losses	9.38	0.00	0.00	0.00	-9.38	0.00	0.00	0.00
- Income from investments	-10.00	-2.96	0.00	0.00	10.00	2.96	0.00	0.00
Adjusted segment result	**18.38**	**16.91**	**26.86**	**16.13**	**- 0.07**	**0.00**	**45.17**	**33.04**
including:								
Depreciations on intangible assets and property, plants and equipment								
Scheduled	6.37	5.05	6.55	6.44	0.00	0.00	12.92	11.49
Extraordinary	0.64	0.79	0.00	0.00	0.00	0.00	0.64	0.79
Result from associated companies	0.00	0.00	1.87	0.87	0.00	0.00	1.87	0.87
Result from other holdings	0.14	0.00	0.00	0.10	0.00	0.00	0.14	0.10
Segment assets	**168.25**	**117.10**	**241.52**	**177.93**	**9.07**	**0.72**	**418.84**	**295.75**
including								
Interests in associated companies	0.00	0.00	7.48	6.64	0.00	0.00	7.48	6.64
Investments in long-term assets (property, plants and equipment and intangible assets)	14.04	12.38	21.89	13.28	0.00	0.09	35.93	25.75
Segment debts	**153.38**	**79.82**	**87.16**	**79.14**	**-3.84**	**-12.21**	**236.70**	**146.75**

Since all consolidated companies are assigned to the two segments described, the transfer of the segment totals to the corresponding closing figures results exclusively from the inter-segment capital, debt and income/expense consolidations indicated.

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

	Services and raw materials trading		Steel and metals recycling	
	2006 **EUR million**	2005 **EUR million**	2006 **EUR million**	2005 **EUR million**
Germany				
a) Turnover (external sales)	255.35	173.83	546.79	457.16
b) Assets	141.28	94.11	233.68	176.71
c) Investments in long-term assets (property, plants and equipment and intangible assets)	12.43	9.18	21.69	13.25
Rest of EU				
a) Turnover (external sales)	61.58	66.12	313.00	201.96
b) Assets	26.97	22.99	7.83	1.22
c) Investments in long-term assets (property, plants and equipment and intangible assets)	1.62	3.20	0.20	0.03
Non-EU countries				
a) Turnover (external sales)	23.19	8.80	38.87	39.04
b) Assets	0.00	0.00	0.00	0.00
c) Investments in long-term assets (property, plants and equipment and intangible assets)	0.00	0.00	0.00	0.00

The turnovers are allocated to the regions according to the customer's seat, and the assets and investments according to the location of the assets.

The transfer prices for internal group turnover are defined based on market conditions ("at arm's length" principle).

(30) Liability Relations

Contingent Liability from the Negotiation and Transfer of Bills and Notes

As of 31 December 2006 the group had no contingent liabilities from the negotiation and transfer of bills and notes (previous year: EUR 0.39 million).

Contingent Liability from Joint and Several Liability for Guarantees and Cash Advances

INTERSEROH AG introduced a cash pooling system with account clearing procedure for domestic subsidiaries in 1999. Under this system the balances of the integrated subsidiaries are credited or charged to the clearing account of INTERSEROH AG daily. In the cash pooling system INTERSEROH AG works together with WestLB AG, Cologne, as well as the associated state and savings banks, Commerzbank AG, Cologne, and Dresdner Bank AG, Cologne.

The group has obligations totalling EUR 5.81 million (previous year: EUR 4.97 million) from surety and guarantee agreements and provision of securities for non-group liabilities.

