ANNUAL REPORT 2012

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Key Group Indicators

Group

		2012	2011	2010	2009	2008	2007
Consolidated sales revenues	in EUR million						
• Steel and Metals Recycling		**1,605.9**	1,744.5	1,384.2**)	832.5	1,560.2	1,219.1
• Services		**321.0**	466.2	448.0**)	287.8	285.7	330.5
• Raw Materials Trading (Companies sold as at October 1, 2011)		-	127.8	139.0	146.3	220	198.9
		1,926.9	**2,210.7*)**	**1,832.2**)**	**1,266.6**	**2,065.9**	**1,748.5**
Earnings before taxes	in EUR million	**37.7**	40.4*)	42.0**)	3.8	5.9	55.4
Consolidated earnings	in EUR million	**33.3**	37.2	34.1	0.9	-6.3	35.4
Total assets	in EUR million	**571.9**	655.1	656.5	659.5	729.4	658.0
Equity ratio[1]	**in %**	**33.3**	28.3	30.0	24.1	22.2	26.7
Return on equity[2]	**in %**	**17.5**	20.1	17.4	0.6	-3.9	20.**2**
Return on capital employed[3]	**in %**	**8.8**	8.8	9.5	3.4	4.4	9.8
Number of employees (average)		**1,910**	1,959	1,774	1,836	1,864	1,606
Number of shares		**9,840,000**	9,840,000	9,840,000	9,840,000	9,840,000	9,840,000
Dividend per share in euro		3.25[4]	3.25[4]	0.25	0.11	0.14	0.86 +0.14 bonus

1 Shareholders' equity according to balance sheet x 100/total assets

2 Earnings after taxes according to income statement x100/Shareholders' equity on balance sheet

3 Earnings before taxes, interest and shares in associated companies according to income statement x 100/total assets

4 Due to the control and profit transfer agreement that exists between ALBA Group plc & Co. KG and INTERSEROH SE, starting on the first banking day of fiscal 2012 after the ordinary General Shareholders' Meeting, an equalisation payment (guarantee dividend) will be paid.

The companies of the raw materials trading segment were sold effective October 1, 2011. The figures marked *) are composed exclusively of continuing business – steel and metals recycling and services. The comparative 2010 values marked **) were modified appropriately

Sales from the raw materials trading segment for 2010 and from January 1 to September 30, 2011, were thus presented previous to consolidation and are not included in consolidated sales.

Mission Statement

Our philosophy is to complete cycles – yesterday, today and tomorrow.

As part of the ALBA Group we can do that better today than ever before. For the ALBA Group covers the entire process chain of German urban mining and plays an important role in raw materials supply to industry.
It is one of the top corporate groups in the industry in all of Europe and the world.

Our task in the ALBA Group is the organisation of sustainable and future-oriented recycling solutions and the supply of steel works, smelters and foundries with high-quality treated scrap.

The Board of Directors

Dr. Axel Schweitzer

Has been Chairman of ALBA SE's Board of Directors since 2008 and, furthermore, heads up the Finance Division. Since January of 2011 he has also been responsible for the services segment. After studying industrial engineering, Schweitzer worked in Switzerland during the years that he was pursuing his doctorate, before becoming a member of the ALBA Board of Directors, a family-managed recycling company with international operations, which he also co-owns. Schweitzer chaired the ALBA SE Supervisory Board from 2005 to 2008, as well.

Rob Nansink

Assumed responsibility for trading and for reinforcing the international orientation of the steel and metals recycling segment on January 1, 2013. He is also supervising the expansion of the 'non-ferrous metals' business area. Nansink has been working for the Company since 2007. Previous to joining ALBA SE Rob Nansink founded the Dutch company Europe Metals in the Netherlands in 1990, as well as Europe Metals Asia in Hong Kong.

Joachim Wagner

Has been responsible for the steel and metals recycling segment since August 1, 2010. Previous to his move to ALBA SE, he transformed his parents' company Wagner Rohstoffe GmbH from a one-man operation to a key market participant in the Rhine-Main area.

Content

The Board in Discussion

Dr. Schweitzer, the title of this annual report is: The courage to change – venturing into new areas, while remaining distinctive. Exactly what does this mean?

Axel Schweitzer: We decided on this motto, because it summarises 2012 so well. Our goal has been and remains to continue to expand our unique selling points in the recycling and waste disposal industry and thus remain distinctive through all major changes in the corporate group.

Not only does ALBA SE continue to be the single company listed on the German stock exchange in the industry - because of our integrated approach, we are the only company in a position to completely close the product loop in plastics recycling, i.e. from packaging licensing to the new raw material. In the steel and metals recycling segment, we can supply large volumes of steel and metal scrap of high quality by networking our 95 operating sites and trading locations nationally and internationally.

You mention major changes in the Company. What do you mean by that?

Axel Schweitzer: The conclusion of a control and profit transfer agreement between the ALBA Group plc & Co. KG and INTERSEROH SE year-before-last was certainly a milestone in our corporate history, which required additional changes in the structure and external appearance of the corporate group in 2012. Put concisely, the following months were about integrating the Interseroh Group sensibly into the ALBA Group. This included renaming the holding company “INTERSEROH SE” to “ALBA SE” in order to clarify its function as interim holding company within the ALBA Group and to highlight our brand presence.

It was important to us that the customer knows what he will get from us for his money and where.

An operating family business in the waste disposal and recycling industry has been behind the ALBA brand for over 44 years - with our own cutting-edge facilities, vehicles and disposal experts. Interseroh’s core business on the other hand consists of the **organisation** of recycling solutions and complete product or materials loops.

In May you announced that the renaming of INTERSEROH SE is not the final step. The companies in the steel and metals recycling segments were to follow...

Axel Schweitzer: Yes, that’s correct. In line with the logic that the ALBA brand is to represent the operational performance of all services having to do with recycling, we will convert our steel and metals recycling subsidiaries to ALBA companies this year. The legal inclusion in ALBA SE will not change. Nowadays one needs to be an expert in the industry to know that a company called “Jade Stahl” or “Wagner Rohstoffe” is a fully-owned subsidiary of ours. The same motto applies here: In order to remain distinctive in all of Germany, we are daring to separate from the brands and logos that have hitherto been known only on a regional basis. Ultimately, the customer in Würzburg and the customer in Rostock should know: If I go to ALBA, I can be sure of getting what I need, that the quality is good and that I’m not being taken for a ride. He knows this today already in the region, because of our strong regional roots, but not beyond. In addition I believe this step will significantly increase the brand value of the entire corporate group.

This past fiscal year you suffered sales and earnings losses in the steel and metals recycling segment compared to 2011. Did you focus too much on structural measures and changes?

Axel Schweitzer: No, to the contrary. It is precisely because we did our homework in this area that we were comparatively less impacted by the difficult market environment in this segment and the European economic crisis than other companies. Due to the international orientation of our sales strategy and the networking of our operational locations and trading sites, we were able to position ourselves relatively well in the year just elapsed. We already highlighted in the previous annual report that 2012 was going to be a demanding, if not even difficult, year. This proved only too true:
The situation in the European steel industry deteriorated from the second quarter of 2012 onwards. This was particularly true in the case of Southern Europe. But in Germany, too, crude steel production was 4 percent less than the previous year. Two blast furnaces were closed in both France and Belgium. The situation in the European steel industry and weaker growth in China compared to previous years have finally become noticeable in the scrap collection and processing sector. Slowed growth in the Chinese economy hampered the sale of non-ferrous metals in the first nine months of 2012. On top of this, prices for sea freight rose enormously in Asia. Of course this all leaves traces on us, as well.

One reads about strong growth in Turkey again and again in the media. This is also the case for Turkish steel production. What measures will you respond with?

Axel Schweitzer: We reacted already: At the end of 2012 we acquired 65 percent of Reukema Balkan SRL. The purchase includes twelve scrap yards in Croatia, Bosnia-Herzegovina, Serbia, Montenegro and Romania. We have been supplying the Turkish market in the past already via our deep sea terminal in Dordrecht in the port of Rotterdam. We are strengthening our position with the acquisition of Reukema Balkan SRL, which will in future operate under the name of ALBA Balkan Recycling SRL with headquarters in Bucharest, and are now among one of the top ten scrap suppliers in Turkey.

How satisfied were you with developments in the services segment?

Axel Schweitzer: Given the fact that the competitive intensity is very high in all services and our margins were under pressure during 2012 as a result, we are extremely pleased with the increase achieved.

Were there highlights?

Axel Schweitzer: Yes, there were. At the end of 2011, as is known, we launched the recycled plastic "Procyclen" based on the plastics type polypropylene and made from waste from the yellow collection systems. The area “recycled resource” was awarded three different prizes in 2012 as a result, including the sought-after special sustainability prize of the Federal Association of German Do-It-Yourself, Building and Garden Stores. And over the past year we succeeded in developing new plastic compounds on the basis of high density polyethylene and polystyrene. Furthermore, the returnable transport packaging system in the food segment in conjunction with "recycled resource” was able to completely close the loop for defective returnable transport packaging in the food segment. The European Authority for Food Safety, in Parma, Italy, allowed materials extracted from the loop to be recycled 100 percent in the production of returnable transport packaging in the food sector.

The Supervisory Board appointed Rob Nansink to the ALBA SE Board of Directors as at January 1, 2013. Why is that?

Axel Schweitzer: Our colleague Rob Nansink is responsible for trading and for reinforcing the international orientation of the steel and metals recycling segment. He is also supervising the expansion of the “non-ferrous metals” business area. This reflects the increasing internationalisation of the steel and metals recycling segment.

What is your assessment of the future of the economy?

Axel Schweitzer: Framework conditions continue to be anything but easy. The economic situation remains fraught as a result. As long as we have to struggle with the well-known problems of national and currency crises in Europe, the German economy will continue to be influenced over the long term. One bright point is that the economies in the emerging countries are expected to accelerate moderately. Nevertheless, the German economy will only grow at a very subdued pace.

And how do you assess the future of ALBA SE and its associated subsidiaries?

Axel Schweitzer: 2013 is certainly not going to be an easy year. But we are equipping ourselves for future challenges. We are strengthening our international orientation in the steel and metals recycling segment. We are now present not only in Asia, but in the high-growth area of the Balkans in this segment. At the same time we are constantly reviewing our product and investment portfolio to ensure its conformity with our strategy and long-term profitability. We cover the entire process of licensing, collection and recycling of packaging and products under the umbrella of the ALBA Group. One of the major risks in German industry is the security of raw materials supply. The modern recycling processes of the ALBA Group enable us to extract high-quality raw materials for industry from waste. Our industry is thus developing increasingly from a waste disposal to a supply industry.

The interview was conducted by Verena Köttker.

Report of the Supervisory Board for 2012

Dear Shareholders,

This past fiscal year, 2012, we have again, on a regular basis and with due care, monitored the activities of the Board of Directors in accordance with the law and the Company's statutes and have supervised the Company's strategic development as well as key individual measures in an advisory capacity.

In fiscal 2012 the Supervisory Board met in a total of four ordinary meetings to discuss the Company's economic situation, divisions, the on-going strategic and personnel alignment of the Company, relevant plans and the risk situation. Various individual subjects were discussed with the Board of Directors. The advice of the Supervisory Board was based on regular written and oral reports from the Board of Directors, which the latter provided in good time and in adequate depth, especially with regard to business policy and corporate planning, the Group's situation, including its on-going strategic development and its locations, as well as the profitability and progress of the business. In addition, the Supervisory Board passed three round robin resolutions.

Furthermore, the Chairman of the Supervisory Board was in constant contact with the Board of Directors and was informed of all key developments and pending decisions. Important decisions were presented to the Supervisory Board for agreement, which was then also granted after reviews and assessments had been undertaken. Based on the reports provided by the Board of Directors, the Supervisory Board monitored, and provided advice on, the Board of Director's management activities in line with the tasks assigned to the latter by law and by ALBA SE's statutes. This monitoring function on the part of the Supervisory Board focused in particular on issues of legality, propriety, expedience and profitability. On the one hand, the Supervisory Board monitored the activities already undertaken by the Board of Directors. On the other, the Supervisory Board intensively discussed future-oriented business decisions and forecast scenarios with the Board of Directors based on its reports and review and consideration of the relevant specific business documents and submissions.

Main focus points

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

In addition to monitoring management, consulting on and discussion of ALBA SE's and its associated subsidiaries' strategic orientation were in the forefront.

The focus was on various planned M & A projects, the approval of a new loan agreement of the ALBA Group by ALBA SE and additional ALBA SE subsidiaries as providers of guarantees and collateral, as well as on the agenda of the General Shareholders' Meeting with the recommendations for resolutions.

Furthermore, on the recommendation of the Personnel Committee, Dr. Axel Schweitzer and Mr. Joachim Wagner were appointed as members of the Board of

Directors for a further five years, i.e. from August 1, 2013, to July 31, 2018, with Dr. Axel Schweitzer as Chairman of the Board. Mr. Rob Nansink was also appointed as member of the Board of Directors for three years starting on January 1, 2013, on the recommendation of the Personnel Committee. He is responsible for trading and for reinforcing the international orientation of the steel and metals recycling segment.

Committees

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

The **Presiding Committee** consists of the Chairman of the Supervisory Board and his two deputies, Mr. Friedrich Carl Janssen and Mr. Peter Zühlsdorff.In four ordinary sessions the Committee was occupied especially with ALBA SE's and its associated subsidiaries' earnings situation, the status of the legal challenge related to the control and profit transfer agreement entered into with the ALBA Group plc & Co. KG, the legal dispute with a former member of the Board of Directors, planned acquisitions and the preparation of the General Meeting. The Presiding Committee also prepared the Supervisory Board meetings with the relevant agenda items.

The **Nominating Committee** did not meet in fiscal 2012, since no elections of Supervisory Board members were required during this period.

The **Audit Committee** comprises Dr. Werner Holzmayer, the Chairman, Mr. Peter Zühlsdorff and Mr. Roland Junck. It met two times during fiscal 2012. Its activities were aimed at questions in conjunction with the annual financial statements, the establishment of areas of focus for the audit, audit planning for Internal Audit and an efficiency review of the Supervisory Board. In addition, the members of the Audit Committee were regularly informed by the Board of Directors about on-going business developments.

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

Corporate Governance and Declaration of Compliance

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

During its session on December 5, 2012, the Supervisory Board adopted the joint Board of Directors and Supervisory Board declaration of compliance with the German Corporate Governance Code for 2012. This declaration has been posted

on the Company's website.
In line with the principles of good corporate governance, Dr. Axel Schweitzer and Dr. Eric Schweitzer did not take part in any of the consultations and resolutions of the Supervisory Board or its committees affecting the relationships between ALBA SE and its associated subsidiaries with companies on the one hand and companies in which Dr. Axel Schweitzer and Dr. Eric Schweitzer hold a direct or indirect interest on the other.

Individual and Consolidated Financial Statements, External Audit

The external audit firm of KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, appointed by the General Shareholders' Meeting, has audited ALBA SE's 2012 financial statements in accordance with the principles of International Financial Reporting Standards (IFRS) as they are to be applied in the European Union and in accordance with the additional regulations that apply under commercial law in accordance with section 315a of the German Commercial Code, including its management reports and book-keeping and in each case provided an unqualified audit opinion.

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

The Audit Committee and the Supervisory Board discussed the financial statements documentation and audit reports, as well as the report on dependency, in detail in its sessions on April 10, 2013. The auditor participated in these meetings, reported on the key findings of his audit and was available for additional questions and information. After reviewing and discussing the annual financial statements, the consolidated financial statements and the management reports, the Supervisory Board agreed with the findings of the audit. No objections are to be raised after the final examination by the Supervisory Board. In accordance with the recommendations of its Audit Committee, the Supervisory Board endorsed the annual financial statements and consolidated financial statements prepared by the Board of Directors. The financial statements are thereby ratified.

Risk Management

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

Changes in the Supervisory Board and the Board of Directors

The members of the Supervisory Board and its committees remained unchanged in fiscal 2012. There were also no changes in the composition of the Board of Directors. Effective January 1, 2013, Mr. Rob Nansink was appointed as member of the Board of Directors for three years. He is responsible for trading and for reinforcing the international orientation of the steel and metals recycling segment.

The Supervisory Board wishes to thank the Board of Directors, as well as the employees of ALBA SE and its subsidiaries, for the work done in 2012.

Cologne, April 2013

Supervisory Board
Dr. Eric Schweitzer
Chairman

The Share

The holding company of the publicly quoted group of companies has been operating under the name ALBA SE since July 2, 2012. The shareholders, by a large majority, passed the relevant resolution at the General Shareholders' Meeting on June 13, 2012, in Cologne, thereby expressing their approval of the renaming of the Group from INTERSEROH SE to ALBA SE. The ALBA SE share has been quoted on the German stock exchanges in Frankfurt, Düsseldorf, Stuttgart, Munich, Hamburg and Berlin-Bremen since July 6, 2012, under the ticker symbol ABA.

The price of the ALBA SE share developed extremely positively in fiscal 2012. The opening price on the Frankfurt stock exchange on January 2 was EUR 52.22, the closing price on December 28 was EUR 64.70. The share seems to be comparatively unimpressed by influence factors such as economic development or the US elections.

The control and profit transfer agreement with the ALBA Group plc & Co. KG as controlling company, which became effective in May of 2011, has already had a strong influence on positive developments. The stock price rose continuously upon publication of the attractive settlement payment of EUR 3.94 gross per ALBA SE share.This trend continued through 2012.

Share information

Security type: Domestic share, bearer share
Quoted: Regulated markets in Frankfurt, Dusseldorf; regulated unofficial markets in Stuttgart, Munich, Hamburg and Berlin-Bremen
End of fiscal year: 31.12.
Shareholders subject to reporting requirements: ALBA Group plc & Co. KG, Berlin

Voting rights of the ALBA Group plc & Co. KG, Berlin, are to be attributed to Dr. Axel Schweitzer and Dr. Eric Schweitzer in accordance with Section 22, paragraph 1, clause 1 (1) of the German Securities Trading Act via ALBA Finance plc & Co. KGaA, ALBA Finance Holding plc, ALBA Group Europe plc, Alpsee Ltd. and Eibsee Ltd., each with statutory headquarters in London, UK, and administrative headquarters in Berlin. On December 31, 2012, these voting rights arose from 8,395,849 shares (85.324 percent).
Float: (14.646 percent)
Arithmetic par value: EUR 2.60
Shares: 9.84 million
Ticker symbol: ABA
Bloomberg code: ABA:GR
Reuters code: ABAG.de
ISIN: DE0006209901
German securities identification number: 620990

Appropriation of ALBA SE profits

In accordance with item 3.1 of the control and profit transfer agreement with ALBA Group plc & Co. KG, ALBA SE transfers all the profits to the controlling company pursuant to statutory requirements.

ALBA Group plc & Co. KG guarantees those external ALBA SE shareholders a recurring payment for the duration of the agreement, the so-called equalisation payment. The equalisation payment amounts to EUR 3.94 gross per ALBA SE share for each full fiscal year minus corporate taxes plus a solidarity surcharge according to the rate applicable to these taxes for the relevant fiscal year.

Accordingly, external shareholders receive EUR 3.25 net per share for 2012.

Corporate Governance Report

Declaration of Compliance

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

Since the submission of their most recent declaration of compliance in December of 2012, ALBA SE has complied with all recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 15, 2012, with only a few exceptions.

Exception from item 2.3.1

Absentee voting does not take place. Since ALBA SE statutes do not authorise absentee voting, this recommendation is not applicable to ALBA SE.

Exception from item 2.3.2

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

At ALBA SE's ordinary General Shareholders' Meeting on June 13, 2012, 8,616,963 of the total number of issued shares of 9,840,000 were represented. This corresponds to 87.57 percent of capital stock. Due to the large presence of capital stock represented, one can assume that the traditional use of mail services to send the invitation is sufficient and that additional transmission by email does not constitute a particular benefit to shareholders.

Exception from item 4.2.3

The remuneration of the members of ALBA SE's Board of Directors is not based on a multi-year assessment basis, but on two components: fixed annual remuneration and variable participation. Both members of the Board of Directors are closely connected with the companies, on the one hand as major shareholder and on the other due to integration of the family business. Given these special circumstances, no additional financial incentive for an interest in long-term corporate development needs to be provided.

Exception from item 5.1.2

Members of ALBA SE's Board of Directors can be appointed for a term of over five years in order to assure a long-term succession plan. No age limit has been specified for members of the Board of Directors. Due to the conviction that long-term corporate planning is financially beneficial to the Company, ALBA SE's statutes allow for appointment of members of the Board of Directors for a period of six years and without age limits. The selection of new members takes place based on qualifications; there is no intention to institute a quota for women.