(31) Other financial obligations
Apart from the finance-leasing contracts already described as financial liabilities, the group also has rental and leasing contracts (mainly property, office rooms and buildings as well as operating and business equipment, e.g. vehicles and office machines), which by their economic content must be classified as operate-leasing contracts. Rent and lease payments totalling EUR 7.61 million (previous year: EUR 9.45 million) were made for these in the past year. The instalments from the operate-leasing contracts existing on the closing date will fall due in subsequent years as follows:

	2006 **EUR million**	2005 **EUR million**
Within 1 year	8.27	10.97
Between 1 and 5 years	19.24	11.67
In more than 5 years	12.51	6.12
	40.02	28.76

(32) Management of financial risks
INTERSEROH's **risk strategy** calls for avoiding, hedging or insuring specific risks. These risks are operational risks resulting from day-to-day business. The goal is not to avoid all potential risks, but to establish room for manoeuvre to enable conscious risk-taking based on comprehensive knowledge of the risks involved and the overall context of the risks.

Further development of the system in order to provide necessary and successful support to the segments of the INTERSEROH Group is also the goal and responsibility of group management and the segment directors.

As components of the risk management system, the definition, identification, evaluation and response to existing risks are routinely checked for completeness.

The system is expanded whenever the possibility of a loss is identified and the occurrence of a major loss cannot be dismissed as entirely improbable. New elements have also been added to the system in cases where the risk sensitivity and communication of employees could be improved with the resultant benefits for stable business development.

The **risk management system** extends to and integrates all operational units of the group and includes the following characterising elements among others:

- ensuring the necessary liquidity at all times
- assessment of price change risks (value-at-risk analysis) in all raw materials trading segments
- timely hedging of exchange rate risks
- organisational manual as guideline for all group units, among others for the risk fields of securing receivables including political and economic national risks, exchange rates, insurance
- rules of procedure with defined approval requirements.

The **liquidity** needed in the group is secured by longer term, fixed-interest and bilateral loans with dependable interest rate agreements or instruments as well as lines of credit. A day-based inflow and outflow plan guarantees a permanent overview of the need in the group.

Any need extending beyond the short-term liquidity available can be covered completely at all times by rolling cash credit lines granted by the commercial banks for at least one year.

The change in the **exchange rate** of the euro against other currencies, especially the US dollar, leads in international business relations not only to general risks but also special exchange rate risks. Generally it should be attempted to leave these currency risks with the business partner, i.e. to invoice in euros. Where this is not possible, the internal guideline must be observed.

Speculative transactions (volume and/or price obligations without concrete need) are not permitted. This also includes contracts in foreign currency speculating on a gain in the exchange rate.

The foreign currency receivables and liabilities resulting from contracts must be hedged when exceeding a volume of EUR 0.03 million. Hedging may be effected exclusively by way of foreign exchange forward contracts (in the form of micro or macro hedging) or with existing currency stocks.

Options or similar business transactions are not permitted.

Micro hedging secures the risks of each individual item separately.

In macro hedging the net risk existing is first determined. To this end, existing hedge items (receivables and liabilities in the same foreign currency – insofar as their amounts and periods correspond) are eliminated. The open surplus remaining is then closed by an opposing hedge transaction.

Stockpiling of foreign currencies is not permitted.

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.

Interest rate change risks are countered with suitable instruments from the derivatives market (e.g. exchange of fixed for variable interest rates).

In the INTERSEROH Group **credit risks** in the field of trade accounts receivable are generally transferred to a third party in the form of trade credit insurance. There is an instruction in the group that business exceeding the insured limit per debtor may not be transacted. This rule may only be deviated from in justified individual cases and only after prior approval by management or the management board. Compliance with the trade credit limits is monitored at regular intervals.

(33) Derivative financial instruments

All foreign currency receivables and liabilities in the INTERSEROH Group resulting from contracts are hedged without exception (upwards of a volume of more than EUR 0.03 million). Generally hedging for transactions in foreign currency is effected exclusively by forward exchange transactions. Only banks of first-class financial standing are used. Hedging is used according to standardised guidelines, subject to strict control and usually restricted to securing operational business.

In the forward exchange transaction a certain exchange rate is defined for a certain time in the future at the time of the underlying transaction. This ensures that the maturity date is identical with the payment date of the underlying receivable or liability and that no outstanding foreign currency or forward dispositions arise.