Exception from item 5.4.1

Since the Supervisory Board is not permitted to specify the election of Supervisory Board members by the shareholders, it is using goals for nominations as reflected in the DCGK; these are reported on in the course of a nomination. At the same time the Supervisory Board wishes to make clear that no suggestions will be submitted or withheld, because a candidate does or does not, respectively, possess a specific quality of diversity.

Exception from item 5.4.2

Dr. Eric Schweitzer, Chairman of the Supervisory Board, is the Chairman of the Board of Directors of ALBA Group plc & Co. KG, Berlin. In composing the Supervisory Board, professional consultancy services and monitoring of management are major factors. Supervisory Board members can be appropriate for these functions, even if they do not meet the independence criteria as set forth in item 5.4.2 of the German Corporate Governance Code.

Exception from item 5.4.6

Members of the Supervisory Board are paid for their monitoring activities. Members of the Supervisory Board receive no performance-oriented remuneration in addition to the fixed remuneration based on their duties. There are no plans to introduce variable remuneration, since it is the Company's belief that such remuneration does not significantly improve the incentive to monitor the Board of Directors.

Exception from item 7.1.2

The controlling ALBA Group plc & Co. KG has an obligation to publish its consolidated financial statements for the financing banks and bond investors within 120 days of the end of the fiscal year, based on regulations under financing agreements and the bonds it has issued. In order to facilitate the respective preparation of the consolidated statements of ALBA SE and the ALBA Group plc & Co, KG, and thus their simultaneous publication, it makes sense to have the publication dates coincide and to allow public access to the consolidated ALBA SE financial statements within 120 days of the end of the fiscal year as well. The consolidated ALBA SE financial statements for 2012 were made public on April 11, 2013, after the ratifying session of the Supervisory Board.

Corporate Governance Practices

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

The aims of maintaining good corporate governance, to which the Supervisory Board and Board of Directors of ALBA SE are committed, are consistently followed by the boards. They are codified to a large part in applicable laws, the company’s bylaws, the rules of procedure and internal guidelines. The documents required for employees are available in the Intranet at any time.

ALBA SE undertook comprehensive measures in 2012 with a view to strengthening the awareness of employees and those of associated subsidiaries in terms of how to behave as entrepreneurs in competition. Appropriate training measures were implemented to this end.

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

Total Return on Capital Employed as Management Instrument

The ALBA SE Board of Directors provides the strategy for the business segments and associated subsidiaries as part of the ALBA Group, and manages their business within the context of existing legal options. The management system aims at a reasonable return on capital employed.

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

Due to the high share of trading business and the volatility of raw materials prices, the return on sales figure often used by other groups is not a meaningful parameter for the ALBA SE and its associated subsidiaries as a whole.

Transparency

The Board of Directors informs shareholders, analysts and the general public regarding business developments, as well as the net assets, financial position and results of operations of ALBA SE and its associated subsidiaries four times a year. The dates can be found in the financial calendar on the Internet.

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

Shares in the Company and related financial instruments owned by members of the Board of Directors and the Supervisory Board are listed in the Notes. A total of 85.324 percent of shares and thereby voting rights from 8,395,849 shares were attributable to Dr. Axel Schweitzer and Dr. Eric Schweitzer, according to Section 22, paragraph 1, clause 1, no. 1 of the Securities Trading Act; they are held directly by ALBA Group plc & Co. KG.

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

The Board of Directors and the Supervisory Board and its associated subsidiaries continuously work together closely for the well-being of ALBA SE.

Board of Directors

ALBA SE's Board of Directors in fiscal 2012 consisted of two persons. It is the management body of the Company. The Board of Directors is committed to the Company's interests and its goal is the sustained development of shareholder value. The Board of Directors has adopted rules of procedure with the consent of the Supervisory Board. The members of the Board of Directors cooperate as colleagues and inform one another on an on-going basis on important measures and events in their business segments. The Board of Directors is required to inform the Supervisory Board in writing on the course of business and the Company's situation at regular intervals, but at least on a quarterly basis. Furthermore, the Board of Directors is required to inform the Chairman of the Supervisory Board regularly and in timely fashion on issues of planning, business development, the risk situation, risk management and compliance, including as they relate to associated companies, both orally and, if the Chairman wishes, in writing. The Chairman of the Board is responsible for coordinating the work of the Board of Directors. In order to conduct certain legal transactions, the Board of Directors requires the consent of the Supervisory Board. These conditional transactions are addressed in the Company's statutes and the Board of Director's rules of procedure. They include the acquisition of investments, property and fixed assets, as well as employment contracts above a certain level, decisions regarding new branches of business, assigning and rescinding powers of attorney for ALBA SE, pension commitments and bond issues.

Members of the Supervisory Board and Board of Directors shall disclose any conflicts of interest immediately to the Supervisory Board.

Supervisory Board

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

Remuneration system

Board of Directors

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

On June 13, 2012, the General Shareholders’ Meeting resolved to apply the exemption from the obligation to disclose remuneration of the Board of Directors on an itemised basis in accordance with section 286, paragraph 5, of the German Commercial Code. Please refer to D.3. Compensation Report for information on the amount of the remuneration of the Board of Directors in 2012.

Total remuneration for individual Board of Directors members is determined by the Supervisory Board in a plenary session, including any Group payments, based on a performance assessment. The individual Board of Directors member's tasks, his personal performance, the financial situation, the success and future prospects of the Company constitute the criteria for the appropriateness of remuneration; other criteria include customary remuneration in the comparator environment and the remuneration structure that applies elsewhere in ALBA SE and its associated subsidiaries.

Supervisory Board

In accordance with section 16, paragraph 1, of ALBA SE’s statutes dated June 12, 2012, the Chairman and Deputy Chairman of the Supervisory Board each receive remuneration of EUR 45,000 net per annum. Every other member of the Supervisory Board receives compensation of EUR 30,000 net per annum. If members of the Supervisory Board work on one or more committees without at the same time functioning as Chairman or Deputy Chairman of the Supervisory Board, they receive additional compensation of a single payment of EUR 10,000 net per annum to compensate them for their committee work. Compensation is payable at the end of the fiscal year. Please refer to D.3. Compensation Report for information on the amount of the remuneration of the Supervisory Board in 2012.

ALBA SE
Cologne
(formerly INTERSEROH SE, Cologne)

Group Management Report

for the fiscal year from January 1, 2012, to December 31, 2012

Since July 2, 2012, INTERSEROH SE, Cologne, has been operating under the name of ALBA SE, Cologne. The change in name occurred against the backdrop of the control and profit transfer agreement between ALBA SE and the ALBA Group plc & Co. KG, Berlin, as controlling company, which became effective in 2011, and clarified the function of ALBA SE as intermediate holding company within the ALBA Group.

The business activities of ALBA SE and its affiliated subsidiaries (ALBA SE Group) are divided into two segments – steel and metals recycling and services. The ALBA SE Group is one of the leading environmental services providers, recyclers and traders of steel and metals scrap in Europe. As service provider, it organises recycling processes and, as supplier to steel works, smelters and foundries, it supplies processing industries.

Under the control and profit transfer agreement, ALBA Group plc & Co KG (ALBA KG) is required, at the request of any external shareholder of ALBA SE, to acquire his bearer shares with a notional share in capital stock of EUR 2.60 per share for cash compensation of EUR 46.38 for each ALBA SE share (cash compensation offer).

Those external ALBA SE shareholders preferring not to accept the cash compensation offer are entitled to receive a recurring payment for the duration of the agreement (equalisation payment). The equalisation payment amounts to EUR 3.94 gross per ALBA SE share for each full fiscal year minus corporate taxes plus a solidarity surcharge according to the rate applicable to these taxes for the relevant fiscal year.

A legal challenge under the German Award Proceedings Act regarding the level of the cash compensation and equalisation payment is pending at the District Court in Cologne. The District Court elucidated the assertions of the petitioner and the respondent (ALBA KG) in the legal challenge in initial oral proceedings on April 20, 2012. Subsequently on June 15, 2012, it decided to commission a new expert opinion that is to undertake an independent calculation of the company's value "taking into account to the extent appropriate the declarations submitted in this respect" within the next two years.

A. Framework Conditions

1. General Economic Development

After a notable downturn in the global economy at the end of 2011, global production revived at the beginning of fiscal 2012. But the dynamism of the economy once again decelerated as early as the second quarter. This development continued in the months from July to September. In the fourth quarter the global economy entered a weak phase. A significant stress factor in economic growth was the debt and confidence crisis in the Euro zone in 2012. On top of this, the adjustment processes of the developed economies (e.g. the USA, Japan, Germany, France, Sweden) initiated after the crisis year 2008 have still not been concluded.

Economic experts referred to a recession for the Euro zone as a whole. The individual countries were affected in very different ways. Drastic production declines in the countries especially impacted by national debt crises, Spain, Italy, Portugal and Greece, were offset by favourable economic development in Germany, Austria, Belgium and Slovakia.

The situation at the end of the year in the European steel industry, however, was worrisome, according to leading experts, due to excess capacity of between 20 and 30 percent. This situation, as well as weakening growth in China, impacted the scrap collection and processing sector, too.

Uncertainties regarding the future of the Euro zone and the subdued global economy impaired economic development in Germany. Business expectations of German companies have deteriorated from one month to the next since April of 2012. Capital expenditures were curbed accordingly. Moderate increases in disposable income and investment in the residential property market on the other hand had a positive impact on domestic product. Foreign trade, too, contributed slightly to the rise in gross domestic product. On the whole gross domestic product in Germany evidenced an increase of 0.7 percent in 2012.

2. Changes in Legal Framework Conditions

The discussions conducted in the course of the amendment of the Life-Cycle Resource Management Act (KrWG) regarding the admission of private companies in the recycling sector for commercial collection from households ended in a compromise in the session of the Arbitration Committee on February 8, 2012. The compromise allows private firms to collect scrap from households only if such companies already exist, are considerably more high-performing and as long as the disposal companies under company law are not impaired in their ability to function. Parliament and the Federal Council adopted the new KrWG with this passage on February 9 and 10, 2012. The law went into effect on June 1, 2012. Collections in the commercial sector are not affected by the KrWG. At present the effects of the KrWG on the business activity of the ALBA Group companies cannot be estimated in full, since enforcement of the law is handled very differently across Germany. Many communities, for instance, do not see any need for action, while others are threatening to prohibit scrap collection, if the material is from private households. Currently there are a few threats to the ALBA SE Group companies, but no prohibition directives for the collection of iron and metal scrap.

At the European level, Parliament approved the amendment to the European Waste Electrical and Electronic Equipment Directive (WEEE) by a significant majority on January 19, 2012. The goal of the new directive, which went into effect on August 13, is to considerably increase the collection rates of waste electrical equipment in the EU member states within the next seven years. Furthermore, the directive includes regulations that should prohibit the illegal transport of disused equipment more effectively than hitherto. Implementation of the EU Directive requires an amendment to the German Electrical and Electronic Equipment Act (ElektroG). At the present time management anticipates a positive impact on the business activity of individual business divisions of the ALBA Group, since operators of certified facilities for e-scrap treatment and established collection systems should be in a better position than today.

B. Course of Business

1. Sales revenues and earnings

The subdued global economy also had an influence on the sales revenues and earnings of the ALBA SE Group.

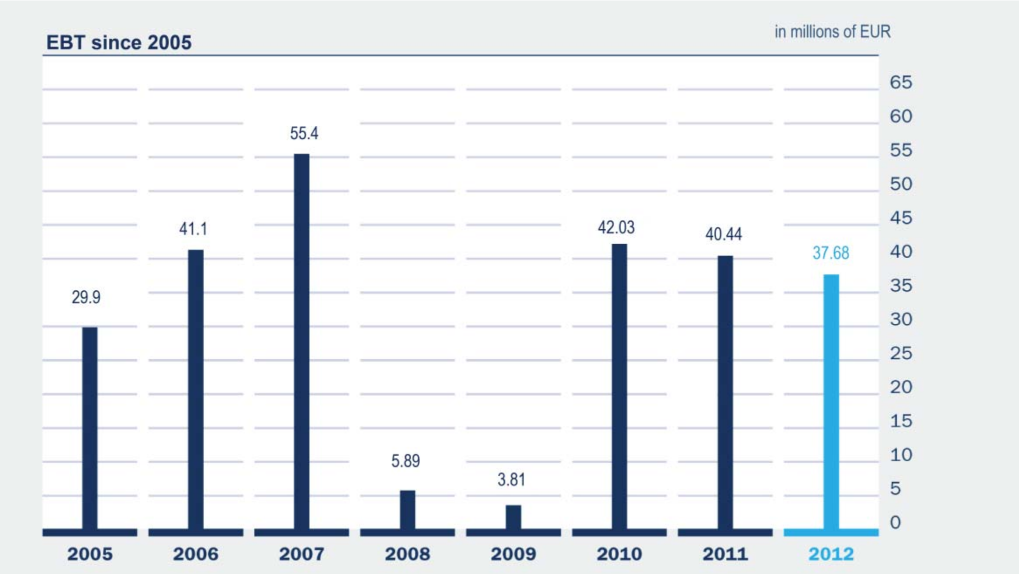
Consolidated group sales revenues amount to EUR 1,926.91 million (previous year: EUR 2,210.67 million). Earnings before interest and taxes and shares in earnings of associated companies (EBIT) amount to EUR 50.23 million (previous year: EUR 55.88 million, excluding earnings from the raw materials trading segment sold in September 30, 2011) and earnings before taxes (EBT) to EUR 37.68 million (previous year: EUR 40.44 million).

A market environment that was even more difficult than expected resulted in depressed sales and earnings, as anticipated, in the steel and metals recycling segment. The segment generated sales revenues of EUR 1,606.05 million (previous year: EUR 1,743.54 million). EBIT equalled EUR 18.62 million (previous year: EUR 33.88 million) and EBT was EUR 3.06 million (previous year: EUR 16.67 million).

The services segment generated sales revenues of EUR 330.92 million (previous year: EUR 478.75 million). Declining sales were unexpectedly accompanied by rising earnings at the beginning of fiscal 2012. EBIT amounts to EUR 31.61 million (previous year: EUR 22.12 million), while EBT rose from EUR 23.77 million to EUR 34.61 million. The sales decline and earnings increase are primarily due to the purging of low-yield customer contracts from the contract portfolio, while at the same time additional market and other special effects resulted in higher earnings.

Sales between segments of EUR 10.06 million (previous year: EUR 11.62 million) were consolidated. No inter-segment consolidations that might impact EBIT (previous year: EUR 0.12 million) and EBT (previous year: EUR 0.00 million) took place.

Group earnings total EUR 33.34 million (previous year: EUR 37.15 million).



2010 adjusted due to the sale of the raw materials trading segment as at October 1, 2011

2. Steel and Metals Recycling

The ALBA SE subsidiaries in the steel and metals recycling segment rank among the top 3 in German scrap treatment companies. Furthermore, they play a leading role in European foreign trade of non-ferrous metal scrap with Asia. Interseroh has a network of 95 steel and metals recycling sites, as well as trading offices in Germany, Poland, the US, the Netherlands and China (including the locations of associated companies).

In 2012 the ALBA SE Group traded 421,355 tons of non-ferrous metals and 2,522,041 tons of steel scrap.

In order to enhance its market presence in Asia and to further secure customer relationships, the ALBA Group was present for the first time at the largest non-ferrous metal recycling fair in China, "The 1st International Recycling Metals Exhibition & Trade Fair" in Beijing in November of 2012. Only one other German company was represented in addition to the ALBA Group.

Developments in price and demand

The steel and metals recycling segment moved in a difficult market environment in 2012. Continuing uncertainty in the Euro zone and unpredictable developments in the euro to dollar exchange rates influenced the market over the long term.

According to information provided by the steel trade association, prices for the leading scrap type 2 fluctuated between EUR 302.40 (October) and EUR 332.60 (May) per ton. All in all, the average price level in the year under review for type 2 was EUR 320.90 (previous year: EUR 345.50 per ton). Average prices also dropped from last year for non-ferrous metals. The average copper price, for instance, fell by 2.3 percent compared to the previous year, that of aluminium by 8.7 percent and that of nickel by a full 16.9 percent. In all cases mentioned, a significant price deterioration was noted in the second half of 2012.

Crude steel production in Germany was 4 percent below the previous year's figure. Two blast furnaces were closed in both France and Belgium. Southern Europe, in particular, suffered from slumping steel demand and associated capacity cuts due to the financial and debt crisis. In Spain the market was practically at a standstill.

The troubled situation of the European steel industry had an impact on the steel scrap collection and processing sector. As a result margins in the ALBA SE Group came under pressure especially in the second half of 2012. Exports to non-European countries that would bring about margin stabilisation were not possible throughout due to the weakness of the dollar. Marketed quantities fell compared to 2011 due to losses in the sales business. Marketed tonnage in the higher-margin stock business on the other hand hovered at previous year's levels, but suffered margin losses.

The major uncertainties in the markets described at the beginning and slowed growth in the Chinese economy resulted in a difficult sales situation for non-ferrous metals in the first three quarters of 2012. This development was accompanied by enormous price increases for sea freight in Asia. Demand rose in the fourth quarter, but did not reach 2011 levels. Non-ferrous metals were, moreover, only available to a limited extent, so that exports were also hampered on the procurement side. Traded volumes in the sales business were below those of 2011; the stock business increased slightly compared to the previous year.

Stock acquisitions

INTERSEROH Scrap and Metals Holding GmbH, Dortmund, signed an agreement on December 21, 2012, to acquire 65 percent of the shares of ZG Balkan Holding GmbH, Berlin (to operate under the name "ALBA Balkan Holding GmbH" in future). The latter had in turn previously signed an agreement to acquire all shares in Reukema Balkan SRL, Bucharest, Romania (to operate under the name "ALBA Balkan Recycling SRL"). Reukema Balkan SRL for its part holds all shares in Reukema Metali d.o.o., Pancevo, Serbia (to operate under the name "ALBA Metali d.o.o." in future), as well as Reukema Metali BH d.o.o., Doboj, Bosnia-Herzegovina (to operate under the name "ALBA Metali BH d.o.o." in future).

The companies together operate twelve scrap yards in Croatia, Bosnia-Herzegovina, Serbia, Montenegro and Romania. As part of the acquisition of the companies named above, companies established for this purpose also acquired four ships suitable for transporting scrap.

The goal of the acquisition is to expand activities in the Balkans and to strengthen the position as supplier for steel works in Turkey. Integration of the companies will positively impact both sales and earnings of the ALBA SE-Group. Capital expenditures will be required, to be financed via ALBA KG. Completion of the transaction was initially contingent upon the approval of the responsible anti-trust authorities in Turkey, as well as the expiration of an appeals deadline for third parties at the Romanian commercial register. Anti-trust authorities approved the transaction on February 7, 2013; the appeals deadline expired on March 1, 2013. Transfer of control under this transaction took place on March 6, 2013.

3. Services

The Interseroh brand represents an organisation for innovative environmental services and recycling solutions beneath the ALBA Group umbrella. As systems service providers, INTERSEROH Dienstleistungs GmbH, Cologne, and its subsidiaries offer solutions in the categories of recycling, logistics and production-ready secondary resources.

Responsibilities in the services segment are assumed by the business units, of INTERSEROH Dienstleistungs GmbH, Cologne (ISD), and its subsidiaries, the 2012 development of which in 2012 is reported on below:

Transport Packaging

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

The transport packaging recycling market was also marked by sharp competition in 2012. The market position was able to be sustained by means of the acquisition of new customers, expansion of existing customer relationships and additional packaging notices. Contract losses, due for example to the discontinuation of operations, were compensated for by the acquisition of new customers. The contract volume thus remained constant.

Sales Packaging

ISD joined the BDE (National Association of German Waste Disposal, Water Management and Raw Materials Sectors) initiative by signing onto the certification "to assure packaging disposal". The accompanying ISD audit process was launched in the spring of 2011 and was successfully concluded in May of 2012. In participating in this certification, the Company committed to allowing an independent auditor, responsible for this certification, to check proper compliance with the packaging ordinance. The requirements of the regional enforcement authorities established uniformly for the entire country constitute the basis of this audit. The objective is to confirm compliance with the legal regulations by an external authority as well now, with a view to assuring customers with respect to legality.

The market was characterised by intense competition accompanied by margin pressures. Nevertheless, the sales packaging business unit was able to step up earnings compared to 2011 by purging the contract portfolio of low-yield customer contracts.

On average during the year ISD's market share for light packaging exceeded 8 percent (previous year: over 16%), for paper over 9 percent (previous year: in excess of 15%) and for the glass sector over 7 percent (previous year: over 14%) (according to fourth quarter 2012 reporting).

ISD will continue to function as quality provider in the market and offer its customers services in accordance with the law.

Interseroh Recycling Solutions

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

This service, with a strong consultancy component, continued to be characterised by high competitiveness and increasing consolidation trends in 2012.

Nonetheless, the business unit was able to attract new customers and extend contracts with well-known major customers. This also applies to the segment of production facility disposal.