The forward exchange transactions are valued at fair value. “Normal” purchases and sales of financial assets pursuant to IAS 39 are entered in the balance sheet according to the accounting method on the day of performance. The aim of the use of derivative financial instruments is mainly to rule out influences on operational business by exchange rate changes.

As of the closing date the INTERSEROH Group had forward exchange transactions to secure trade accounts invoiced in foreign currencies, each of which was based on a corresponding underlying transaction with identical amount and period.

At a nominal amount of USD 1.16 million (corresponds to EUR 0.89 million), the derivative financial instruments are reported under the short-term financial assets with their market value of EUR 0.01 million (previous year: negative EUR 0.01 million under the short-term financial liabilities).

There is no own market risk from the forward exchange transactions themselves because the linked operational business results in a closed item, which ensures that liquidity is available in the secured currency in the corresponding amount at the agreed date.

Profits and losses from the development of the market values of the fair value hedges are taken into account directly in the income statement in that the results from the hedge and those from the underlying transaction are incorporated with effect on net income.

A non-payment risk does not exist.

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

An interest swap transaction with a maturity date of 31 October 2011 was concluded at WestLB AG, Düsseldorf, on 26 October 2006. The object of this agreement is to restrict parts of the variable interest payments for a loan granted by WestLB AG to a maximum interest rate of 3.925 percent over the term of the contract. As of the closing date the derivative had a fair value of EUR 0.03 million, carried under the long-term financial assets. With due consideration of deferred taxes, an amount of EUR 0.02 million was transferred to equity (more exactly: retained earnings) without influence on net income.

(34) Original financial instruments

The stock of original financial instruments can be seen in the balance sheet. The explanations on them are given in the explanations of the respective balance sheet item.

(35) Information on closely related companies and persons

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 members of the Supervisory Board of INTERSEROH AG. Business with these companies is transacted on the same terms as with external third parties. The companies in the INTERSEROH Group were not involved in any transactions of significance for the Management Board or companies or persons close to the Management Board that were unusual in type or nature. The organisational guidelines stipulate that in the case of unusual transactions with closely related persons or companies the prices agreed must be reviewed by two independent auditors to ensure conformity with market prices.

Expenses and earnings with associated companies or subsidiaries not included in the consolidated financial statements are only of minor significance for the evaluation of the financial, earnings and liquidity position and the payment flows of the group.

Two members of the Supervisory Board indirectly held a shareholding of more than one percent of the shares issued by the company as of 31 December 2006 (cf. note (41)).

The shareholdings of all other members of the Supervisory Board and Management Board as of 31 December 2006 were neither directly nor indirectly more than one percent of the shares issued by the company. The total shareholding of all other members of the Supervisory Board and Management Board also lay under one percent on the closing date.

(36) Management Board and Supervisory Board

Management Board

The Management Board comprised the following members in the year under review:

- Johannes-Jürgen Albus, Cologne (Chairman from 30 March 2006)
- Dr. Werner Kook , Dinslaken (Chairman to 30 March 2006, then left)
- Christian Rubach, Düsseldorf
- Roland Stroese, Cologne

The total compensation of the Management Board of INTERSEROH AG for its work amounted to EUR 1.56 million (previous year: EUR 1.47 million) in 2006. This sum contains a variable component of EUR 0.64 million (previous year: EUR 0.48 million).

The compensation for former members of the Management Board amounted to EUR 0.90 million (previous year: EUR 0.11 million). The provisions for pension claims for former members of the Management Board amounted to EUR 0.05 million in the previous year.

Regarding the information pursuant to § 314, Par. 1, No. 6a, Clause 5 - 8 HGB, reference is made to section B.14. – Compensation Report in the Corporate Governance Report – of the Management Report of INTERSEROH AG.

The profession exercised by the members of the Management Board lies in managing and representing the company.

Supervisory Board
The following persons belonged to the company's Supervisory Board in the past financial year:

Supervisory Board Member (Profession)	**Member in Committees of the Supervisory Board of INTERSEROH AG**	**Membership in Other Statutory Supervisory Boards**	**Membership in Other Controlling Boards in Terms of § 125, Par. 1, Clause 3 Corporation Act**
Dr. Axel Schweitzer, Velten/Berlin Chairman (Member of the Management Board of ALBA AG)	Personnel Committee	ALBA BERLIN Basketballteam GmbH (Chairman)	
Mr. Friedrich Carl Janssen, Cologne Vice Chairman (Co-owner of Bankhaus Sal. Oppenheim jr. & Cie KGaA, Business Graduate)	Personnel Committee Audit Committee	AXA Service AG, Cologne Content Management AG, Cologne gardeur AG, Mönchengladbach (Chairman) IV. Oppenheim AG, Cologne * V. Oppenheim AG, Cologne * Ernst & Young AG, Stuttgart Bank Sal. Oppenheim jr. & Cie. (Österreich) AG, Vienna * Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover Financière Atlas, Paris *	Sal. Oppenheim International S.A., Luxembourg * (Board of Directors) Bank Sal. Oppenheim jr. & Cie. (Luxembourg) S.A., Luxembourg * (Board of Directors) Services Généraux de Gestion S.A., Luxembourg * (Board of Directors) XChanging BV, Amsterdam (Board of Directors) Sal. Oppenheim jr. & Cie. Corporate Finance (Schweiz) AG, Zurich * (Board of Directors) Bank Sal. Oppenheim jr. & Cie. (Schweiz) AG, Zurich * (Board of Directors)
Mr. Hans-Jörg Vetter, Königstein/Taunus Vice Chairman (Chairman of the Management Board of Landesbank Berlin AG/Landesbank Berlin Holding AG, Banker)	Personnel Committee	Berlin-Hannoversche Hypothekenbank AG, Berlin/Hanover * (Chairman) Berliner Bank Beteiligungs AG, Berlin * (Chairman to 31.12.2006) * Group mandate	DekaBank Deutsche Girozentrale, Frankfurt a.M. (Board of Directors) GfBI Gesellschaft für Beteiligungen u. Immobilien mbH, Berlin (Supervisory Board Chairman) * Group mandate

Supervisory Board Member (Profession)	**Member in Committees of the Supervisory Board of INTERSEROH AG**	**Membership in Other Statutory Supervisory Boards**	**Membership in Other Controlling Boards in Terms of § 125, Par. 1, Clause 3 Corporation Act**
Mr. Bernd Aido, Lübeck (Businessman)	Audit Committee	Joh. Friedrich Behrens AG, Ahrensburg (Chairman) Babcock Borsig AG in liquidation, Oberhausen (to 31.01.2006)	Stiftung Pfefferwerk, Berlin
Dr. jur. Jürgen R. Neuhaus, Cologne (Lawyer)	Personnel Committee Audit Committee	Eisen- und Hüttenwerke AG, Cologne UNIPLAN International GmbH & Co. KG, Kerpen	
Dr. Eric Schweitzer, Velten/Berlin (Member of the Management Board of ALBA AG, Business Graduate)			BEHALA Berliner Hafen- und Lagerhausgesellschaft mbH, Berlin (Corporation under Public Law) (Supervisory Board)
Dr. Wolfgang Bosch, Neu-Anspach (Lawyer)		Allweiler AG, Radolfzell	
Mr. Friedrich Merz, Arnsberg (Law Firm Mayer Brown Rowe & Maw LLP, Berlin/Frankfurt, Lawyer)		AXA Versicherung AG, Cologne Deutsche Börse AG, Frankfurt a. M. IVG AG, Bonn	BASF NV, Antwerp/Belgium (Member of the Board of Directors, non-executive) Stadler Rail AG, Bussnang/Switzerland (Member of the Board of Directors, non-executive)
Mr. Joachim Edmund Hunold, Düsseldorf (Chairman of the Management Board of AIR BERLIN PLC & Co. Luftverkehrs KG)		BVG Berliner Verkehrsbetriebe, Berlin (Corporation under Public Law)	

The members of the Supervisory Board received a total compensation of EUR 0.11 million (previous year: EUR 0.11 million) in the period from 1 January to 31 December 2006.