Furthermore, RSI successfully placed new service products in the market.
Specifically, this includes provision of infrastructural facility management services (winter service; landscaping and paved surfaces services) for food retailers.
Exploiting cross-selling opportunities with other business units from the services segment also plays an important part.

RSI earnings rose compared to the previous year.

Waste Electrical and Electronic Equipment

ISD organises the take-back and recovery of waste electrical and electronic equipment in accordance with the Electrical and Electronic Equipment Act. Furthermore, the service provider prepares all legally required documentation and assists its customers in the areas of registration, reporting, guarantees and trusteeship.

In 2012 the direct marketing option by municipalities of waste electrical equipment handed in by the population rose sharply. This resulted in a drastic drop in the tonnage available for Interseroh, although the customer and quantity base remained largely the same as in the previous year. Due to slight improvements in marketing of the extracted raw materials once again the decline in sales and earnings was somewhat mitigated, but not fully compensated.

The collection system for lighting in industry, trade and commerce initiated at the end of 2011 has developed positively over the past fiscal year. All LED modules, fluorescent tubes and energy-saving lamps that arrive at the participating collection points are recycled according to the law.

Deposit system

In the course of collecting one-way packaging, INTERSEROH Pfand-System GmbH, Cologne, renders the requisite tallying services for bottles and tins in ten tallying centres across the nation, undertakes the required pick-up of collected one-way packaging from the collection points and provides deposit clearing related to reclaiming the deposit money expended. Furthermore, the Company markets the raw materials extracted in the process (PET, glass, aluminium and tin foil).

These business units, as anticipated, suffered sales and earnings losses during the period under review. The reason for this was primarily the decisions of customers to undertake logistics and tallying responsibilities on their own, which also entailed declining tonnage. Only a few new customers were acquired.

Pool-System

The pool system is a business unit that focuses on waste avoidance. Returnable transport packaging is used in an innovative circulation system along the supply chain from the producer to the store. This also enhances the presentation of goods at the retail level. In order to maintain hygiene standards after the sale of the produce, all boxes are cleaned in washing centres operated by the Company; boxes that do not reflect the supply chain standard are repaired. Irreparable returnable transport packaging is used to manufacture new boxes in a closed recycling loop.

The INTERSEROH Pool-System GmbH, Cologne, optimises the pool stocks by synchronising collections from the retail market on a national basis, by means of international deliveries to the fruit and vegetable retail network and by means of central washing capacities.

2012 was earmarked by growth and efficiency increases in the areas of logistics, repositories and circulation frequency of returnable transport packaging. Sales volume in returnable transport carton business was further expanded; earnings were significantly improved compared to the previous year.

The loop for defective returnable transport packaging in the food segment was completely closed in cooperation with the recycled resource area. The European Authority for Food Safety, in Parma, Italy, allowed materials extracted from the loop to be recycled 100 percent in the production of returnable transport packaging in the food sector.

Central and Eastern Europe

ISD is active in Central and Eastern European recycling markets via its own companies. They include Austria, Slovenia, Poland and Croatia.

INTERSEROH Austria GmbH, Vienna, Austria, attracted numerous new customers in fiscal 2012 and increased licensed packaging quantities. Independent consulting services regarding all questions on packaging disposal developed successfully as well. The sales increases compared to 2011, however, went hand-in-hand with earnings declines due to persistently intense competition.

In Slovenia INTERSEROH zbiranje in predelava odpadnih surovin d.o.o., Ljubljana, Slovenia, operates collection systems for transport and sales packaging, e-scrap, batteries, memorial candles and expired medications. The market share in the field of packaging recycling was once again significantly enlarged in 2012. Despite higher costs for the collection of sales packaging, the Company's profitability was successfully increased over that of the previous year.

In Poland Interseroh Organizacja Odzysku SA, Warsaw, Poland, offers collection systems for transport and sales packaging, waste electrical and electronic equipment, batteries and Recycling Solutions Interseroh services. Sales and earnings grew positively to a moderate extent.

Interseroh d.o.o. za posredovanje u zbrinjavanju otpada, Zagreb, Croatia, succeeded in acquiring a major customer for Recycling Solutions Interseroh. Sales and earnings were above the previous year's figures.

Niche Businesses and Low-Volume Logistics

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

The paper bag tonnage marketed by the Company hovered at the same level as the previous year, while licensed tonnage once again decreased slightly. The Company did, however, achieve somewhat better marketing revenues compared to 2011.
INTERSEROH Product Cycle GmbH, Cologne, collects and sorts empty ink and toner cartridges from printers, copiers and fax machines and markets them to so-called re-fillers for refilling.

Sales and earnings for 2012 remained significantly under the previous year's figures. The reason for this was continued price pressures due to the large supply of cheap knock-offs of original cartridges, as well as the advancing isolation of the US market from European refill products. Market adjustments reflected in buy-outs of smaller refilling companies by major players has been accompanied by the loss of clients for INTERSEROH Product Cycle.

Recycled Resource

ISD and its subsidiaries are accelerating the expansion of systems services not regulated by law. In addition to the collection of empty modules and the pool system, Interseroh, together with companies in the plastics industry, has developed a new generation of plastic compounds under the brand name “procyclen®”, which consists of a 100 percent post-consumer material from the dual system and fulfils the requirements for previously utilised new goods. After the successful market launch of procyclen® based on the plastic type of polypropylene at the end of 2011, business was expanded in 2012 by developing new plastics compounds based on high density polyethylene (HDPE) and polystyrene.

The business unit extended its business base in 2012 and achieved higher sales revenues. Due to capital expenditures on growth in this business area, which is still young, earnings were at the previous year's levels.

The innovative plastic was awarded three prizes last year: In March of 2012 the Bundesverband Deutscher Heimwerker-, Bau- und Gartenfachmärkte e. V., (Federal Association of German Do-It-Yourself, Building and Garden Stores), Cologne, awarded ISD a special prize for sustainability. The Huber Verlag für Neue Medien GmbH (Huber Publishing House for New Media) included the Company in the list of the best for INDUSTRY PRIZE 2012 for its innovative recycled resource process and the recycled plastic procyclen®. This is a distinction for institutions that represent a high technical, economic, ecological or social value. In November ISD received, together with a customer, the “Best Recycled End-consumer Product 2012”.

Raw Materials Markets

Developments in recovered paper and plastic prices have a direct influence on the course of business of ISD through the marketing revenues of individual business units.

The price developments on the raw materials markets in 2012 were as follows:

Paper

Higher demand in the first half of the year resulted in a significant rise in recovered paper prices. By the middle of the year prices dropped to their starting level and remained generally stable with only a few exceptions until the end of 2012. On the whole averages prices in 2012 were below the previous year's levels.

Plastics

Marketed plastics include in particular the commodities of LDPE foil, PET and a variety of hard plastics, as well as plastics generated from sorting post-consumer materials. Prices for the various types of plastic developed similarly to paper prices.

On the whole prices were slightly below previous year’s levels.

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

1. Results of Operations

Consolidated group sales revenues amount to EUR 33.34 million in 2012 (previous year: EUR 37.15 million). The previous year's earnings contain a share from discontinued operations in the amount of EUR 3.45 million. When adjusted for this amount, net income for 2012 is EUR 0.36 million below that of the previous year.

Sales revenues fell by EUR 283.76 million (-12.8%) from the previous year.

In the steel and metals recycling segment slightly lower quantities, as well as steel scrap and non-ferrous metals at lower prices than the previous year, resulted in losses in sales revenues of EUR 137.49 million (-7.9%). Sales revenues thus amount to EUR 1,606.05 million.

The services segment evidenced a decline in sales of EUR 147.83 million (-30.9%) to EUR 330.92 million. This is due to the fact that low-yield customer contracts were purged from the contract portfolio.

Gross profit (= sales revenues plus change in inventory minus cost of materials) was down by EUR 70.07 million (-20.7%) from EUR 339.05 million to EUR 268.98 million. The gross profit margin (= gross profit in relation to sales) fell from 15.3 percent in the previous year to 14.0 percent in the year under review. The gross profit margin in the services segment declined slightly. Taking into account sales commissions, reported under other operating expense and closely associated with sales revenues, the gross profit margin rose by 6.7 percentage points to 20.4 percent. The gross profit margin in the steel and metals recycling segment remained more or less constant.

Other operating income rose by EUR 10.04 million. While income from the liquidation of provisions and liabilities decreased by EUR 2.86 million to EUR 28.33 million, income from the liquidation of bad debt allowances rose by EUR 3.46 million to EUR 5.30 million and exchange rate gains were up by EUR 1.88 million to EUR 3.26 million. Furthermore, IT services rendered to ALBA Group companies increased by EUR 2.37 million.

In the case of other operating expense, sales commissions in particular declined, from EUR 60.10 million to EUR 30.24 million, which is directly linked to the drop in sales in the services segment. The Group allocation of ALBA KG, introduced for the first time in 2012, had a contrary effect in the amount of EUR 5.56 million.

The reduction in personnel expense of 0.3 percent was linked to the decrease in staffing of 2.5 percent. Both personnel expense (+0.5%) and the number of employees (+4.5%) were up when adjusted for changes in the scope of consolidation.

Financial income in the amount of EUR -13.43 million improved by EUR 2.27

million due to interest income that was higher by EUR 0.73 million and a reduction in interest expense of EUR 1.54 million.

2. Net Assets

Compared to December 31, 2011, total assets as at December 31, 2012, fell by EUR 83.16 million to EUR 571.92 million.

The reduction in intangible assets of EUR 3.33 million, as well as the decline in property, plant and equipment of EUR 2.73 million, are due in large part to write-offs.

Changes in financial assets accounted for by the equity method are based on current results.

The decline in warehouse stocks of finished goods and goods-in-progress (-16.7%), as well as of merchandise (-15.1%), as the result of lower procurement prices and the business slowdown in the steel and metals recycling segment, is the cause of the lower inventory figure.

The reduction of trade receivables by EUR 16.87 million is due to the slump in export business in the steel and metals recycling segment. The dip in the services segment is due to lower marketing revenues as the result of lower quantities and prices.

The increase in other short-term receivables by EUR 10.42 million arises primarily from tax claims against the financial authorities.

The rise in cash pooling receivables of EUR 9.15 million to EUR 26.36 million was the chief contributor to the increase in short-term financial assets totalling EUR 9.80 million.

During the year under review a cash pooling agreement was entered into between the ALBA SE Group and ALBA KG. In this connection the relevant bank deposits of the ALBA SE Group have been transferred to the cash pooling receivables. Cash and cash equivalents, especially, were down by EUR 62.21 million as a result.

Furthermore, liabilities to banks were reduced in the amount of EUR 75.23 million. The resources required for this purpose were for the most part taken from the cash pooling receivables. Due primarily to the reduction in loans, long-term financial liabilities decreased by EUR 62.12 million and short-term financial liabilities by EUR 22.65 million. In addition, short-term financial liabilities from derivative financial instruments fell by EUR 5.28 million.

Short-term trade payables were lower by EUR 10.07 million due to the lower volume of outstanding invoices at the end of the year.

The increase in other current liabilities relates in the main to liabilities from profit transfers to ALBA KG in the amount of EUR 35.28 million under the profit and loss pooling agreement (previous year: EUR 30.11 million).

The total return on capital employed (= ratio of EBIT to total capital), a key indicator for the Group's companies, is level with the previous year at 8.8 percent.

3. Financial position

Financing Measures

The previous ALBA KG syndicated loan agreement was replaced on October 26, 2012, by a new syndicated loan agreement in which the ALBA SE Group continues to be integrated with a volume of EUR 400 million and a term that ends on October 30, 2017. Financing of general business activities by means of drawing down credit facilities under the new agreement is possible up to at least the same level as previously. Financing of the ALBA SE Group takes place exclusively via ALBA KG, now that the cash pooling agreement has been entered into between the ALBA SE Group and ALBA KG and the bank liabilities reduced.

The securities and guarantees provided by the ALBA SE Group have been incorporated in the contract just concluded. Interest on the syndicated loan is charged at the EURIBOR rate plus a margin. Interest on receivables and liabilities from the cash pooling is at a fixed rate.

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

Cash and cash equivalents

At the start of active participation in the ALBA KG cash pooling process the definition of cash and cash equivalents in the cash flow statement was changed and the previous year's figures adjusted.

Now cash and cash equivalents in the cash flow statement include the net cash pool balance with ALBA KG in addition to the liquid funds in the amount of EUR 12.67 million (previous year: EUR 74.88 million) reported in the balance sheet. As at the balance sheet date a cash pool liability of EUR 26.36 million (previous year: receivable of EUR 17.21 million) existed, so that the cash and cash equivalents figure at the end of the period under review amounted to EUR 39.03 million (previous year: EUR 92.09 million). The balances included in the level of cash and cash equivalents are subject to minimal value fluctuation risks only.

Investment

Investment in intangible assets and property, plant and equipment, excluding finance leasing, amounted to EUR 11.76 million during the period under review as opposed to EUR 13.45 million in the previous year.

Please refer to Notes 18 and 19 in the notes to the consolidated financial statements regarding details on the allocation to individual items.

D. Additional Disclosures

1. Events after the Balance Sheet Date

The Turkish anti-trust authorities agreed to the acquisition of shares of Reukema Balkan SRL and ZG Balkan Holding GmbH on February 7, 2013 (refer also to B.2.). Transfer of control under the transaction took place on March 6, 2013.

2. Board of Directors and Supervisory Board

Board of Directors

ALBA SE's Board of Directors in 2012 consisted of Dr. Axel Schweitzer and Mr. Joachim Wagner. Dr. Axel Schweitzer chaired the Board of Directors during the year under review and was responsible for the services segment. Joachim Wagner is responsible for the steel and metals recycling segment as part of his Board of Directors functions.

Effective January 1, 2013, the Supervisory Board appointed Rob Nansink to the ALBA SE Board of Directors. He is responsible for trading and for reinforcing the international orientation of the steel and metals recycling segment. He is also supervising the expansion of the "non-ferrous metals" business area.

Supervisory Board

There were no changes to ALBA SE's Supervisory Board in fiscal 2012. The composition of the Board can be found in the notes to the consolidated financial statements.

3. Compensation Report

Compensation of the Board of Directors

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

Compensation paid to members of the Board of Directors in the 2012 fiscal year amounted to EUR 1.53 million (previous year: EUR 2.48 million). This amount contains a variable compensation component of EUR 0.89 million (previous year: EUR 1.82 million). In fiscal 2012 obligations under undistributed variable remuneration components for the Board of Directors in the amount of EUR 0.02 million (previous year: EUR 0.08 million) were liquidated and charged to profit and loss. The allocation to the pension provision for Board of Director members totalled EUR 0.09 million (previous year: EUR 0.16 million). A total of EUR 1.46 million (previous year: EUR 1.52 million) has been provided for pension obligations for former Board of Director members and their next-of-kin.

Total remuneration for individual Board of Director members is determined by the Supervisory Board in a plenary session, including any Group payments, based on a performance assessment. The individual Board of Director member's tasks, his personal performance, the financial situation, the success and future prospects of the Company constitute the criteria for the appropriateness of remuneration; other criteria include customary remuneration in the comparator environment and the remuneration structure that applies elsewhere in the ALBA SE Group.

The professional functions exercised by the members of the Board of Directors consists of the Company’s management and representation. Dr. Axel Schweitzer, moreover, functions as Chairman of the Board of Directors of ALBA KG. Mr. Joachim Wagner is member of the Board of Directors of ALBA KG.

A share in the total equity capital of ALBA SE in the amount of 85.324 percent and, therefore, voting rights from 8,395,849 shares were attributable to Dr. Axel Schweitzer as at the balance sheet cut-off date of December 31, 2012.

Remuneration of the Supervisory Board

Provisions for the remuneration of the Supervisory Board were created in the amount of EUR 245,000.00 for 2012. Reference is made to the Notes for individually rendered services outside the scope of the Supervisory Committee, in particular consulting work.

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

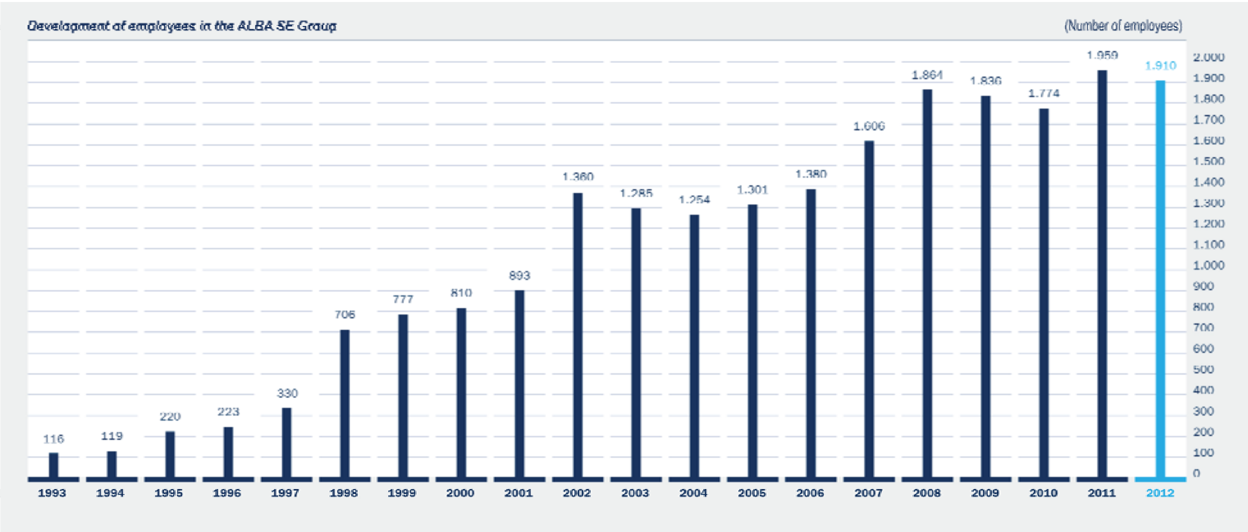
4. Employees and Social Responsibility

Number of employees

The average size of the ALBA SE Group's workforce during the year was 1,910 (previous year: 1,959; the previous year's figure includes the annual average figure of 118 employees of the raw materials trading segment sold effective September 30, 2011).

On average 1,349 people were employed in the steel and metals recycling segment in the fiscal year (previous year: 1,336), comprising 493 white-collar workers (previous year: 525) and 856 industrial workers (previous year: 811).

In the services segment the average number of employees was 561 (previous year: 505). The number of employees was 460 (previous year: 429) and the number of industrial workers 101 (previous year: 76).



Recruiting young talent

The ALBA SE Group assigns a high priority to assuring succession. Sustained and systematic recruitment, training and retention represent both key success factors and at the same time a challenge. The ALBA SE Group has been preparing for the pending scarcity of specialist staff for a number of years now. Two topics in particular play a role in a future-oriented assurance of succession: On the one hand the objective of enhancing the ALBA SE Group's recognition and appeal continues to be pursued. On the other hand existing succession programmes are continuously developed or new programmes started.

It is of great importance to the ALBA SE Group that it sparks the interest of talented young people, attracts them as employees and retains them in the Company. To this end the ALBA SE Group was represented at the most important school and university fairs in 2012 and has expanded and intensified its cooperation with schools in the region and target universities. The appeal of the ALBA SE Group as an employer for talented staff is measured via on-line assessment portals, as well as via surveys and comparative studies.

The ALBA SE Group is contributing significantly to covering the need for specialist staff at its locations with a nuanced range of professional training. The Group trained numerous trainees and students from cooperative education universities in a variety of professions in the year under review as well. The ALBA SE Group offers the trainees a variety of different prospects. Especially high-performing pupils have the option of following a course of studies for their Bachelors', which is supervised by the Company, after completing the training. The best among them receive a scholarship and participate in additional training on the topic of project management. Trainee programmes of the ALBA SE Group continue to be expanded. The long-term requirements in terms of qualified commercial, sales and technical (management) succession are covered in this manner. University graduates are attracted to the ALBA SE Group by means of trainee programmes.

Recruitment of specialist and management staff became increasingly professional in the year under review, as well. Enhancing the qualifications of recruitment management and implementing uniform standards constituted a special focus.

Personnel development

The accumulation and consolidation of competencies among staff are core themes in strategic company management. Training and continuing education are central matters in the ALBA SE Group, since they provide key qualifications required to meet future competitive challenges successfully. The ALBA SE Group conducts systematic assessment of potential in all areas in order to identify and develop talent. The foreseeable need for qualification has, in addition to existing training measures, been the basis of a more in-depth range of options. The ALBA SE Group has, therefore, significantly expanded the range of options for continuing education for all employee groups in 2012.

They span topics such as leadership, cooperation and change management. In addition to individual coaching and one-on-one training, specific development programmes are offered to promising employees. In 2012 the focus for strengthening competencies was on methodological skills and negotiation management.

Building and expanding a succession management system constituted a focus of personnel development in 2012. Sustained talent management is facilitated by the use of this programme.

Corporate Citizenship Activities

The social image of the Group, which is documented in ALBA SE's mission statement, is linked to the ALBA SE Group's entrepreneurial activities. In accordance with the mission statement “We actively assume ecological and social responsibility”, corporate citizenship activities have also occupied a permanent position in various companies of the ALBA SE Group and range from corporate giving (ethically motivated donations without self-interest) to corporate volunteering (charitable employee commitment).

The ALBA SE Group's services and products relieve an environmental burden and thus assure a better living environment for succeeding generations. This sustainability and future orientation is also reflected in its volunteer projects: The focus of corporate citizenship activities is on commitments for children. INTERSEROH Dienstleistungs GmbH, for instance, has already been supporting KidS, the orphanages of the city of Cologne, for over nine years and is thus improving the living situation of children directly. The Group's regular activities also include bone marrow donor typing for the Deutsche Knochenmark-Spenderdatei (DKMS - bone marrow donor registry), supporting children in hospital or in the Peace Village in Oberhausen.

5. Risk Management and Internal Control System

Risk Management System

Principles

As a company in the recycling industry with international operations, ALBA SE and its associated subsidiaries are exposed to numerous risks, as well as a variety of opportunities. The concept of risk includes events and developments inside and outside the Company that might have a negative impact on its net assets, financial position and results of operations within a specified period of time.

The goal is not to avoid all risk, but to establish room to manoeuvre to enable conscious risk-taking based on comprehensive knowledge of the risks involved and the overall context of the risks. Control of these risks is a prerequisite for the Company's success, taking into account limitations on the willingness to take risks. Entrepreneurial risks are entered into only if they can be quantified and if the associated opportunities lead to the expectation of a commensurate increase in value.

Risk Management

Risk and opportunity management in the ALBA SE Group is geared to securing the continued existence of the Company and to guaranteeing a long-term increase in corporate value.

A management and control system with a uniform risk management system, into which the ALBA SE Group is integrated, has been established in the Group for the purpose of early identification, assessment and management of relevant risks and opportunities.

The core factors in risk management consist of strategic and operational corporate planning, internal reporting, the internal control and compliance system, treasury management and the early risk identification system. Strategic corporate planning should guarantee that long-term risks and opportunities can be identified early on, so as to be able to respond with appropriate structural measures. The internal reporting system is designed to assure that at all corporate levels, current and relevant information concerning the development of fundamental risks and the effectiveness of risk limitation measures is provided. The focus of the internal control system is on monitoring and controlling the risks. The compliance system is tasked with supporting management in identifying and responding to risks related to compliance topics early on.

Treasury

As a component of risk management, treasury management is responsible for recording, analysing, quantifying and monitoring financial risks. Identified risks are managed, for instance, by establishing debtor and creditor limits and by using derivative financial instruments. Derivative financial instruments are used only for hedging purposes against default risks, price change risks and currency risks. Only those instruments that can be modelled, assessed and monitored and the accounting treatment of which is clear may be utilised. Treasury reporting ensures that future liquidity developments and financial risk positions can be identified early on.

Early Identification of Risk

The ALBA SE Group's early risk identification system is a comprehensible system that encompasses all corporate activities and includes systematic and ongoing procedures based on a defined risk strategy: identification, assessment, documentation and communication of risks, as well as monitoring these process elements. It extends through all operating units of the fully consolidated company. Each segment management team is responsible for assuring a fully functioning and efficient early risk identification system. The ALBA SE Board of Directors bears overall responsibility for the Group-wide early risk identification process and establishes risk policy principles. The operational early risk identification tasks are undertaken by the legal units, segments and central functions.

In 2012 uniform Group requirements for implementing an early risk identification system continued to be developed in an early risk identification guideline. As part of the risk management system, the early risk identification system functions as an instrument for identifying, assessing and communicating entrepreneurial risks so as to take appropriate risk management measures. The early identification system is decentralised and binding for all fully consolidated companies and central divisions.

Identification and assessment of risks takes place on a regular and decentralised basis in the companies and responsible central divisions of the ALBA Group. Identified risks are assessed for likelihood of occurrence and potential loss level. As part of the early risk identification system, those risks that exceed the established threshold values for likelihood of occurrence and potential loss level are monitored. All risks that jeopardise the Group's existence should be taken into account.

Risks identified in the individual companies are aggregated at the segment level. Risk reports from segments and central divisions are integrated on a quarterly basis in risk reporting to the Board of Directors. Risk reporting takes place in standardised form throughout the defined reporting structure. This ensures regular monitoring and follow-up of risks. Ad hoc reporting is obligatory in the case of risks that arise suddenly, are serious or jeopardise the Company's existence.

The coordination and specifications of the conceptual framework of the early risk identification system are centralised.

Additional workshops are designed to improve the risk reporting process and to sensitise employees in risk management.

The early risk identification system is reviewed regularly in the course of internal and external audits according to statutory regulations to establish the effectiveness of early identification of risks that may jeopardise the Company's existence.

Even an appropriate and fully functioning early risk identification or risk management system cannot guarantee absolute certainty with regard to the completeness of identified risks and the effectiveness of management instruments utilised.

The Internal Control System in relation to Group Accounting

ALBA SE’s Board of Directors views the internal control system, based on the accounting process, and all such structures, measures and control processes, as a system aimed at ensuring reliable financial reporting in accordance with statutory regulations and International Financial Reporting Standards (IFRS).
Key characteristics of the Company's internal control system with regard to accounting include Group-wide uniform accounting guidelines and processes, IT security guidelines and regulations, and organisational principles and flows. Centralised and decentralised training ensures that those who take part in the accounting process possess the relevant skills.

Control mechanisms are subject to ongoing optimisation. In addition, various control principles, such as segregation of duties and consistent adherence to the principle of dual control, are incorporated in the accounting process with respect to certain risks. Regardless of the scope and orientation of the control structures and processes that have been instituted, there are limits to the internal control system, since it must be adapted to changing demands and framework conditions on an ongoing basis. At least once a year, for instance, a revision of the organisational guidelines takes place as part of this adaptation process.

Standard consolidation software is used to generate the consolidated financial statements. The major portion of ledger accounts information of the companies included is imported into the consolidation software from the relevant book-keeping systems via an interface after the cut-off date. The completeness and accuracy of the data, as well as the reconciliation of internal Group balances, are the responsibility of management and are confirmed in a separate statement. Individual financial statement data undergoes automatic and manual plausibility processes.

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

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

The subscribed capital of ALBA SE of EUR 25,584,000.00 is divided into 9,840,000 individual share certificates of no par value with an arithmetic nominal value of EUR 2.60 each. The Company's shares are bearer shares. Every share grants one vote in the General Shareholders' Meeting. The Board of Directors is not aware of any restrictions pertaining to voting rights or the assignment of shares. On December 31, 2012, a total of 85.324 percent of shares and thereby voting rights from 8,395,849 shares were attributable to Dr. Axel Schweitzer, Berlin, and Dr. Eric Schweitzer, Berlin, according to Section 22, paragraph 1, clause 1, no. 1 of the Securities Trading Act; they are held directly by ALBA Group plc & Co. KG. ALBA KG as controlling company and ALBA SE as controlled company entered into a control and profit transfer agreement in 2011, which became effective once entered into the commercial register on May 26, 2011. No shares with special rights that confer supervisory powers exist. Employees who hold shares in the company exercise their rights of verification through the voting rights embodied in their shares.

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

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

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

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

7. Research and Development

Due to the fields of activity it is involved in, the ALBA SE Group places a great deal of importance on market research and market analysis. The Group does not regularly engage in research and development in the customary sense. A new generation of plastic products was developed in 2011, however, in cooperation with companies in the plastics industry that consist fully of post-consumer material from the Dual System and fulfil the requirements pertaining to new goods. After the successful market launch of procyclen® based on the plastic type of polypropylene at the end of 2011, the ALBA SE Group has successfully developed new plastics compounds based on high density polyethylene (HDPE) and polystyrene in 2012.

8. Environment and Sustainability

Environment and sustainability play a central role in the ALBA SE Group. Accordingly, INTERSEROH Dienstleistungs GmbH had additional facilities certified in Germany and in the subsidiary in Austria during 2012. The two washing centres of INTERSEROH Pool GmbH obtained certification under DIN ISO 14001 and BS OHSAS 18001 in the spring of 2012; the REPASACK cleaning facility in Oberhausen and INTERSEROH Austria GmbH obtained certification in the middle of the year.

The ALBA Group commissioned a new climate study of all its associated companies, i.e. including the ALBA SE Group, from the Fraunhofer Institute for Environmental, Safety and Energy Technology, UMSICHT, Oberhausen, during the past fiscal year. The purpose of the study based on 2011 figures was the comparison of greenhouse gas emissions when using primary and secondary resources. In contrast to previous studies, experts recorded not only CO_2 emissions, but all climate-relevant gases from CO_2 through methane and nitrous oxide to fluorochlorinated hydrocarbons. The entire recycling process chain in the ALBA Group is examined - from collection to subsequent recycling - taking into account all relevant scrap flows that the companies in the Group consolidate and recycle. The ALBA Group saved approximately 7.7 million tons of greenhouse emissions by recycling circa 7.5 million tons of scrap in 2011. This corresponds to just about one percent of total German emissions of environmentally harmful greenhouse gases, otherwise known as carbon footprint. A European mixed forest of c. 7,700 square kilometres, equivalent to the surface area of Southern Tirol, would be necessary to absorb this quantity of greenhouse gases.

E. Anticipated Developments

1. Report on risks and opportunities

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

Risks

Finances

Credit risk
Credit risks exist if customers fail to meet their payment obligations from a concluded business transaction or fail to do so on time. Trade credit insurance is, therefore, taken out as a rule for all debtors in the ALBA SE Group. In addition, letters of credit or other documents guaranteeing payment are utilised. Only in justified individual cases and after previous approval by management or by the Board of Directors may transactions above the insured limit be undertaken. Compliance with trade credit insurance limits is monitored as part of receivables management.
In the domain of other receivables similar conditions apply regarding the assumption of potential credit risks. Here, too, commitments are made only after previous approval and credit checks.

Upon roll-in of the ALBA SE loan agreement into the syndicated loan agreement of the ALBA Group, the covenants associated with the syndicated loan at the ALBA Group level, which were fully satisfied during fiscal 2012, also apply to the ALBA SE Group. Non-compliance with one or more covenants can result in grounds for termination under certain conditions. At this time there is no evidence of such non-compliance, so there is no refinancing risk.

Currency risk
Currency risks arise due to the change in exchange rates of the euro against other currencies in a great number of payment flows, especially in US dollars (transaction risks). In principle the ALBA SE Group strives to leave these risks to the business partner and to invoice in euro. If this is not possible, an obligation to hedge any business transaction above a volume of EUR 0.025 million arises. In the case of inter-Group supplies, hedging of currency risk is generally dispensed with, since the resulting exchange rate gains and losses offset each other to a great extent at the Group level. Currency risks that arise from the currency translation of foreign subsidiaries (translation risk) are not hedged.

Interest rate risk
Existing financial liabilities of individual companies from credit lines are subject to the risk of changing interest rates.

Liquidity risk
Risks arise regarding available liquidity due to fluctuations in payment streams. The ALBA SE Group is integrated into the cash pooling of the ALBA Group in order to assure the ability to pay and meet requirements for financial resources in the companies. Liquid resources are managed according to requirements as part of daily financial planning. In individual cases long-term loans and credit lines exist in the ALBA SE Group in order to cover financial requirements.

Environmental protection

Currently ALBA SE Group is following the implementation of the European Industrial Emissions Directive (IED) into national law. The IED became effective on January 6, 2011, at the European level and must be implemented by member states of the European Union as national law within two years. German legislators will adjust several central standards for facilities approval and facilities operation, such as the Federal Emissions Protection Act and the Federal Water Act.

The implementation has not yet been completed to date. According to the amendment drafts the requirements, especially in the sphere of facilities approvals, are likely to become more stringent. In the ALBA SE Group, it is anticipated that large shredder facilities are likely to be involved, as well as those facilities that store or handle larger quantities of so-called hazardous wastes (e.g. batteries or electronic scrap).

This standard-altering process harbours both risks and opportunities for the ALBA SE Group. The need for subsequent capital expenditures may arise from the new legal requirements for facilities operations. This would be accompanied by rising operating costs. Since the ALBA SE Group's facilities operations demonstrate high technical standards, however, it is possible that these additional costs may be less than those incurred by competitors who currently have not yet achieved comparable standards.

According to the current status of implementation drafts there will be a transitional period of one to two-and-a-half years for existing facilities. In the short term the effects of the facilities operations on ALBA SE will be of minor importance.

Employees

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

The directors of the ALBA SE Group have significant discretion to make decisions in order to be able to act in close proximity to the market and on a decentralised basis. The group structure ensures that the strategic business units can be managed as if by "company entrepreneurs". All employees have an obligation to manage responsibly. Nevertheless, given the high degree of entrepreneurial responsibility, and despite extensive and multi-layered review and control mechanisms, the risk of abuse cannot be fully excluded.

IT systems

The ALBA SE Group's business processes are primarily IT-assisted. Maintaining flawless business operations requires an efficient and uninterrupted operation of data processing systems.

The following risk groups have been identified in connection with IT systems and the appropriate measures and controls have already been implemented: project risks, systems availability, data protection and data loss.

Especially in the case of IT projects that as a rule involve the introduction of new systems, both budget overruns and delays should be avoided. To this end a standardised project management method and consistent change management were utilised by the IT department.

Systems availability represents a central risk, especially as business operations are significantly disturbed if systems failure affects the general ledgers or sub-ledgers. By measures such as the use of UPS equipment (equipment for uninterrupted power supply) and emergency power aggregates, continuous business operation can be guaranteed.

In order to ensure transparent and documented access protection in the key IT systems, such as SAP R/3, Oracle eBS or Recy, a centrally administered user and role concept with a corresponding approval workflow has been implemented. The effectiveness of access protection is monitored annually by random sampling.

Effective testing of IT systems as regards protection external attacks (hackers) is performed every two years. Potential areas of weakness in the protection measures are detected by means of simulated, unannounced attacks conducted by external specialists and then eliminated by means of appropriate measures.

The loss of data represents a significant economic risk and can occur in various ways: operator error, software errors or hardware defects. Daily back-up of all productive systems and data is performed consistently as a measure against potential data loss. Proper retrieval capabilities are checked by means of regular data recovery tests.

Insurance policies

The ALBA SE Group actively manages insurance covering key risks. It offers strategic business units participation in framework insurance agreements for vehicle, property, fire and business interruption, various liability and transport insurance, as well as policies that cover losses of goods and buildings centrally. Nevertheless, customary deductibles or force majeure may have an adverse effect on the Company's net assets, financial position and results of operations. The ALBA SE Group was able to optimise its insurance management by integration in the ALBA Group and achieve additional cost advantages.

Taxes

Tax risks arise especially in connection with ongoing and still pending tax audits. These risks are evaluated early on and taken into account appropriately in a systematic process, which defensively assesses tax refund claims or creates provisions.

Compliance

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

In order to counter these risks the ALBA SE Group introduced the ALBA Group Compliance Programme in 2009. The Compliance Programme has been regularly reviewed and further developed in the interim.

Management and employees are regularly familiarised with the newest compliance requirements through the e-learning programme initiated throughout the company in 2011. This should ensure that compliance risks are identified early on and appropriate measures taken. Compliance with all applicable legal framework conditions and internal guidelines is obligatory. Actions designed to override the competition in favour of the ALBA SE Group or in favour of a third party shall not be tolerated.

Responsibility for compliance is allocated to all central divisions and segment management. The manager of the central legal department of the ALBA Group reports directly to the Chairman of the Supervisory Board on compliance matters. The departments of law and internal audit, in particular, take care of compliance audits that are independent of events, as well as fundamental questions and investigations in cases of suspicion. Both divisions, in addition, are involved in consulting the segments and group companies, as well as in performing and organising on-site training. This consultation is reinforced by lawyers in individual subsidiaries by means of targeted consulting on site and with a particular understanding of the local circumstances and business models.

Segments

Steel and Metals Recycling

The steel and metals recycling segment depends to a significant extent on economic developments in national and international markets for steel and non-ferrous metals. Due to high cost prices for secondary resources, risks arise in the areas of working capital, warehousing and liquidity. In the event of steep price declines in the relevant buyer markets, there is a risk of inventory depreciation. One way this risk is countered is by adapting inventory levels to market demand. In the case of some non-ferrous metal scrap a certain market price level is secured by hedging negotiable items at appropriate exchanges (e.g. London Metal Exchange).

A change in exchange rates (especially the euro to the dollar) can have an impact on the operational business (e.g. reduction in demand, deterioration in competitive position), as well as the net assets, financial position and results of operations. This is dealt with by means of derivatives (e.g. currency swaps and forward exchange contracts) or switching into other markets.

Due to the fact that material processing is in part heavily reliant on facilities, the risk of production shutdowns in the event of failure of aggregates, such as the large-shredder facilities, exists. This risk is countered by means of regular facilities maintenance and servicing. In addition, fire and business interruption insurance policies are in effect to minimise losses.

Risks that may arise from defaults on receivables are to be mitigated in future as well. Such risks can consist of an insufficiency or absence of coverage of outstanding receivables from trade credit insurance. Measures implemented in previous years, such as the introduction of standardised risk assessment for major customers and for noteworthy customers and risk-oriented offer reviews in project business, have become established in the segment. They are further developed and refined on the basis of ongoing risk inventories and experience.

In order to be able to counteract liquidity and inventory depreciation risks promptly, segment management and the responsible division director receive ongoing information on developments in working capital, so as to be able to promptly implement measures to minimise risk.

Services

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

The ALBA SE Board of Directors perceives substantial risks in the dual system division that result from ambiguous formulations in the Packaging Ordinance. The audits by an additional auditor with uniform standards that are required as a result of signing the BDE certificate (refer to A.3), as well as the licensing behaviour of competitors, may impact the profitability of this field of business.

In some selected business fields the loss of key customers could present a potential risk.

In order to identify trends and developments in individual markets with certainty, the services segment conducts comprehensive market, customer and competitor analyses and uses its findings to develop and market products and projects. The positive experiences from the expansion of the product range over the past few years are systematically integrated in a segment-wide programme. Furthermore, the area of innovation management has been reinforced organisationally.

Opportunities

Due to the international orientation of the steel and metals recycling market, the opportunity to exploit arbitrage effects between the local and international markets arises.

The Board of Directors perceives significant opportunities in further internationalisation of the business. International market presence has been considerably strengthened by acquiring companies in the Balkans.

Further opportunities can be found in additional networking of individual locations in the segment, as well as advancing integration of the ALBA SE Group into the ALBA Group, by bringing about synergistic effects.

The optimisation of process flows in treatment and trading of scrap, as well as consistent further development of activities in the area of non-ferrous metals and alloyed scrap, offer additional opportunities.

The ALBA SE Board of Directors sees a chance to stabilise the dual system business field by active work in the association and providing information to business associations and political interest groups, thus creating the possibility of expanding its own market share.

Management perceives opportunities for growth in the services segment, especially in the combination of approaches to solutions as systems service provider in the product, scrap and logistics loops, as well as in innovation management. The customer is offered a holistic, individually designed range of services via a developed sales offer.

The expansion of services and market share in the Central and Eastern European recycling markets offers additional opportunities for the medium term.

After the certification of the integrated INTERSEROH Dienstleistungs GmbH quality management system in 2011, the services segment is currently working intensively on additional measures that can document the sustainability of products and services according to internationally accepted standards.

2. Outlook

a) General Economic Development

Leading economic experts are assuming continued tension in the economic situation for the current fiscal year. While overall economic production is likely to grow feebly in the advanced economies, the economies in the emerging markets are expected to accelerate somewhat. In China, in particular, one can assume that the government course chosen will be continued and the degree of expansion will be extended far enough for the economy to flourish.

Developments in the Euro zone, according to the economic experts, depend on whether economic policy succeeds in creating confidence in the reform and consolidation efforts among financial investors, companies and households. Nevertheless, they anticipate little more than stagnating gross domestic product for 2013. Besides, economists are critical of the European Central Bank programme to purchase government bonds from countries in crisis and point out the threat of inflation.

Growth forecasts for Germany are low given the continuing weakness in the environment. On the whole the economic research institutes expect an increase of one percent in German gross domestic product in 2013.