No loans to members of the Management Board or Supervisory Board existed as of 31 December 2006. No loans were redeemed in the year under review.

The share of all Supervisory Board members in the total holdings of INTERSEROH AG amounted to 46.01 percent as of the closing date on 31 December 2006.

(37) Workforce
The **average** number of employees is as follows:

	2006	2005
Salaried employees	716	647
Industrial workers	664	654
	1,380	**1,301**

Part-time workers were converted to full time.

(38) Fee for the auditors
The fee for the auditors in terms of § 319, Par. 1, Clause 1, 2 HGB reported as expense in the financial year amounted to a total of EUR 0.85 million (previous year: EUR 0.62 million), of which EUR 0.64 million (previous year: EUR 0.46 million) went on the audit, EUR 0.09 million (previous year: EUR 0.09 million) on tax consulting services and EUR 0.11 million (previous year: EUR 0.07 million) on other services.

(39) Events after the closing date
No events that would be of importance to the assessment of the financial, earnings and liquidity position and the payment flows of INTERSEROH AG occurred by 20 February 2007 (date of release of the consolidated financial statements by the Management Board for handover to the Supervisory Board).

Regarding the investments in holdings effected at the beginning of 2007, reference is made to the Management Report.

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

(40) Corporate governance according to § 161 of the Corporation Act
The Management Board and Supervisory Board of INTERSEROH AG issued their annual declaration on the recommendations of the "Government Commission German Corporate Governance Code" in December 2006 and posted it on the company's website (www.interseroh.de, Investor Relations, Corporate Governance).

(41) Information according to the Securities Trading Act
Notices in accordance with the Securities Trading Act were published in the Bundesanzeiger (Federal Gazette) as follows in 2006:

1. Isabell Finance Beteiligungs GmbH, Berlin, issued us the following notice pursuant to § 21 of the Securities Trading Act on 4 September 2006:

"as legal successor of INTER-SEROH CapitalPartners GmbH, Flottenstr. 7, 13407 Berlin (Charlottenburg Local Court, Commercial Register 92159 B), now defunct through merger, we hereby give notice pursuant to § 21, Par. 1 of the Securities Trading Act that the share of the voting rights of INTER-SEROH CapitalPartners GmbH in INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen has through registration of the merger in our commercial register on 04.09.2006 dropped below the thresholds of 25 percent, 10 percent and five percent and now amounts to null percent."

2. Isabell Finance Vermögensverwaltungs GmbH & Co. KG, Berlin, issued us the following notice pursuant to § 21 of the Securities Trading Act on 4 September 2006:

"as legal successor of Isabell Finance Vermögensverwaltungs GmbH, Flottenstr. 7-9, 13407 Berlin (Charlottenburg Local Court, Commercial Register 99691 B), now defunct through merger, we hereby give notice pursuant to § 21, Par. 1 of the Securities Trading Act that the share of the voting rights of Isabell Finance Vermögensverwaltungs GmbH in INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen has through registration of the merger in our commercial register on 04.09.2006 dropped below the thresholds of 25 percent, 10 percent and five percent and now amounts to null percent.

We simultaneously give notice pursuant to § 21, Par. 1 of the Securities Trading Act that with the registration of the merger in our commercial register on 04.09.2006 our share of the voting rights in INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen continues to amount to 46.01 percent (voting rights from 4,527,749 ordinary shares), but that we hold these voting rights indirectly since then and that they are no longer attributable to us according to § 22, Par. 1, No. 1 of the Securities Trading Act."