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

In the medium term the environmental industry will become the most important sector in Germany's economy in the opinion of experts. According to a study by Roland Berger Strategy Consultants, published in 2012 and commissioned by the Ministry of the Environment, environmental technology is one of the most significant future markets of the 21st century. By 2025 the share of German environmental technologies in German gross domestic product is expected to almost double from 11 percent in 2011 to 20 percent. Around the world, according to the study, Green Tech is a success model. Global sales revenues in the six leading markets researched – energy generation, energy efficiency, raw materials efficiency, the recycling economy, water management and mobility – are expected to rise from 2,044 billion euro in 2011 to over 4,400 billion euro by 2025. Forecast annual growth would thus amount to over 5 percent. German companies are well positioned globally and should be able to maintain their current market share in environmental technologies averaging 15 percent until 2025.

b) Development in the segments

The economic prospects for Germany became gloomy at the end of 2012, not least because of economic policy uncertainties in the euro zone and a weak foreign trade environment. Nevertheless, moderate growth is forecast for the current fiscal year. In line with the overall economic forecast, the steel industry, too, is counting on only a slight recovery in 2013. Internationalisation of the segment will continue both on the purchasing and marketing side. With a transshipment site in Sweden and the acquisition of twelve scrap yards in Croatia, Bosnia-Herzegovina, Serbia, Montenegro and Romania, an additional important step on the way to being an international player in the steel and non-ferrous metals trade was taken at the end of 2012.

Management anticipates rising demand from Asia in the area of non-ferrous metals. Economic programmes that have been initiated in China for energy and infrastructure projects support this forecast. The plan is, therefore, to accelerate forming long-term business relationships in growth markets such as China, but also Eastern Europe and South America.

Opportunities and potential lie in the continuing development of international trade. The ALBA SE Group has risen to one of the top ten scrap suppliers to Turkey with the acquisition of the companies in the Balkans. This market position is to be further expanded by consolidating quantities and extending the international sales business.

In addition to internationalisation, optimisation of existing structures is a core project. Efficient exploitation of resources, enhancing the quality of service and creating synergy within the ALBA Group are key goals.

Risks exist in an economic downturn and the associated lower quantities involved. In Europe, the intensification of the financial crisis is a significant risk, which could lead to a decline in industrial production. A stable political environment is a core factor for economic growth in the growth markets of China and Turkey. Without this stability the risk of a drop in demand would exist in these markets. Furthermore, depreciation of the US dollar would have a negative impact on the European secondary resource traders.

In anticipation of moderate volume growth in 2013 in the steel and metals recycling segment, management is assuming percentage sales growth in the low double-digits. Pre-tax earnings will improve significantly for 2013 compared to 2012. Slow but steady growth rates are also forecast for subsequent years.

For the services segment the focus is on continued development of new business fields and on new markets in order to support sustained growth. Business volume in the area of returnable transport cartons, as well as the recycled resource business unit, will be further expanded. With respect to developments in raw materials markets, the service segment expects a moderate rise in price levels in the raw materials markets in fiscal 2013 and 2014, since they are at the lower end of the price scale at present.

The services segment expects double-digit sales increases with a simultaneous significant decline in earnings for 2013. In the following year a slight rise in sales with only a moderate decline in earnings compared to 2013 is predicted. This is the result of increasingly sharp competitive pressures in core business areas, investment related to building up new business fields, as well as the deterioration of conditions for high-sales key customers.

c) Development of the Group

The Board of Directors is anticipating a rise in sales and a slight increase in pre-tax earnings for fiscal 2013. A rise in sales revenues and pre-tax earnings is also expected for 2014. This assessment is based on the assumption of stabilising overall economic developments.

Integrating financing into the ALBA Group ensures that the ALBA SE Group will continue to have the required cash resources in future.

Cologne, March 20, 2013

ALBA SE

The Board of Directors

Dr. Axel Schweitzer Rob Nansink Joachim Wagner

Consolidated Balance Sheet

as at December 31, 2012

ASSETS	Note No.	31.12.2012 EUR	31.12.2011 EUR
Non-current assets			
Intangible assets	(18)	**117,858,985.91**	**121,189,087.71**
Property, plant and equipment	(19)	**83,686,168.64**	**86,413,683.80**
Financial assets accounted for under the at-equity method	(20)	**8,980,614.87**	**7,741,601.29**
Financial assets	(21)	**981,024.58**	**1,728,113.37**
Other receivables	(25)	**1,438,332.02**	**1,133,722.99**
Deferred tax assets	(22)	**5,806,039.10**	**6,252,238.90**
		218,751,165.12	**224,458,448.06**
Current assets			
Inventories	(23)	108,769,216.71	**127,575,787.43**
Trade receivables	(24)	155,431,649.86	**172,304,765.27**
Financial assets	(21)	34,478,000.54	**24,679,114.09**
Other receivables	(25)	39,238,774.17	**28,822,068.48**
Income tax refund claims	(22)	2,576,705.22	**2,355,136.63**
Cash and cash equivalents	(26)	12,673,546.00	**74,882,830.26**
		353,167,892.50	**430,619,702.16**
Cologne, March 20, 2013		**571,919,057.62**	**655,078,150.22**

LIABILITIES	Note No.	31.12.2012 EUR	31.12.2012 EUR	31.12.2011 EUR	31.12.2011 EUR
Shareholders' equity					
Subscribed capital and reserves attributable to the parent company					
Subscribed capital	(27)	25,584,000.00		25,584,000.00	
Reserves	(28)	158,075,646.40	183,659,646.40	153,360,146.04	178,944,146.04
Minority interests in equity			6,814,795.91		6,100,612.35
			190,474,442.31		185,044,758.39
Liabilities					
Non-current liabilities					
Payments to employees under pension commitments	(29)	18,999,830.64		19,410,156.61	
Other non-current provisions	(30)	7,091,574.07		5,588,814.36	
Deferred tax liabilities	(22)	5,376,157.80		6,083,527.57	
Financial liabilities	(31)	9,194,973.11		71,319,610.32	
Trade liabilities	(32)	109,138.99	40,771,674.61	366,806.02	102,768,914.88
Current liabilities					
Provisions	(30)	10,912,198.41		11,703,541.08	
Income tax liabilities	(22)	8,340,996.92		7,291,722.48	
Financial liabilities	(31)	39,547,541.35		67,474,424.12	
Trade liabilities	(32)	199,216,745.46		209,289,281.14	
Other liabilities	(33)	82,655,458.56	340,672,940.70	71,505,508.13	367,264,476.95
			381,444,615.31		470,033,391.83
			571,919,057.62		655,078,150.22

Consolidated Income Statement

for the period from January 1 to December 31, 2012

	Note No.	2012 EUR	2011 EUR
1. Sales revenues	(7)	1,926,911,226.18	2,210,668,802.35
2. Reduction / Increase in inventory of finished and work in progress	(8)	-5,746,508.17	5,825,118.60
3. Other operating income	(9)	70,940,915.43	60,898,376.55
4. Cost of materials	(10)	1,652,181,800.68	1,877,442,157.86
5. Personnel costs	(11)	100,617,083.19	100,876,527.92
6. Depreciation on intangible assets and on property, plant and equipment	(12)	17,878,363.03	17,728,809.80
7. Other operating expense	(13)	171,198,457.83	225,454,323.58
8. Profit shares in associated companies, accounted for under the “at-equity” method	(14)	1,018,233.01	102,006.85
9. Financial income	(14)	4,298,317.27	3,838,087.44
10. Financial expenses	(14)	17,871,302.15	19,387,765.21
11. Earnings before taxes		37,675,176.84	40,442,807.42
12. Income tax expense	(15)	4,332,619.27	6,736,714.96
13. Earnings after taxes from continuing business		33,342,557.57	33,706,092.46
Earnings after taxes from discontinued business		0.00	3,445,998.70
Income after taxes		33,342,557.57	37,152,091.16
14. Shares in income to be attributed to minority interests	(16)	678,779.79	1,868,346.33
Of which from continuing business		678,779.79	1,713,962.86
Of which from discontinued business		0.00	154,383.47
15. Shares in income attributable to shareholders		32,663,777.78	35,283,744.83
Of which from continuing business		32,663,777.78	31,992,129.60
Of which from discontinued business		0.00	3,291,615.23
16. Earnings per Share	(17)		
from continuing business		3.32	3.25
from discontinued business		0.00	0.33
from continuing and discontinued business		3.32	3.59

Cologne, March 20, 2013

Exhibit of Income and Expense Recorded in Group Equity

(Overall Group Result)

for the period from January 1 to December 31, 2012

	Note No.	2012 EUR Million	2011 EUR Million
Changes in the fair value of derivatives used for hedging purposes (including deferred taxes)	(28, 37)	5.72	-1.61
Changes in adjustment items from currency conversion recorded in equity	(3b, 28)	1.99	-2.38
Results not recognised in income		**7.71**	**-3.99**
of which attributable to minority interests	(28)	0.37	-0.56
of which attributable to interests at equity		0.22	-0.27
Group result		**33.34**	**37.15**
of which attributable to minority interests	(16)	0.68	1.87
Overall Group result		**41.05**	**33.16**
of which attributable to minority interests		1.05	1.31
of which attributable to ALBA SE shareholders		40.00	31.85

Consolidated Statement of Changes in Equity

in the period from January 1, until December 31, 2012

		Parent company				
					Cumulative other consolidated earnings	
	Note no.	Subscribed capital	Capital reserve	Earned consolida-ted equity	Adjustment item from foreign currency conversion	Other non-cash transactions
		EUR million	EUR million	EUR million	EUR million	EUR million
Balances as at January 1, 2011		25.58	38.61	136.67	-0.44	-16.13
Dividends paid	(27)			-2.46		
Changes in the scope of consolidation				-0.10		
Capital transaction with changes in the share of holdings	(28)			-4.53		
Consolidated earnings				35.28		
Amounts directly recorded in equity					-1.82	-1.61
Total consolidated earnings						
Profit transfer to ALBA Group plc & Co. KG				-30.11		
Balance as at December 31, 2011		**25.58**	**38.61**	**134.75**	**-2.26**	**-17.74**
Balances as at January 1, 2012		25.58	38.61	134.75	-2.26	-17.74
Dividends paid	(27)					
Changes in the scope of consolidation						
Capital transaction with changes in the share of holdings	(28)					
Other changes						
Consolidated earnings				32.66		
Amounts directly recorded in equity					1.62	5.72
Total consolidated earnings						
Profit transfer to ALBA Group plc & Co. KG				-35.28		
Balance as at December 31, 2012		**25.58**	**38.61**	**132.13**	**-0.64**	**-12.02**

		Parent company	Minority shareholders	Consolidated equity
		Equity	Minority capital	
		EUR million	EUR million	EUR million
Balances as at January 1, 2011		184.29	11.98	196.27
Dividends paid	(27)	-2.46	-0.06	-2.52
Changes in the scope of consolidation		-0.10	-0.85	-0.95
Capital transaction with changes in the share of holdings	(28)	-4.53	-6.28	-10.81
Consolidated earnings		35.28	1.87	37.15
Amounts directly recorded in equity		-3.43	-0.56	-3.99
Total consolidated earnings		31.85	1.31	33.16
Profit transfer to ALBA Group plc & Co. KG		-30.11		-30.11
Balance as at December 31, 2011		**178.94**	**6.10**	**185.04**
Balances as at January 1, 2012		178.94	6.10	185.04
Dividends paid	(27)		-0.34	-0.34
Changes in the scope of consolidation				
Capital transaction with changes in the share of holdings	(28)			
Other changes				
Consolidated earnings		32.66	0.68	33.34
Amounts directly recorded in equity		7.34	0.37	7.71
Total consolidated earnings		40.00	1.05	41.05
Profit transfer to ALBA Group plc & Co. KG		-35.28		-35.28
Balance as at December 31, 2012		**183.66**	**6.81**	**190.47**

CONSOLIDATED CASH FLOW STATEMENT

from January 1 to December 31, 2012

	2012 EUR million	2011 [1] EUR million
Consolidated result	33.34	37.15
Income tax expense	4.33	4.79
Investment result	-0.89	0 .01
Net financial income	13.44	15.81
Consolidated EBIT	50.22	57.76
Amortisation/depreciation on intangible assets and property, plant and equipment	17.88	19.20
Gains from disposals of assets	-1.62	-1.65
Changes in pension and other provisions	0.30	2.74
Changes in net operating assets	20.94	-13.82
Interest payments	-13.03	-7.04
Income tax payments	-3.31	-4.19
Cash flow from operating activity	71.38	53.00
Payments for shares in companies	-0.02	-7.24
Cash acquired from the purchase of shares in companies	0.02	5.38
Payments received from the sale of shares in companies	0.00	15.18
Cash paid out from the sale of shares	0.00	-6.39
Payments received from the sale of assets	2.89	3.80
Investments in property, plant and equipment (not including finance leases)	-11.23	-13.27
Other investment	-0.53	-0.18
Cash flow from investment activity	-8.87	-2.72
Assumption of financial liabilities	1.07	3.24
Repayment of financial liabilities	-83.90	-13.48
Repayment of finance lease liabilities	-2.29	-2.30
Transaction with owners	0.00	-8.00
Dividends to minority shareholders	-0.34	-0.06
Profit transfer to the ALBA Group plc & Co. KG	-30.11	-2.46
Cash flow from financing activity	-115.57	-23.06
Cash changes in cash and cash equivalents	-53.06	27.22
Cash and cash equivalents at the start of the period	92.09	64.87
Cash and cash equivalents at the end of the period	39.03	92.09

1) Previous year's figures were adjusted due to the changed definition of cash and cash equivalents

Comments on cash and cash equivalents at the end of the period

	2012 EUR million	2011 EUR million
Cash and cash equivalents according to the balance sheet	12.67	74.88
Cash pooling	26.36	17.21
Cash and cash equivalents at the end of the period	39.03	92.09

ALBA SE, Cologne

Consolidated Notes to the Financial Statements for Fiscal 2012

1. General Notes

The change of name from INTERSEROH SE to ALBA SE was completed effective on the date of entry into the commercial register, July 2, 2012, as a consequence of the positive resolution passed at the General Shareholders' Meeting on June 13, 2012.

ALBA SE has its head office in Cologne. Its business address is: Stollwerckstrasse 9a, 51149 Cologne. The consolidated financial statements for 2012 cover the Company, its subsidiaries and the holdings in associated companies (jointly referred to as the "ALBA SE Group").

The ALBA SE Group is one of the leading environmental services and raw materials providers in Europe. As service provider, the ALBA SE Group organises recycling processes and, as supplier to steel works, smelters and foundries, supplies processing industries. The ALBA SE Group's business operations are divided into two segments - steel and metals recycling and services.

According to the control and profit transfer agreement with ALBA Group plc & Co. KG (hereinafter: ALBA KG), the latter guarantees external shareholders of ALBA SE a recurrent payment, a so-called equalisation payment, for the duration of the agreement, for each full fiscal year in the gross amount of EUR 3.94 per ALBA SE share, minus corporate taxes and a solidarity surcharge according to the rate applicable to these taxes for the relevant fiscal year.

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

2. Accounting principles

(a) Underlying accounting regulations

As a company listed on the stock exchange, ALBA SE, Cologne (hereinafter referred to as "ALBA SE" or "parent company") must, according to Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and Council dated 19 July 2002 regarding the application of international accounting standards (Official Journal of the European Communities No. L 243, p. 1), prepare its consolidated financial statements starting from fiscal 2005 according to the International Financial Reporting Standards (IFRS) adopted by the European Union (EU). The IFRS consolidated opening balance was prepared on 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 Section 315a of the German Commercial Code (HGB) under the regulations of the accounting rules valid on the balance sheet date in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Accounting Standards Board (IASB) in London and are in agreement with the European Directives on consolidated accounts (Directive 83/349/EEC).

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

The consolidated financial statements were approved by the Board of Directors on March 20, 2013.

Refer to Note 43 regarding any events of importance to the assessment of the financial, earnings and liquidity position and the payment flows of ALBA SE Group that occurred after March 20, 2013 (date of release of the consolidated financial statements by the Board of Directors).

(b) Valuation of assets and debts

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

(c) Functional and presentation currency

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

(d) Use of management assumptions and estimates

The preparation of the consolidated financial statements in accordance with IFRS requires discretionary decisions, estimates and assumptions on the part of management which affect the use of accounting methods and the amounts reported under assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are continuously under review. Revisions of accounting-related estimates are recorded in the period in which the estimates are revised and in all relevant future periods.

Information regarding important discretionary decisions in applying accounting methods that significantly influence the consolidated financial statements is included in the information in the notes below:

- Note 3 (f): criteria for assessing lease agreements as financial leases subject to reporting pursuant to IFRS

- Note 3 (n), 22: realisable nature of future tax relief

Information on assumptions and uncertainties in estimates that can bring about considerable risk that a major adjustment may become necessary in the next fiscal year are included in the information on the notes below:

- Note 3 (d), (e): standard determination of terms of useful life throughout the Group
- Note 3 (g): valuation of inventories
- Note 3 (h), 18: parameters for performing the impairment tests, including the definition of cash generating units (CGU)
- Notes 21, 24, 25: estimate of recoverability of doubtful accounts or calculation of bad debt allowances required
- Note 29: parameters for calculating payments to employees under pension commitments
- Note 30: Recognition and measurement of provisions
- Note 32: determination of liabilities under repayment obligations relating to industry agreements and for subsequent waste disposal obligations

3. Accounting methods

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

No changes to the accounting and valuation methods for the year under review or earlier periods resulting from first-time application of, or changes to, a standard or interpretation (IFRS/IAS) had to be made in fiscal 2012.

Under the control and profit transfer agreement with ALBA KG, ALBA SE transfers all its profits to the controlling company pursuant to commercial law.In the consolidated financial statements the profit transfer is not reported as expense in the profit and loss statement as in the ALBA SE individual financial statements under commercial law, but as appropriation of profits (refer to consolidated statement of changes in equity).

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

(a) Consolidation principles

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

Consolidation of capital is undertaken pursuant to IAS 27 (Consolidated and Separate Financial Statements), in conjunction with IFRS 3 (Business

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

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

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

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

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

(b) Currency translation

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

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

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

EUR1		Closing date range		Average rate	
		2012	2011	2012	2011
Poland	PLN	4.0740	4.4580	4.1847	4.1185
USA	USD	1.3194	1.2939	1.2848	1.3925

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

(c) Financial instruments

(i) Original (non-derivative) financial instruments

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

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

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

All other original financial instruments are classified as “loans and receivables” or “liabilities” and valued at the updated acquisition cost. For this purpose loans and debts with little or no interest are valued using the effective interest rate method.

Where there are doubts concerning full collectability, financial instruments are stated at the lower collectible amount.Apart from the specific bad debt charges required, identifiable risks are accounted for by creating an allowance for doubtful accounts.

Write-offs are recorded, if there are objective indications that this should occur. Significant financial troubles on the part of a debtor, increased probability that a debtor is going into bankruptcy or another judicial reorganisation procedure, as well as a breach of contract are all indicators that a case of impairment exists. If receivables that have already been impaired are classified as uncollectible, they are written off to profit and loss.

If the reasons for the impairment loss disappear in subsequent periods, the impairment loss is reversed and taken to income.

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

(ii) Derivative financial instruments

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

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

<u>Exchange rate risks</u>

In a forward exchange transaction a particular exchange rate is set for a specific point in time in the future at the time that the underlying transaction is entered into, as set out in the Group’s guidelines on foreign currencies. This process assures that the maturity date coincides with the payment date of the underlying receivable or liability and that no open foreign currency or time deposit positions arise.
No independent market risk arises from the forward exchange transaction, since in every case it forms a closed position in conjunction with the associated operational transaction. This guarantees that at the agreed date liquidity in the hedged currency will be available in the amount required.

<u>Interest rate risks</u>

In addition, interest rate swap and interest cap transactions existed. The purpose of the interest rate swaps was either to limit variable interest payments from loans taken out for the duration of the agreement or to limit specific interest rates from the on-going Asset Backed Securities Programme. The goal of the interest cap transactions is to establish an upper limit for liabilities with variable interest rates based on EURIBOR.

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

Changes to the fair value of a hedging derivative as part of a cash flow hedge are recorded against equity with no impact on income. The amounts thus recorded are booked to the income statement during the period in which the hedged underlying transaction impacts income. They are recorded directly in the income statement, if changes in the value of the derivative do not represent an effective hedging tool for future cash flows from the hedged transaction.

Changes in metal prices

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

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

Commodities futures transactions are accounted for at fair value. The carrying amount of the hedged warehouse inventory is adjusted with the changes in fair value of the hedged risks and taken to income.

(d) Intangible assets

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

(e) Property, plant and equipment

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

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

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

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

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

	Useful life Years	Depreciation rate %
Land and Buildings		
Business and factory premises and other	25 - 50	2.00 - 4.00
outdoor installations	5 - 33	3.33 – 20.00
Technical equipment and machinery	4 - 33	3.33 – 25.00
Other facilities, fittings and equipment		
Vehicles	2 - 9	11.11 – 50.00
Fittings,		
Office machines and equipment	2 - 25	4.00 – 50.00
Low-value items (up to EUR 150)	< 1 year	100.00
Low-value items (up to EUR 1,000)	5	20.00

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

(f) Leased assets

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

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

For assets under finance leases the same principles apply as those indicated in (d) and (e).

(g) Inventories

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

(h) Impairment test

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

(i) Definition of a CGU

Based on economic interdependencies, the ALBA SE Group has identified the segment of steel and metals recycling as an independent cash generating unit.

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

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

(ii) Performing the impairment tests

In the impairment tests the residual carrying amounts of the individual cash generating units are compared with their respective recoverable amounts, i.e. the higher of net selling price and value in use. In the event that the value in use exceeds the carrying amount, the calculation of the fair market value minus selling costs can be dispensed with. The calculation of the value in use applied by the ALBA SE Group is based on the present value, calculated using the discounted cash flow method (DCF method), and with future payments as forecast for the next three years in the current individual plans of the ALBA SE

Group broken down into business field and site. A risk-free interest rate of 2.25 percent (previous year: 3.25 percent), a market risk of 6.50 percent (previous year: 5.30 percent) are assumed, as are a beta factor for the services segment of 0.67 (previous year: 0.71) and for the steel and metals recycling segment of 1.22 (previous year: 1.37). The capitalisation interest rate before taxes for the steel and metals recycling segment is 13.17 percent (previous year: 13.04 percent) and for the services segment 8.45 percent (previous year: 8.85 percent). The capitalisation interest rate after taxes for the steel and metals recycling segment is 9.57 percent (previous year: 9.58 percent) and for the services segment 6.05 percent (previous year: 6.34 percent).

The basis for calculating the free cash flow per CGU is planned EBIT (earnings before income taxes, financing expense, finance income and the shares in earnings in associated companies that are accounted for using the equity method) of the relevant segment according to the three-year plan. For the services segment these plans are primarily determined by the development of new business fields, as well as the increasingly strong competitive pressures in the core business fields. External forecasts and the economic programmes initiated in China for energy and infrastructure projects have been taken into account in planning for the steel and metals recycling segment.

The three-year plan is adjusted by non-cash income and expenses, investment payments and changes in net current assets. For subsequent years a growth discount is also assumed to the services segment in the amount of 0.5 percent (previous year: 0.5 percent) and for the steel and metals recycling in the amount of 1.5 percent (previous year: 1.5 percent) based on the EBIT of the last plan year, as are earnings at the same level, which are also discounted.

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

(i) Payments to employees under pension commitments

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

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

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

(j) Provisions

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

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

(k) Sales revenues and other income

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

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

(l) Production orders

Receivables from production orders are accounted for according to the Percentage of Completion (PoC) method under IAS 11. Amounts realised are reported under sales revenues depending on the degree of completion. The degree of completion is calculated by comparing actual costs as at the balance sheet date to total costs planned (cost-to-cost method). In the event that services have been rendered for production orders that exceed the amount of instalment payments received for the order, these amounts are recorded in the trade receivables account. In the event that payments received from instalment invoices exceeds the services rendered, these amounts are recorded in the trade payables account. Pending losses are recorded in full at the time they become known.

(m) Financial income and expenses

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

Financing expenses include accrued interest for long-term liabilities, in addition to interest expense on loans and cash-pooling liabilities. All interest expenses are recorded using the effective interest rate method.

(n) Income taxes

ALBA SE has established a corporate and trade tax entity with ALBA KG by entering into the control and profit transfer agreement in 2011. As a result, with the exception of the taxation of equalisation payments to external shareholders in accordance with section 16 of the Corporate Tax Act, tax effects as of fiscal 2011 arising from ALBA SE and its subsidiaries continue to have an impact only beyond the scope of consolidation. Only such effects, therefore, are taken into account in the consolidated financial statements as at December 31, 2012, that relate to ALBA SE and its subsidiaries until fiscal 2011, or that relate to companies of the Group that are not included in the tax entity.

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

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

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

Calculation of both current and deferred taxes is based on the expected tax rates in the individual countries for the specific company at the time of realisation. These rates are based on the legal regulations applicable or adopted on the closing date.

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

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

According to IAS 8.28 information is to be provided in the Notes, if a first-time application of an IFRS has an impact on the period under review or an earlier period. This is also the case, if such effects only lie within the realm of possibility. IAS 8.28, therefore, applies in the case of any changes in accounting methods resulting from a new standard or new interpretation. Changes in accounting policies due to a new standard or new interpretation relate both to mandatory changes and to the first-time use of accounting options.

Amendments to IFRS 7 - Disclosure requirements when transferring financial assets

Amendments to IFRS 7 involve expanded disclosure requirements when transferring financial assets. This should make the relationships between financial assets that are not to be fully written off and the corresponding financial liabilities more comprehensible. In addition, the nature and in particular the risks of a continuing involvement should be more easily assessed in the case of financial assets that are to be written off. The amendments also require additional disclosures if an unusually large number of transfers occurs with continuing involvement - for instance, at the end of the period under review.

The amendments have no significant effect on ALBA SE's consolidated financial statements.

(p) Standards and interpretations not applied

According to IAS 8.30, an entity must report on new standards or interpretations of the IASB if these standards and/or interpretations are not yet mandatory in the year under review and are also not applied prematurely by the respective company.

The ALBA SE Group does not plan early application of the following new or amended standards and interpretations, which become mandatory only in later fiscal years. Unless otherwise indicated, the effects on the ALBA SE consolidated financial statements are currently being reviewed.

Standards and interpretations already incorporated into EU law

Amendments to IFRS 1 – Severe hyperinflation and removal of fixed dates for first-time adopters

This amendment to IFRS 1 replaces the references used to date to the date of January 1, 2004, as fixed date of transition by "date of transition to IFRS".

Furthermore, IFRS 1 will include regulations for such cases in which a company was unable to comply with IFRS rules for some time, because its functional currency was subject to hyperinflation.

Amendments to IAS 1 – Presentation of other comprehensive income

This amendment changes the presentation of other comprehensive income in the statement of overall results. The items of other comprehensive income that are later reclassified in the income statement (“recycling”) are in future to be presented separately from items in other comprehensive income that will never be reclassified. If the items are reported gross, i.e. without offsetting the effects of deferred taxes, the deferred taxes are no longer to be reported in one amount, but to be allocated to both groups of items.

The amendment is to be applied in fiscal years starting on or after July 1, 2012.

Amendments to IAS 12 – Recovery of underlying assets

In the case of investment property, it is often difficult to assess whether existing temporary tax differences will be reversed due to continued use or in the course of a sale. This amendment to IAS 12 now clarifies that the measurement of deferred taxes is to be undertaken on the basis of a refutable presumption that the reversal will result from a sale.

The amendments have no significant effect on ALBA SE’s consolidated financial statements.

IAS 19 - Employee Benefits (revised 2011)

The revised standard implements the following amendments in particular, as well as more comprehensive disclosure requirements on employee benefits:

There is currently an option as to the manner in which unexpected fluctuations in pension obligations, the so-called actuarial gains and losses, may be presented in the financial statements. They can either (a) be recorded in the income statement, (b) under other comprehensive income (OCI) or (c) on a time-deferred basis according to the so-called corridor method. The new version of IAS 19 eliminates this option in favour of a more transparent and comparable presentation, so that in future only direct recording in other comprehensive income is permitted. Moreover, the service cost to be offset subsequently is now to be recorded directly to profit or loss in the year in which it arises.

Furthermore, at this time the anticipated income from plan assets at the beginning of the accounting period is calculated based on the value development of the investment portfolio on the basis of subjective management expectations. Application of IAS 19 (revised in 2011) permits only standardised interest accruals on the plan assets in the amount of the discount interest rate of the pension obligations at the beginning of the period.

The expected amount of administrative costs for plan assets has to date been accounted for under interest earnings. As a result of the modifications, administrative costs for plan assets are to be recorded under other income as a component of the revaluation, while other administrative costs are to be allocated to operating profits at the time that they are incurred.

Amendments to IAS 19 will on the whole result in the following major effects. Since the ALBA SE Group currently uses the corridor method, the amendment –

if applied to the conditions as at December 31, 2012 – will result in an increase in pension provisions by EUR 8.09 million without impacting income. Financing expenses will rise by EUR 2,000. With this change from the corridor method to the amended method, ALBA SE's income statement will in future remain free of the effects of actuarial gains and losses (e.g. based on interest rate fluctuations), since these amounts are required to be recognised in other income.

The amendment is to be applied in fiscal years starting on or after January 1, 2013.

Amendments to IAS 27 – Separate Financial Statements

In the context of the adoption of IFRS 10 Consolidated Financial Statements the regulations for the control principle and the requirements for the preparation of consolidated financial statements are transferred from IAS 27 and subsequently dealt with in IFRS 10 (refer to details of IFRS 10). As a result IAS 27 will contain only the regulations on accounting for subsidiaries, joint ventures and associates in IFRS separate financial statements.

The amendment is to be applied in fiscal years starting on or after January 1, 2014.

Amendments to IAS 28 – Investments in Associates and Joint Ventures

In the course of adopting IFRS 11 Joint Arrangements, amendments were also made to IAS 28. As it has to date, IAS 28 governs the application of the equity method. The scope of application has been considerably expanded, however, due to the adoption of IFRS 11, since in future not only investments in associates, but also joint ventures (refer to IFRS 11) must be measured according to the equity method. Proportional consolidation for joint ventures is no longer applied.

In future potential voting rights and other derivative financial instruments are to be considered in the assessment of whether a company has significant influence and in determining the investor's share in the company's assets.

Another amendment relates to accounting under IFRS 5, if only a portion of a share in an associated company or a joint venture is designated for sale. IFRS 5 is then to be partially applied, if only a share or part of a share in an associate (or in a joint venture) fulfils the criterion "held-for-sale".

The amendment is to be applied in fiscal years starting on or after January 1, 2014.

Amendments to IAS 32 and IFRS 7 – Offsetting financial assets and financial liabilities

This addition to IAS 32 clarifies what prerequisites must exist in order to offset financial instruments. The addition explains the current legal requirements for offset and clarifies which procedures with gross offset can be deemed as net offset under the standard. The rules on disclosures in the Notes in IFRS 7 were also expanded hand-in-hand with these clarifications.

The amendment of IAS 32 is to be applied in fiscal years starting on or after January 1, 2014.

The amendment of IAS 7 is to be applied in fiscal years starting on or after January 1, 2013.

IFRS 10 – Consolidated Financial Statements

This standard provides a new and comprehensive definition of the term “control”. If one entity controls another, the parent is required to consolidate the subsidiary. According to the new concept, control can be said to exist if the potential parent has the power of decision over the potential subsidiary based on voting rights or other rights, it participates in positive or negative variable returns from the subsidiary and can influence such returns through its power of decision.

Effects from this new standard may arise for the scope of consolidation, including in the case of special-purpose companies.

The amendment is to be applied in fiscal years starting on or after January 1, 2014. If in the case of an investment the qualification as subsidiary is different between IAS 27/SIC-12 and IFRS 10, IFRS 10 should be applied retrospectively. Early application is allowed only at the same time as IFRS 11 and IFRS 12, as well as IAS 27 and IAS 28 as amended in 2011.

IFRS 11 – Joint arrangements

IFRS 11 provides new rules for accounting for joint arrangements. According to the new concept, a decision should be made as to whether a joint operation or a joint venture exists. A joint operation is said to exist, if the jointly controlling parties have direct rights to the assets and direct obligations for the liabilities. The individual rights and obligations are accounted for proportionally in the consolidated financial statements. In a joint venture on the other hand the jointly controlling parties have rights to the net assets. This right is reflected by applying the equity method in the consolidated financial statements; the option for proportional inclusion in the consolidated financial statements thus no longer applies.

The amendment is to be applied in fiscal years starting on or after January 1, 2014. Specific transitional rules exist for the transition from proportional consolidation to the equity method. Early application is allowed only at the same time as IFRS 10 and IFRS 12, as well as IAS 27 and IAS 28 as amended in 2011.

IFRS 12 – Disclosure of interests in other entities

This standard governs the disclosure obligations with regard to interests in other entities. The required disclosures are considerably more comprehensive than the disclosures as previously required under IAS 27, IAS 28 and IAS 31.

The new standard is to be applied for the first time in fiscal years starting on or after January 1, 2014.

IFRS 13 – Fair value measurement

This standard provides uniform regulations for fair value measurement in IFRS financial statements. All fair value measurements required under other standards are in future to observe the uniform specifications of IFRS 13; only IAS 17 and IFRS 2 will continue to have their own rules.

Fair value under IFRS 13 is defined as exit price, that is, the price that would be obtained through the sale of an asset or the price that would have to be paid to transfer a debt. As currently known from the fair value measurement of financial assets, a three-step hierarchical system is introduced; this divides assets depending on their observable market prices. The new fair value measurement may result in figures that differ compared to those under the previous rules.

The new standard is to be applied for the first time in fiscal years starting on or after January 1, 2013.

Standards and interpretations not yet incorporated into EU law

Improvements to IFRS 2009 – 2011

Amendments to five standards were undertaken as part of the “annual improvement project”. The intention is to clarify existing regulations by adapting the formulation of individual IFRS. In addition there are modifications with an impact on accounting, recognition and measurement, as well as disclosures in the Notes. Standards IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1 are all affected.

The amendments are to be applied in fiscal years starting on or after January 1, 2013, provided they are to be adopted under EU law.
Acceptance under EU law is anticipated in the first quarter of 2013.

Amendments to IFRS 1 – Government loans

The amendment relates to accounting for a government loan at an interest rate below the market interest rate by a first-time adopter of IFRS. For government loans in existence at the date of transition measurement according to previous accounting methods may be maintained. The measurement rules according to IAS 20.10A in conjunction with IAS 39 thus apply only for such government loans as have been entered into after the transition date.

The amendments are to be applied in fiscal years starting on or after January 1, 2013, provided they are adopted under EU law.

IFRS 9 – Financial Instruments:

Recognition and measurement of financial instruments according to IFRS 9 will replace IAS 39.

Financial assets will in future be classified and measured only in two groups. The group of financial assets at amortised acquisition cost consists of financial assets which provide only for a claim on interest and redemption payments at specified periods in time and which are held under a business model with the objective of holding assets. All other financial assets constitute the group measured at fair value. Under certain conditions a designation to the fair value category (“fair value option”) can be undertaken for financial assets in the first category, as previously.

Changes in value in financial assets of the fair value category are as a rule to be recorded in profit or loss. In the case of certain equity instruments, however, the option can be utilised to record changes in value in other comprehensive income; dividend claims from these assets are, however, to be recorded in profit or loss.
The rules for financial liabilities are in principle simply adopted from IAS 39.The most significant difference regards the recording of value changes in financial liabilities measured at fair value. In future these should be divided: The portion related to own credit risk should be recorded in other comprehensive income; the remainder of the change in value is to be recorded in profit or loss.

IFRS 9 is to be applied in fiscal years starting on or after January 1, 2015, provided it is adopted under EU law.

Amendments to IFRS 9 and IFRS 7 – Mandatory effective date and transition disclosures

The amendments allow an adjustment of previous years' figures to be dispensed with in an initial application of IFRS 9. Originally this relief was possible only if IFRS 9 was applied previous to January 1, 2012.

This relief entails additional disclosures in the Notes under IFRS 7 on the transition date.

The amendments are to be applied in fiscal years starting on or after January 1, 2015, similar to the rules under IFRS 9, provided they are adopted under EU law.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities

The amendments include a definition of investment companies and remove such companies from the scope of application of IFRS 10 Consolidated Financial Statements.

Investment entities accordingly do not consolidate the entities they control in their IFRS consolidated financial statements; this exception to general principles is not to be viewed as an option. Instead of a full consolidation the holdings held for investment purposes are measured at fair value and periodic fluctuations in value recorded against profit or loss.

The amendments have no effects on consolidated financial statements that include investment entities, unless the parent itself is an investment entity.

The amendments are to be applied in fiscal years starting on or after January 1, 2014, provided they are adopted under EU law.

Amendments to IFRS 10, IFRS 11 and IFRS 12 - Transitional Rules

The amendments contain a clarification and additional forms of relief in transitioning to IFRS 10, IFRS 11 and IFRS 12. Adjusted comparator information is requested only for the preceding comparison period, for instance. Furthermore, the obligation to disclose comparator information for periods preceding the first-time application of IFRS 12 shall lapse in connection with disclosures in the Notes on unconsolidated structured entities.

The amendments to IFRS 10, IFRS 11 and IFRS 12 are to be applied in fiscal years starting on or after January 1, 2014, provided they are adopted under EU law.

4. Capital management

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

So far there has been no intention to have employees participate in the Company in the form of an employee stock plan.

The management system implemented by the Board of Directors aims at a reasonable return on capital employed. A key management indicator for the Group of companies is the total return on capital employed (ROCE = ratio of EBIT to total capital). The target for each business unit in the Group is an ROCE of 10.00 percent. The ROCE for the fiscal year amounts to 8.8 percent.

5. Scope of consolidation

(a) Overview

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

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

Number of companies	fully consoli-dated	valued at equity	not included due to immateriality			Total
			Holding > 50%	Holding >= 20% <= 50%	Holding < 20%	
Balance 1.1.	34	3	14	11	3	65
Additions	1	0	2	0	0	3
Disposals	0	0	1	0	0	1
Balance 31.12.	35	3	15	11	3	67

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

Company	
Additions (fully consolidated)	
	1 INTERSEROH Stainless Steel GmbH, Dortmund

Three companies, one domestic and two foreign, have been included "at equity" in ALBA SE's consolidated financial statements as at the balance sheet date. There have been no changes.

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

The name of the company included for the first time in fiscal 2012 was changed from INTERSEROH Metals GmbH, Dortmund, to INTERSEROH Stainless Steel GmbH, Dortmund, by shareholder resolution dated January 24, 2012.

On March 1, 2012, INTERSEROH Stainless Steel GmbH acquired all assets of the "Alloyed Scrap" segment of INTERSEROH NRW GmbH, Dortmund, and started up operations with alloyed scrap.

The asset and liabilities reported at the time of the initial consolidation were immaterial in amount.

Due to the takeover of the business the company was fully consolidated effective January 1, 2012.

(c) Divestments/deconsolidation

In the year under review no discontinued operations were accounted for. The following companies were sold in fiscal 2011:

- ISR INTERSEROH ITALIA S.R.L., Genoa, Italy
- INDO CHINA EUROPE BVBA, Vorselaar, Belgium
- RDB plastics GmbH, Aukrug
- INTERSEROH Holzhandel GmbH, Cologne
- INTERSEROH Holzkontor OWL GmbH, Porta Westfalica
- INTERSEROH Holzkontor Berlin GmbH, Berlin
- INTERSEROH Holzkontor Worms GmbH, Worms
- SES-Umwelt-Technik GmbH, Wuppertal

With the exception of SES-Umwelt-Technik GmbH, all companies belonged to the raw materials trading segment and were thus sold as part of the sale of the segment to ALBA Group plc & Co. KG, the parent company of ALBA SE, as at October 1, 2011. The raw materials trading segment was thus presented as discontinued operations and the previous year's figures adjusted.