(42) Exemption option rights according to §§ 264, Par. 3 of the Commercial Code

ISD INTERSEROH Dienstleistungs GmbH, Cologne, which is fully consolidated in the INTERSEROH Group, has exercised its option for exemption from the duty to disclose annual financial statements and a management report in accordance with the provisions applicable to corporations pursuant to § 264, Par. 3 of the Commercial Code. The shareholder resolution necessary to this end has been submitted to the Commercial Register in Cologne.

Cologne, 20 February 2007

INTERSEROH Aktiengesellschaft
zur Verwertung von Sekundärrohstoffen

The Management Board
Johannes-Jürgen Albus
Christian Rubach
Roland Stroese

Johannes-Jürgen Albus

Christian Rubach

Roland Stroese

Annex 1
Statement of Equity Changes
In the Period from 1 January 2005 to 31 December 2006

		Parent company					**Parent company**	**Minority interest**	**Consolidated equity**
					Accumulated other consolidated result				
		Subscribed capital	Surplus capital	Consolidated equity	Adjustment items from foreign currency conversion	Other neutral transactions	Equity	Minority Capital	
		EUR million	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**EUR million**
	Note								
As of 01.01.2005		25.58	38.61	98.27	-0.06	-55.85	106.55	0.54	107.09
Dividends paid	(21)			-8.46			-8.46	-0.29	-8.75
Changes to group of consol. companies						-0.02	-0.02	0.26	0.24
Other changes							0.00	0.75	0.75
Consolidated net income				18.45			18.45	0.52	18.97
Amounts directly incorporated in equity	(21)				0.18	-0.03	0.15	0.00	0.15
Overall group result		-----	-----	-----	-----	-----	18.60	0.52	19.12
As of 31.12.2005		**25.58**	**38.61**	**108.26**	**0.12**	**-55.90**	**116.67**	**1.78**	**118.45**
As of 01.01.2006		25.58	38.61	108.26	0.12	-55.90	116.67	1.78	118.45
Dividends paid	(21)			-8.46			-8.46	-0.56	-9.02
Changes to group of consol. companies				-0.07			-0.07	-0.04	-0.11
Consolidated net income				25.07			25.07	0.82	25.89
Amounts directly incorporated in equity	(21)			0.01	0.10	0.00	0.11	0.00	0.11
Overall group result		-----	-----	-----	-----	-----	25.18	0.82	26.00
As of 31.12.2006		**25.58**	**38.61**	**124.81**	**0.22**	**-55.90**	**133.32**	**2.00**	**135.32**

Annex 2
Consolidated Cash Flow Statement

	2006 **EUR million**	2005 **EUR million**
Consolidated net income/loss	25.89	18.97
+ Income tax expenditure	15.18	10.88
+/- Interest result	4.25	2.88
+/- Depreciations/Appreciations on long-term assets	12.68	12.53
+/- Increase/Decrease in long-term provisions	1.89	-2.12
+/- Changes to net operating assets	-19.64	7.41
Cash flow from current business	**40.25**	**50.55**
+ Payments from interest	0.67	0.93
- Disbursements for interest	-2.71	-2.48
+ Payments from dividends	0.69	0.83
- Disbursements for income taxes	-6.98	-14.00
Net cash flow from current business activity	**31.92**	**35.83**
+ Payments received from the disposal of long-term assets	3.82	6.21
- Disbursements for investments in consolidated companies and other business units	-3.84	-4.71
- Disbursements for investments in long-term assets (excl. finance-leasing)	-36.93	-22.48
Cash flow from investment activity	**-36.95**	**-20.98**
- Disbursements to shareholders	-8.46	-8.46
- Disbursements to minority interests	-0.56	-0.29
+ Payments from minority interests	0.00	0.75
+ Borrowings	37.98	6.02
- Disbursements for the redemption of financial liabilities	-23.50	-14.62
Cash flow from financing activity	**5.46**	**-16.60**
Increase/Decrease in cash and cash equivalents with effect on payments	0.43	-1.75
+ Cash and cash equivalents at start of period	29.48	31.23
Cash and cash equivalents at end of period	**29.91**	**29.48**

See note (28) for notes on the cash flow statement.