Earnings from discontinued operations can be broken down as follows:

	Raw Materials Trading	
	01.01.2012-31.12.2012 EUR million	01.01.2011-30.09.2011 EUR million
Sales revenues	0.00	127.76
Other income	0.00	1.38
Expenses	0.00	127.27
Operating earnings (EBIT)	0.00	1.87
Net financial income	0.00	-0.37
Earnings before taxes	0.00	1.50
Income tax expense	0.00	-1.95
Earnings after taxes from discontinued business	0.00	3.45
of which income attributable to minority interests	0.00	-0.15
of which income attributable to shareholders of the parent	0.00	3.30
Earnings per share from discontinued business (€)	0.00	0.33

Cash flows from discontinued operations can be broken down as follows:

	Raw Materials Trading	
	2012 EUR million	2011 EUR million
Cash flow from operating activity	0.00	-2.86
Cash flow from investment activity	0.00	-0.20
Cash flow from financing activity	0.00	4.00
Cash changes in cash and cash equivalents	0.00	0.94

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

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

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

	Holding	Headquarter	Group Share %
1.	INTERSEROH Dienstleistungs GmbH	Cologne	100
2.	INTERSEROH Austria GmbH (formerly: EVA Erfassen und Verwerten von Altstoffen GmbH)	Vienna/Austria	100
3.	INTERSEROH zbiranje in predelava odpadnih surovin d.o.o.	Ljubljana/Slovenia	100
4.	Repasack Gesellschaft zur Verwertung gebrauchter Papiersäcke mbH	Wiesbaden	100
5.	INTERSEROH Pfand-System GmbH	Cologne	100
6.	INTERSEROH Pool-System GmbH	Cologne	100
7.	INTERSEROH Product Cycle GmbH	Cologne	100
8.	profitara deutschland gmbh	Cologne	100
9.	INTERSEROH Management GmbH	Cologne	100
10.	INTERSEROH Scrap and Metals Holding GmbH	Dortmund	100
11.	Elvira Westarp GmbH	Aschaffenburg	100
12.	INTERSEROH NRW GmbH	Dortmund	100
13.	INTERSEROH Evert Heeren GmbH	Leer	100
14.	Groninger VOP Recycling B.V.	Groningen/Netherlands	100
15.	INTERSEROH Franken Rohstoff GmbH	Sennfeld	100
16.	INTERSEROH Hansa Rohstoffe GmbH	Dortmund	100
17.	INTERSEROH Rhein-Neckar Rohstoff GmbH	Mannheim	100
18.	INTERSEROH Jade-Stahl GmbH	Wilhelmshaven	100
19.	INTERSEROH BW Rohstoff und Recycling GmbH	Stuttgart	100
20.	INTERSEROH SEROG GmbH	Bous	100
21.	INTERSEROH Stainless Steel GmbH	Dortmund	100
22.	RHS Rohstoffhandel GmbH	Stuttgart	67
23.	INTERSEROH-Metallaufbereitung Ost GmbH	Rostock	100
24.	Brandenburgische Boden Gesellschaft für Grundstücksverwaltung und -verwertung mbH	Zossen	100
25.	Projektgesellschaft Nauen GmbH	Nauen	100
26.	TVF Altwert GmbH	Lübbenau	100
27.	ARG Abbruch und Rückbau GmbH	Lübbenau	100
28.	INTERSEROH Scrap and Metals Trading GmbH	Cologne	100
29.	INTERSEROH Hansa Finance GmbH	Dortmund	100
30.	Wagner Rohstoffe GmbH	Frankfurt a.M.	100
31.	TOM Sp. z o.o.	Szczecin/Poland	70
32.	Europe Metals B.V.	Heeze/Netherlands	100
33.	Europe Metals Asia Ltd.	Kowloon, Hong Kong/China	100
34.	INTERSEROH USA Inc.	Atlanta/USA	100

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

1.	TOM II Sp. z o.o.	Szczecin/Poland	50
2.	Ziems Recycling GmbH	Malchow	25
3.	The ProTrade Group LLC	Hudson, Ohio/USA	25

c) Companies not included for reasons of materiality

	Holding	Headquarter	Group Share %	Equity	Earnings	
				according to the last available annual financial statements		
1.	Interseroh d.o.o. za posredovanje u zbrinjavanju otpada (in millions of HRK)	Zagreb/Croatia	100	-0.50	-0.04	2)
2.	Interseroh Organizacja Odzysku S.A. (in millions of PLN)	Warsaw/Poland	100	-0.33	-0.34	2)
3.	profitara austria GmbH	Vienna/Austria	100	0.02	-0.01	2)
4.	INTERSEROH s.r.o. (formerly: Zber a zhodnocovanie opdadov s.r.o.)	Bratislava/Slovakia	100	0.01	-0.01	2)
5.	INTERSEROH services d.o.o.	Sarajevo/Bosnia-Herzegovina	100			3)
6.	Beta Waste Kft.	Budapest/Hungary	100			5)
7.	TVF Ceska Republica s.r.o.(in millions of CZK)	Prague/Czech Republic	100	-0.15	-0.03	2)
8.	INTERSEROH Service Italia S.r.l.	Milan, Italy	100			3)
9.	PROFITARA svetovanje na podrocju ekologije d.o.o.	Ljubljana, Slovenia	100			3)
10.	Alphawaste Kft.	Budapest/Hungary	85			5)
11.	FENIKS Sp. z o.o.	Pila/Poland	70			4)
12.	TOM-Glob, Sp. z o.o.	Bydgoszcz/Poland	70	-0.62	-0.07	2)
13.	MAB Szczecin Sp. z o.o.	Szczecin/Poland	51			4)
14.	TOM Organizacja Odzysku Sprzętu Elektrycznego i Elekronicznego S.A. (in millions of PLN)	Szczecin/Poland	50	5.13	0.13	2)
15.	TOM Elektrorecycling Sp. z o.o. (in millions of PLN)	Szczecin/Poland	50	5.13	0.13	2)
16.	TOM Organizacja Odzysku S.A. (in millions of PLN)	Szczecin/Poland	50	3.13	0.26	2)
17.	Organizacja Odzysku Odpadów i Opakowan´ EKOLA S.A. (in millions of PLN)	Gdansk/Poland	50	3.48	0.20	2)
18.	DOL-EKO Organizacja Odzysku S.A. Wroclaw/Poland (in millions of PLN)	Wroclaw/Poland	50	0.68	0.34	2)
19.	Kupol GmbH	Stuttgart	40			
20.	Toledo Shredding LLC	Toledo, Ohio/USA	25 1)			
21.	ProTrade Transportation Services Ltd.	Hudson, Ohio/USA	25 1)			
22.	America Electronics Recycling LLC	Sarasota, Florida/USA	25			
23.	Flag City Recycling LLC	Finlay, Ohio/USA	25 1)			
24.	ProTrade Steel Company Ltd.	Ann Arbor, Michigan/USA	22 1)			
25.	RJ Recycling LLC	Nitro, West Virginia/USA	22 1)			
26.	Ölmühlen GmbH Nord-Ost	Semlow	22			

1) Included in the consolidated financial statements of The ProTrade Group LLC.
2) Equity and net income for the year as at December 31, 2010, or before
3) There are no financial statements
4) no longer in operation
5) Company in liquidation

Notes on the income statement

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

7. Sales revenues

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

	2012 EUR million	2011 EUR million
Goods – stock business	748.88	788.48
Goods – sales business	887.62	1,009.88
Services	260.71	387.13
Other	29.70	25.18
	1,926.91	2,210.67

The development in sales revenues by business fields and regions is shown in the segment reports. The category “Other” reflects EUR 19.31 million (previous year: EUR 13.03 million) in sales revenues from production orders.

8. Increase/Decrease in inventories of finished goods and work In progress

	Inventories		Inventory change	
	2012 EUR million	2011 EUR million	2012 EUR million	2011 EUR million
Work in progress	14.39	17.10	-2.71	6.07
Finished goods	14.18	17.22	-3.04	-0.15
			-5.75	5.92
Changes due to changes in the scope of consolidation				-0.09
			-5.75	5.83

9. Other operating income

	2012 EUR million	2011 EUR million
Income from the reversal of liabilities	26.06	29.54
Refund of default reserve for asset-backed securities	11.88	11.41
Earnings from the liquidation of provisions	5.30	1.84
Income from IT services	4.54	2.17
Income from guarantees	3.58	0.00
Exchange rate gains	3.26	1.38
Income from the liquidation of specific bad debt allowances	2.27	1.65
Income from the disposal of assets	1.79	1.69
Insurance compensation, damage compensation	1.29	0.71
Rental income	1.01	0.87
Income from the market valuation of financial derivatives	0.78	1.21
Changes from variable purchase price receivables	0.62	0.00
Earnings from deconsolidations	0.00	1.11
Other	8.56	7.32
	70.94	60.90

Income from the liquidation of provisions and reversal of liabilities relates primarily to the elimination of liabilities in connection with the obligations from the operating system business in the services segment accrued for in the previous year. These accruals were created in the previous year as liabilities from outstanding invoices, based on services already received, but not yet invoiced, as well as waste disposal obligations.

Income from IT services relates to services provided to companies in the ALBA Group.

Income from guarantees arise from refund claims in connection with companies acquired in previous years.

Reference is made to relevant details in Section 2 (d) (Use Of Assumptions and Estimates By Management).

10. Cost of materials

	2012 EUR million	2011 EUR million
Purchased raw materials and merchandise, less cash discounts	1,387.24	1,532.53
Expenses for waste disposal services and other disposal and recycling costs	187.10	268.85
Storage and freight costs	27.35	31.74
Energy costs	17.67	17.47
Counting services deposit packaging	3.33	4.24
Other services purchased	29.49	22.61
	1,652.18	1,877.44

The sharp decline in cost of materials is linked to lower raw materials prices and a slight decrease in quantities on the sales side, especially in the steel and metals recycling segment.

11. Personnel expenses

	2012 EUR million	2011 EUR million
Wages and salaries	84.95	85.41
Employee share of statutory pension insurance	6.65	5.61
Other social security contributions	7.94	8.47
Expenses for pensions and other benefits	0.93	0.93
Expenses related to payments from termination of employment contracts	0.15	0.47
	100.62	100.89

12. Write-offs on intangible assets and property, plant and equipment

	2012 EUR million	2011 EUR million
Scheduled depreciation		
Intangible assets	3.84	3.77
Property, plant and equipment	14.04	13.96
	17.88	17.73

13. Other operating expenses

	2012 EUR million		2011 EUR million	
Operating and administrative expenses				
Addition to the default reserve for asset-backed securities	12.08		11.37	
Maintenance costs	11.34		11.44	
Legal, consulting and audit costs	10.53		10.85	
Rents and other premises costs	10.44		9.88	
Vehicle costs	8.13		7.73	
External data processing costs	5.96		5.40	
Group allocation	5.56		0.00	
Leasing expense	4.28		3.99	
Insurance policies	4.13		4.66	
Other tax expenses	4.02		1.72	
Market valuation of financial derivatives	1.99		2.42	
Telephone, postage, Internet	1.57		1.60	
Incidental monetary transaction costs	1.38		1.44	
Other operating and administrative expenses	10.06	91.47	10.96	83.46
Selling expenses				
Outgoing freight, transport and storage	30.82		28.36	
Sales commissions	30.24		90.34	
Advertising and travelling costs	4.80		4.60	
Temporary personnel leasing	3.93		5.16	
Exchange rate losses	2.10		2.91	
Other selling expenses	0.79	72.68	0.78	132.15
Non-operating expenses				
Bad debt allowances and write-offs from receivables	3.48		6.35	
Changes from variable purchase price receivables	0.47		0.00	
Losses from disposals of assets	0.17		0.07	
Other non-operating expenses	2.93	7.05	3.42	9,84
		171.20		**225.45**

The decrease in sales commissions reported under selling expense relates to the services segment and is directly connected to sales revenue decline in this segment.

A Group allocation contract was entered into with ALBA KG in fiscal 2012.

14. Investment and financial results

	2012 EUR million		2011 EUR million	
Profits/losses from associated companies accounted for under the 'at-equity' method				
TOM II Sp. z o.o.	0.73		0.21	
The ProTrade Group LLC (sub-group)	0.24		-0.16	
Ziems Recycling GmbH	0.05	1.02	0.05	0.10
Other income from holdings		0.00		0.27
Other expense related to holdings		0.14		0.11
Investment result		**0.88**		**0.26**
Financial income				
Cash pooling	2.75		0.42	
Other interest and similar income	1.55	4.30	3.15	3.57
Financial expenses				
Cash pooling	7.20		0.00	
Bank interest	5.07		10.16	
Transaction costs for asset-backed securities	1.95		2.62	
Interest portion of transfers to pension provisions	1.16		1.16	
Interest portion on the lease payments from finance leasing arrangements	0.55		0.84	
Insurance costs for asset-backed securities	0.19		0.16	
Other	1.61	17.73	4.33	19.27
Net financial income		**-13.43**		**-15.70**

Investment earnings have risen due to a divided payment from a subsidiary, TOM II Sp. z o.o., Szczean, Poland.

Due to the cash pooling agreement entered into between the ALBA SE Group and ALBA KG, liabilities to banks were replaced by cash pooling liabilities. As a result bank interest has dropped and interest expense from cash pooling has risen correspondingly.

15. Income tax expense

The corporate tax rate for domestic companies that are not part of the income tax entity is 15.00 percent plus a solidarity surcharge on corporate taxes of 5.50 percent. The overall tax rate for these companies ranges from 22.83 to 32.45 percent depending on the trade tax assessment rate to be applied (previous year: 27.83 % - 32.45 %).

Income tax rates applied to foreign companies vary from 16.50 to 40.00 percent (previous year: 16.50% - 38.25 %).

	2012 EUR million	2011 EUR million
Taxes paid or due		
for the current year	2.95	4.22
for previous years	1.71	1.92
	4.66	6.14
Deferred taxes		
on temporary differences	-0.54	1.24
on change in losses carried forward	0.21	-0.64
	-0.33	0.60
	4.33	**6.74**

During the year under review tax expense of EUR 0.58 million can be attributed to foreign subsidiaries (previous year: EUR 2.05 million).

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

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

	2012 EUR million		2011 EUR million	
Earnings before taxes		37.68		40.44
Expected income tax expense of 31.00%		11.68		12.54
Write-off of deferred taxes due to control and profit transfer agreement	0.00		-1.73	
Non-recognition of current and deferred taxes due to control and profit transfer agreement	-6.88		-2.81	
Effects of differences in domestic and foreign tax rates	-0.72		-1.43	
Tax-free sales and investment income	-0.24		-0.34	
Other tax-free income	-1.24		-0.24	
Value adjustments to tax losses carried forward	-0.61		-1.54	
Impairment loss (previous year: Reversal of impairment) / Non-entry of deferred tax assets on temporary differences	-0.06		0.07	
Tax expenses and income related to other periods	1.71		1.92	
Non tax-deductible operating expenses	0.67		0.31	
Other variances	0.02	-7.35	0.00	-5.80
Actual income tax expense		**4.33**		**6.74**

16. Income/Loss to be attributed to minority interests

Income of EUR 0.68 million (previous year: from continuing operations – EUR 1.71 million) attributable to minority interests relates exclusively to profit shares as in the previous year.

The profit/loss shares of EUR 0.15 million in the previous year, attributable to minority interests from discontinued operations, relates to profit shares alone.

17. Earnings per share

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

With net income attributable to ALBA SE shareholders of EUR 32.66 million (previous year: EUR 35.28 million) and an unchanged number of issued shares of 9,840,000, this results in earnings per share of EUR 3.32 (previous year: EUR 3.25). In the previous year earnings per share from discontinued operations amounted to EUR 0.33 and from continuing and discontinued operations to EUR 3.59.

Notes on the balance sheet

18. Intangible assets

	Goodwill EUR million	Other intangible assets EUR million	Total EUR million
Acquisition costs			
as at 1.1.2011	104.84	44.03	148.87
Additions from changes in the scope of consolidation	4.00	6.28	10.28
Disposals from changes in the scope of consolidation	-8.11	-10.33	-18.44
Additions	0.00	0.62	0.62
Disposals	0.00	-0.34	-0.34
as at 31.12.2011	**100.73**	**40.26**	**140.99**
Depreciation	1.06	19.03	20.09
as at 1.1.2011	0.00	0.52	0.52
Additions from changes in the scope of consolidation	-1.06	-3.96	-5.02
Disposals from changes in the scope of consolidation	0.00	4.55	4.55
Additions	0.00	-0.34	-0.34
Disposals	**0.00**	**19.80**	**19.80**
as at 31.12.2011			
Carrying values			
as at 1.1.2011	103.78	25.00	128.78
as at 31.12.2011	**100.73**	**20.46**	**121.19**
Acquisition costs	100.73	40.26	140.99
as at 1.1.2012	0.00	0.53	0.53
Additions	0.00	-0.04	-0.04
Disposals	**100.73**	**40.75**	**141.48**
as at 31.12.2012			
Depreciation			
as at 1.1.2012	0.00	19.80	19.80
Additions	0.00	3.84	3.84
Disposals	0.00	-0.02	-0.02
as at 31.12.2012	**0.00**	**23.62**	**23.62**
Carrying values			
as at 1.1.2012	100.73	20.46	121.19
as at 31.12.2012	**100.73**	**17.13**	**117.86**

The goodwill reported in the consolidated financial statements consists of residual carrying amounts of goodwill from the initial consolidation of subsidiaries totalling EUR 93.46 million (previous year: EUR 93.46 million), as well as goodwill taken over from the individual financial statements totalling EUR 7.27 million (previous year: EUR 7.27 million).

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

	2012 EUR million	2011 EUR million
Steel and Metals Recycling	99.41	99.41
Services	1.32	1.32
	100.73	100.73

The services and steel and metals recycling segments have also been identified as cash generating units.

Customer relationships and export licences that are amortised over a useful life of from ten to twenty years are shown on the balance sheet date in the amount of EUR 14.78 million (previous year: EUR 17.41 million).

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

No write-offs of intangible assets took place during the fiscal year or the previous year.

A sensitivity analysis was conducted in addition to the impairment test. If the capitalisation interest rates had each been increased by 0.50 percentage points (previous year: 0.50 percentage points), no additional write-off of goodwill would have been necessary for any of the cash generating units. In the event of an increase of the capitalisation interest rates by 1.00 percentage point the value in use would correspond to the carrying amount in one of the segments.

19. Property, plant and equipment

	Land and buildings EUR million	Technical equipment and machinery EUR million	Fittings and equipment EUR million	Construction in progress EUR million	Total EUR million
Acquisition /Production costs					
as at 1.1.2011	95.55	115.20	62.43	2.78	275.96
Currency conversion	-0.26	-1.19	-0.64	-0.03	-2.12
Additions/Disposals from changes in the scope of consolidation	-4.83	2.13	-0.39	-0.02	-3.11
Additions	1.02	3.33	5.10	4.03	13.48
Disposals	-0.17	-3.81	-2.29	-1.03	-7.30
Reclassifications	1.68	0.94	0.15	-2.77	0.00
as at 31.12.2011	**92.99**	**116.60**	**64.36**	**2.96**	**276.91**
Depreciation					
as at 1.1.2011	46.55	88.43	49.24	0.43	184.65
Currency conversion	-0.09	-1.01	-0.56	0.00	-1.66
Additions/Disposals from changes in the scope of consolidation	-3.46	1.97	-0.18	0.00	-1.67
Additions	2.86	6.57	5.21	0.00	14.64
Disposals	-0.10	-3.45	-1.91	0.00	-5.46
as at 31.12.2011	**45.76**	**92.51**	**51.80**	**0.43**	**190.50**
Carrying values					
as at 1.1.2011	49.00	26.77	13.19	2.35	91.31
as at 31.12.2011	**47.23**	**24.09**	**12.56**	**2.53**	**86.41**
Acquisition /Production costs					
as at 1.1.2012	92.99	116.60	64.36	2.96	276.91
Currency conversion	0.20	0.64	0.13	0.01	0.98
Additions	2.43	2.96	5.15	1.63	12.17
Disposals	-0.44	-5.51	-4.50	-0.43	-10.88
Reclassifications	1.82	1.19	0.43	-3.44	0.00
as at 31.12.2012	**97.00**	**115.88**	**65.57**	**0.73**	**279.18**
Depreciation					
as at 1.1.2012	45.76	92.51	51.80	0.43	190.50
Currency conversion	0.05	0.44	0.05	0.00	0.54
Additions	2.82	6.14	5.08	0.00	14.04
Disposals	-0.06	-4.97	-4.13	-0.43	-9.59
as at 31.12.2012	**48.57**	**94.12**	**52.80**	**0.00**	**195.49**
Carrying values					
as at 1.1.2012	47.23	24.09	12.56	2.53	86.41
as at 31.12.2012	**48.43**	**21.76**	**12.77**	**0.73**	**83.69**

Property, plant and equipment includes assets in the amount of EUR 6.89 million (previous year: EUR 7.59 million) under rental or lease contracts which should be classified as finance lease agreements based on IFRS criteria and are therefore to be entered in the balance sheet of their economic owner. Reference is made to Note 31 regarding the corresponding liabilities.

These assets generally involve technical equipment and machinery, as well as other facilities, fittings and equipment with carrying amounts of EUR 6.03 million and EUR 0.86 million, respectively (previous year: EUR 6.94 million and EUR 0.65 million, respectively).

Additions to leased and capitalised assets in property, plants and equipment of EUR 0.96 million took place (previous year: EUR 1.10 million) and depreciation in the amount of EUR 1.80 million (previous year: EUR 1.37 million).

No write-offs were undertaken in the past fiscal year or the previous year.

Obligations from the acquisition of property, plant and equipment in the amount of EUR 2.50 million (previous year: EUR 0.00 million) exist.

Asset items in property, plant and equipment with a total residual carrying value of EUR 24.19 million (previous year: EUR 24.36 million) serve as security for own liabilities valued at a total of EUR 2.28 million (previous year: EUR 72.56 million) on the balance sheet date and for third-party liabilities under the syndicated loan agreement of ALBA KG.

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

20. Financial assets accounted for under the equity method

The following holdings are valued using the “equity method” in ALBA SE’s consolidated financial statements:

		Shareholding		Carrying value	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
	Country	%	%	EUR million	EUR million
Ziems Recycling GmbH	Germany	25	25	2.20	2.14
TOM II Sp. z o.o.	Poland	50	50	3.27	2.31
The ProTrade Group LLC (sub-group)	USA	25	25	3.51	3.29
				8.98	**7.74**

All companies accounted for using the equity method can be allocated to the steel and metals recycling segment.