LIST OF MAJOR SHAREHOLDINGS

INTERSEROH AG held the following major direct or indirect holdings as of the closing date:

a) Fully consolidated companies	Registered office	(Group) share %
ISD INTERSEROH Dienstleistungs GmbH	Cologne	100
EVA Erfassen und Verwerten von Altstoffen GmbH	Vienna/Austria	100
INTERSEROH Holzhandel GmbH	Cologne	100
INTERSEROH Holzkontor Worms GmbH	Worms	100
INTERSEROH Holzkontor Berlin GmbH	Berlin	51
INTERSEROH Holzkontor NRW GmbH	Cologne	51
INTERSEROH Holzkontor OWL GmbH	Porta Westfalica	51
Repasack Gesellschaft zur Verwertung gebrauchter Papiersäcke mbH	Wiesbaden	100
ISP INTERSEROH Pfand-System GmbH	Cologne	100
ISR INTERSEROH Rohstoffe GmbH	Cologne	100
INDO CHINA EUROPE BVBA	Vorselaar/Belgium	80
INTERSEROH France S.A.S.	Pantin/France	100
INTERSEROH Hansa Recycling GmbH	Dortmund	100
INTERSEROH ERC Eisenmetall Rohstoff Celler GmbH	Dortmund	100
INTERSEROH Evert Heeren GmbH	Leer	100
Groninger VOP Recycling B.V.	Groningen/Netherlands	100
INTERSEROH Franken Rohstoff GmbH	Sennfeld	100
INTERSEROH Hansa Rohstoffe GmbH	Essen	100
INTERSEROH Rhein-Neckar Rohstoff GmbH (formerly INTERSEROH Hetzel GmbH, Heidelberg)	Mannheim	100
INTERSEROH Jade-Stahl GmbH	Wilhelmshaven	100
INTERSEROH BW Rohstoff und Recycling GmbH	Stuttgart	100
INTERSEROH Neckar-Schrott GmbH	Horb	51
INTERSEROH SEROG GmbH	Bous	100
RHS Rohstoffhandel GmbH	Stuttgart	70
INTERSEROH Erwin Meyer Metallrecycling GmbH	Bremen	100
INTERSEROH-Metallaufbereitung Rostock GmbH	Rostock	100
INTERSEROH Nordmetall GmbH	Lübeck	100
INTERSEROH Scrap and Metals Trading GmbH (formerly INTERSEROH RSH Recycling-Stahl-Handel GmbH, Cologne)	Cologne	100
INTERSEROH RSH Sweden AB	Gothenburg/Sweden	100

b) Included as associated companies (at equity)

	Registered office	(Group) share %
Eisen- und Stein-Gesellschaft mbH & Co.	Siegen	50
HR Hüttenwerkentsorgung GmbH	Mülheim a.d. Ruhr	50
Mineralmahlwerk Westerwald Horn GmbH& Co. KG	Weitefeld	50
TOM Sp. z. o.o	Szczecin/Poland	50
Jade-Entsorgung GmbH	Rostock	24.9

c) Companies not included in the consolidated financial statements

INTERSEROH BELGIQUE S.A.	Raeren/Belgium	100
PADEC S.A.	Deerlijk/Belgium	100
INTERSEROH zbiranje in predelava odpadnih surovin d.o.o.	Begunje/Slovenia	100
INTERSEROH Kunststoffaufbereitungs GmbH	Aschersleben	74.4
LoongIn GmbH	Cologne	50
Shanghai Huabao-LoongIn Resources Recycling Co., Ltd.	Shanghai/China	35
TOM II Sp. z.o.o.	Szczecin/Poland	45

Imprint

INTERSEROH Aktiengesellschaft
zur Verwertung von Sekundärrohstoffen

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