The carrying amounts mentioned include the hidden reserves of intangible assets and property, plant and equipment totalling EUR 0.08 million (previous year: EUR 0.08 million), uncovered as part of the first-time consolidation of The ProTrade Group LLC, as well as goodwill from those companies and from Ziems Recycling GmbH totalling EUR 4.32 million (previous year: EUR 4.32 million).

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

	Total assets EUR million	Equity capital EUR million	Sales revenues EUR million	Net earnings for the period EUR million
2012				
Ziems Recycling GmbH	13.58	1.85	33.60	0.22
TOM II Sp. z o.o.	9.72	6.54	30.53	1.50
The ProTrade Group LLC (sub-group)	42.19	0.18	252.57	0.96
2011				
Ziems Recycling GmbH	11.30	1.75	36.70	0.20
TOM II Sp. z o.o.	17.71	4.58	32.70	0.41
The ProTrade Group LLC (sub-group)	49.88	-0.99	259.04	-0.71

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

Sales revenues and net income for the year of The ProTrade Group LLC, Hudson, Ohio, USA (sub-group) include the consolidated figures of the parent company and four subsidiaries.

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

21. Financial assets

	2012 EUR million	2011 EUR million
Non-current		
Other holdings	0.45	0.45
Interests in affiliated companies	0.38	0.38
Other loans	0.15	0.30
Financial derivatives	0.00	0.60
	0.98	**1.73**
Current		
Cash pooling ALBA KG	26.36	17.21
Receivables from asset-backed securities	3.83	3.99
Loans to associated companies	1.91	2.01
Financial derivatives	1.89	1.25
Other loans	0.47	0.19
Other	0.02	0.03
	34.48	**24.68**

Interests in associated companies concern companies that are not included in the consolidated financial statements in spite of the Group holding an interest of more than 50 percent, due to their subordinate significance.

Other holdings relate to holdings in which the Group holds an equity and voting-rights ratio of less than 50 percent. For these asset groups no impairment losses resulted from impairment tests in the fiscal year or the previous year.

Short-term loans to associated companies include loans to The ProTrade Group LLC in the amount of EUR 1.89 million (previous year: EUR 1.93 million) and EUR 0.02 million to Ziems Recycling GmbH (previous year: EUR 0.08 million).

Short-term cash pooling receivables in the year under review arise from the ALBA SE receivable and the agreements entered into between the companies of the ALBA SE Group and ALBA KG for the first time in 2012.

Shorter-term loans include loans granted to employees totalling EUR 0.27 million (previous year: EUR 0.27 million reported under long-term loans).

After taking into consideration the impairment losses applied, carrying amounts of all financial liabilities reported correspond to their fair market values on the closing date.

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

22. Income tax assets and liabilities

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

	2012 EUR million	2011 EUR million
Deferred tax claims	5.81	6.25
Income tax refund claims	2.58	2.36
Deferred tax liabilities	-5.38	-6.08
Income tax liabilities	-8.34	-7.29
Balance	**-5.33**	**-4.76**

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

	Assets	Liabilities	Assets	Liabilities
	Deferred taxes 2012 EUR million		Deferred taxes 2011 EUR million	
Goodwill	1.58	0.05	1.74	0.02
Other intangible assets	0.09	3.14	0.04	3.88
Property, plant and equipment	0.13	1.53	0.13	1.76
Financial assets accounted for under the equity method	0.17	0.45	0.24	0.45
Financial assets	0.11	0.00	0.11	0.00
Inventories	0.70	0.06	0.32	0.16
Provisions for pensions	0.01	0.00	0.09	0.04
Other provisions	0.31	0.00	0.25	0.11
Financial liabilities	0.87	1.00	2.29	1.54
Losses carried forward for tax purposes	2.70	0.00	2.92	0.00
	6.66	6.23	8.14	7.96
Netting	-0.85	-0.85	-1.88	-1.88
	5.81	**5.38**	**6.25**	**6.08**

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

Deferred tax liabilities recorded without impacting profit and loss that arise from the measurement of financial derivatives amount to EUR 0.03 million in total (previous year: EUR 0.27 million in deferred tax assets).

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

Of tax losses carried forward amounting to EUR 9.60 million (previous year: EUR 8.56 million), deferred tax assets totalling EUR 2.67 million (previous year: EUR 2.08 million) were not capitalised. They relate to domestic and foreign companies where realisation of the deferred tax assets cannot be deemed certain from the present perspective.

Current tax refund claims and tax liabilities relate almost exclusively to domestic corporate and municipal trade tax. The consolidated balance sheet does include foreign income tax claims in the amount of EUR 0.56 million (previous year: no foreign income tax claims), and EUR 1.38 million (previous year: EUR 5.56 million) in foreign tax liabilities.

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

		2012 EUR million	2012 EUR million	2011 EUR million	2011 EUR million
	Deferred tax claims 01.01.	6.25		9.99	
	Deferred tax liabilities 01.01.	-6.08	0.17	-7.35	2.64
	Deferred tax claims 31.12.	5.81		6.25	
	Deferred tax liabilities 31.12.	-5.38	0.43	-6.08	0.17
=	Change in balance		0.26		-2.47
+/-	Additions/Disposals from changes in the scope of consolidation		0.00		-0.81
+/-	Liquidation of deferred taxes due to control and profit transfer agreement		0.00		0.47
+/-	Changes not recognised in income		0.07		2.21
=	Deferred income tax (previous year: expense)		0.33		-0.60

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

23. Inventories

	2012 EUR million	2011 EUR million
Raw materials and supplies	2.83	2.10
Work in progress	14.39	17.10
Finished goods	14.18	17.22
Merchandise	77.37	91.15
	108.77	**127.57**

Value adjustments on inventories amounted to EUR 1.59 million (previous year: EUR 1.34 million) in the fiscal year.

The ALBA SE Group has assigned trade receivables by way of collateral for bank liabilities under the syndicated loan, valued at carrying amounts of EUR 43.85 million (previous year: EUR 32.86 million) as at the balance sheet date.

24. Trade receivables

Receivables from	2012 EUR million	2011 EUR million
Third parties	154.92	167.07
Less doubtful accounts	-7.07	-13.30
	147.85	153.77
Affiliated companies	7.09	15.90
Associated companies	0.54	2.62
Holdings	0.01	0.03
Less value adjustments	-0.06	-0.02
	155.43	**172.30**

All trade receivables shown are due within a year. Carrying amounts are equivalent to fair values due to their short-term nature.

The ALBA SE Group has assigned trade receivables by way of collateral for bank liabilities under the syndicated loan, valued at carrying amounts of EUR 108.06 million (previous year: EUR 149.56 million) as at the balance sheet date.

Receivables from production orders are included in trade receivables, as follows:

	2012 EUR million	2011 EUR million
Costs incurred plus accumulated profits	30.47	24.17
minus instalment invoices issued	-29.93	-22.63
Total	**0.54**	**1.54**
of which: Receivables from percentage of completion	2.53	2.64
of which: Liabilities related to percentage of completion	-1.99	-1.10

25. Other receivables

	2012 EUR million	2011 EUR million
Security deposits	0.50	0.42
Deposit receivables	0.73	0.66
Tax refund claims	10.76	1.18
Other receivables from affiliated companies	10.58	5.86
Creditors on the debit side	4.09	6.44
Advances to suppliers	7.88	6.58
Other	6.14	8.82
	40.68	**29.96**

Deposit receivables reported – corresponding to the deposit liabilities included under other liabilities - are the result of the purchase of disposable packaging with deposits by a variety of customers. In this scenario INTERSEROH Pfand-System GmbH, Cologne, acquires the associated deposit claims from the entity first bringing the disposable packaging into circulation and owes the seller of the packaging the deposit monies received.

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

	2012 EUR million	2011 EUR million
Security deposits	0.16	0.16
Advances to suppliers	0.97	0.66
Other	0.31	0.31
	1.44	**1.13**

26. Cash and cash equivalents

	2012 EUR million	2011 EUR million
Deposits with banks	11.79	73.96
Cash on hands	0.88	0.92
	12.67	**74.88**

In addition to the collateralisation of liabilities under the Asset Backed Securities Programme presented in Note 38, accounts were pledged in full as collateral for banks.

27. Subscribed capital

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

A share entitles its holder to participate in the company's annual General Shareholders' Meeting and to receive an equalisation payment.

As part of the control and profit transfer agreement an equalisation payment of EUR 3.94 per share was established for external shareholders.

28. Reserves

	2012 EUR million	2011 EUR million
Capital reserve	38.61	38.61
Consolidated earnings	132.13	134.75
Other non-cash transactions	-12.02	-17.74
Adjustment items from currency conversion	-0.64	-2.26
	158.08	**153.36**

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

Other non-cash transactions primarily reflect differences on the asset side of the balance sheet from the initial consolidation of subsidiaries, which were offset against retained earnings during the time previous to the transition to IFRS. The increase of EUR 5.72 million (previous year: EUR 1.61 million) is due to the measurement of financial derivatives (cash flow hedges), taking into account deferred taxes, and was added to the reserves without impacting profit and loss. These amounts relate exclusively to the steel and metals recycling segment.

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

29. Payments to employees under pension commitments

Existing obligations were calculated using the following parameters:

	31.12.2012	31.12.2011
Interest rate for accounting purposes	2.80%	4.60%
Salary trend	2.50%	2.50%
Pension adjustment	2.00%	2.00%
Interest rate for accounting Increase in contribution assessment ceiling for statutory pension insurance	2.50%	2.50%
Expected return from plan assets	5.50%	5.50%

The “pension adjustment” parameter is determined based on expected future inflation.

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

The following fluctuation probabilities depending on age and gender were applied:

Change rate per year	31.12.2012		31.12.2011	
Age to	Men	Women	Men	Women
25	6.0%	8.0%	6.0%	8.0%
30	5.0%	7.0%	5.0%	7.0%
35	4.0%	5.0%	4.0%	5.0%
45	2.5%	2.5%	2.5%	2.5%
50	1.0%	1.0%	1.0%	1.0%
over 50	0.0%	0.0%	0.0%	0.0%

Net liabilities developed as follows:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
as at 01.01.2011	-0.11	21.16	21.05
Periodic net costs from pension commitments (fixed benefit plan)	0.19	1.23	1.42
Employer contributions to plan assets	-0.16	0.00	-0.16
Additions/reductions/transfers	-0.06	0.63	0.57
Pension payments made	0.00	-1.35	-1.35
as at 31.12.2011	**-0.14**	**21.67**	**21.53**
as at 01.01.2012	-0.14	21.67	21.53
Periodic net costs from pension commitments (fixed benefit plan)	0.22	1.23	1.45
Employer contributions to plan assets	-0.12	0.00	-0.12
Additions/reductions/transfers	0.00	0.00	0.00
Pension payments made	-0.01	-1.41	-1.42
as at 31.12.2012	**-0.05**	**21.49**	**21.44**

The present value of pension entitlements has changed as follows:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
as at 01.01.2011	2.28	22.69	24.97
Current service cost	0.16	0.13	0.29
Interest expenses	0.13	1.06	1.19
Actuarial loss	-0.08	0.28	0.20
Additions/reductions/transfers	-0.06	0.63	0.57
Pension payments made	-0.04	-1.35	-1.39
as at 31.12.2011	**2.39**	**23.44**	**25.83**
as at 01.01.2012	2.39	23.44	25.83
Current service cost	0.14	0.13	0.27
Interest expenses	0.15	1.01	1.16
Actuarial loss	0.34	5.72	6.06
Additions/reductions/transfers	-0.12	0.20	0.08
Pension payments made	-0.04	-1.41	-1.45
as at 31.12.2012	**2.86**	**29.09**	**31.95**

Payments for pensions anticipated for 2013 amount to EUR 2.44 million (previous year: EUR 2.12 million) and payments for plan assets amount to EUR 0.20 million (previous year: EUR 0.27 million).

Pension costs are made up as follows:

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
2011			
Interest expenses	0.13	1.06	1.19
Expected income from plan assets	-0.13	0.00	-0.13
Current service cost	0.16	0.13	0.29
Adjustment of actuarial net (gain)/loss	0.02	0.03	0.05
Immediate adjustment due to maximum ceiling	0.01	0.00	0.01
Periodic net costs from pension commitments - fixed benefit plan	**0.19**	**1.22**	**1.41**
2012			
Interest expenses	0.15	1.01	1.16
Expected income from plan assets	-0.13	0.00	-0.13
Current service cost	0.14	0.13	0.27
Adjustment of actuarial net (gain)/loss	0.00	0.08	0.08
Periodic net costs from pension commitments - fixed benefit plan	**0.16**	**1.22**	**1.38**

Interest expenses are shown under financial expenses, while the remaining expenses are shown under personnel expenses.

The market value of plan assets has developed as follows:

	Funded plan EUR million
as at 01.01.2011	2.13
Actual income from plan assets	
a. Expected income from plan assets	0.12
b. Actuarial gains and losses	-0.07
Employer contributions	0.16
Pension payments made	-0.04
as at 31.12.2011	**2.30**
as at 01.01.2012	2.30
Actual income from plan assets	
a. Expected income from plan assets	0.13
b. Actuarial gains and losses	-0.10
Employer contributions	0.12
Pension payments made	-0.03
as at 31.12.2012	**2.42**

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

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

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
Cash value of performance-oriented liability to 31.12.2011	2.39	23.44	25.83
Fair market value of the plan assets as at 31.12.2011	2.30	0.00	2.30
	0.09	23.44	23.53
Actuarial (gain)/loss not recorded as at 31.12.2011	0.23	1.78	2.01
as at 31.12.2011	**-0.14**	**21.66**	**21.52**
Cash value of performance-oriented liability to 31.12.2012	2.86	29.09	31.95
Fair market value of the plan assets as at 31.12.2012	2.42	0.00	2.42
	0.44	29.09	29.53
Actuarial (gain)/loss not recorded as at 31.12.2012	0.67	7.42	8.09
as at 31.12.2012	**-0.23**	**21.67**	**21.44**

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

	Projected benefit obligation EUR million	Market value of plan assets EUR million	Shortfall EUR million	Adjustment to projected benefit obligation EUR million	Adjustment of plan assets EUR million
31.12.2008	22.17	1.44	20.73		
31.12.2009	23.49	1.76	21.73		
31.12.2010	24.97	2.13	22.84	-0.69	-0.01
31.12.2011	25.83	2.30	23.53	0.40	-0.08
31.12.2012	31.95	2.42	29.53	-0.04	-0.09

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

	Funded plan EUR million	Unfunded plan EUR million	Total EUR million
Cash value of performance-oriented liability to 31.12.2011	0.26	1.53	1.79
Actuarial (gain)/loss in the period			
a. Projected benefit obligation	-0.08	0.28	0.20
b. Plan assets	0.07	0.00	0.07
Expense recorded immediately due to upper valuation limit	0.00	0.00	0.00
Scheduled adjustment from actuarial net gain/(loss)	-0.02	-0.03	-0.05
Unrecognised actuarial (gain)/loss as at 31.12.11	**0.23**	**1.78**	**2.01**
Cash value of performance-oriented liability to 31.12.2012	0.23	1.78	2.01
Actuarial (gain)/loss in the period			
c. Projected benefit obligation	0.34	5.72	6.06
d. Plan assets	0.10	0.00	0.10
Expense recorded immediately due to upper valuation limit	0.00	0.00	0.00
Scheduled adjustment from actuarial net gain/(loss)	0.00	-0.08	-0.08
Unrecognised actuarial (gain)/loss as at 31.12.12	**0.67**	**7.42**	**8.09**

30. Provisions

	Balance	Change in scope of consolidation	Utilisation	Liquidation	Transfer	Accrued interest	Exchange rate differences	Balance
	01.01.2012							31.12.2012
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Lawsuits	0.42	0.00	0.05	0.19	0.89	0.00	0.00	1.07
Obligation to return property to orig. condition	3.14	0.00	0.00	0.00	0.06	0.04	0.01	3.25
Pending transactions	5.53	0.00	4.92	0.00	6.62	0.00	0.00	7.23
Anniversary obligations	0.53	0.00	0.05	0.01	0.11	0.02	0.00	0.60
Other	5.55	0.00	1.35	2.07	1.27	0.00	0.02	3.42
	15.17	**0.00**	**6.37**	**2.27**	**8.95**	**0.06**	**0.03**	**15.57**

	Balance	Change in scope of consolidation	Utilisation	Liquidation	Transfer	Accrued interest	Exchange rate differences	Balance
	01.01.2011							31.12.2011
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Lawsuits	0.76	0.03	0.08	0.54	0.25	0.00	0.00	0.42
Obligation to return property to orig. condition	3.02	0.01	0.00	0.02	0.11	0.03	-0.01	3.14
Pending transactions	3.22	0.00	3.22	0.00	5.53	0.00	0.00	5.53
Anniversary obligations	0.46	0.00	0.04	0.00	0.09	0.02	0.00	0.53
Other	4.94	0.00	2.00	1.09	3.73	0.00	-0.03	5.55
	12.40	0.04	5.34	1.65	9.71	0.05	-0.04	15.17

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

	Balance 31.12.2012 EUR million	**Balance 31.12.2011 EUR million**
Pending transactions	4.51	5.07
Lawsuits	1.06	0.43
Other	2.90	4.08
	8.47	**9.58**

The current share of provisions for pensions (prospective pension payments in the upcoming fiscal year) is reported in the balance sheet under current provisions at EUR 2.44 million (previous year: EUR 2.12 million), so that the total amount of the balance sheet item “Provisions” in current liabilities amounts to EUR 10.91 million (previous year: EUR 11.70 million).

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

Obligations to return property to its original condition correspond to the discounted amount for restoration to original condition of rented or leased property at the end of the rent or lease agreements. Anticipated costs, provided they are not due in 2013 or further extensions to the existing agreements have not been agreed, will become due between January 1, 2014 and December 31, 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 at the balance sheet date.

The provisions for anticipated losses from pending transactions relate to the services segment. Operating losses for the lease terms not subject to termination are provided for in line with the term of the underlying contracts.

31. Financial liabilities

Liabilities (to/from)	as at 31.12.2012 Total EUR million	of which with a remaining term of up to 1 years EUR million	over 1 year, up to 5 years EUR million	over 5 years EUR million
Banks	9.27	7.51	1.33	0.43
Asset-backed securities	26.81	26.81	0.00	0.00
Derivatives	0.20	0.20	0.00	0.00
Finance leases	7.67	1.86	5.81	0.00
Other	4.79	3.16	1.63	0.00
	48.74	**39.54**	**8.77**	**0.43**

Liabilities (to/from)	as at 31.12.2011 Total EUR million	of which with a remaining term of up to 1 years EUR million	over 1 year, up to 5 years EUR million	over 5 years EUR million
Banks	84.50	23.88	60.09	0.53
Asset-backed securities	26.16	26.16	0.00	0.00
Derivatives	7.11	5.48	0.00	1.63
Finance leases	8.99	2.42	4.59	1.98
Other	12.04	9.54	2.50	0.00
	138.80	**67.48**	**67.18**	**4.14**

Liabilities to banks that are secured by ALBA SE Group collateral amounted to EUR 9.25 million as at the balance sheet date (previous year: EUR 73.53 million); of this amount EUR 2.28 million (previous year: EUR 72.56 million) is secured by land charges. The fixed interest rates for medium-term and long-term liabilities are within customary market ranges. Terms end between March 31, 2013, and November 30, 2016 or have an indefinite term.

Collateral in the form of cession of receivables, assignment of current assets as securities, property charges and pledging of business shares in full was used for banks.

Secured loan liabilities related to foreign subsidiaries amount to EUR 6.75 million (previous year: EUR 0.05 million).

Financing of the ALBA SE Group takes place exclusively via ALBA KG, now that the cash pooling agreement has been entered into between the ALBA SE Group and ALBA KG and the bank liabilities reduced.

The securities and guarantees provided by the ALBA SE Group have been incorporated in the contract entered into on October 26, 2012, at the ALBA Group level. Interest on the syndicated loan is charged at the EURIBOR rate plus a margin.

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

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

The minimum lease instalment payments under finance leases can be reconciled to the discounted net value of the liabilities according to maturity date as follows:

	future minimum lease payments		Interests		Net present value (liabilities related to finance leases)	
	2012 EUR million	2011 EUR million	2012 EUR million	2011 EUR million	2012 EUR million	2011 EUR million
within a year	2.23	2.85	0.37	0.43	1.86	2.42
between 1 and 5 years	6.62	5.54	0.81	0.95	5.81	4.59
in over five years	0.00	2.13	0.00	0.15	0.00	1.98
	8.85	10.52	1.18	1.53	7.67	8.99

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

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

32. Trade liabilities

Liabilities to	2012 EUR million	2011 EUR million
Third parties	188.56	202.65
Affiliated companies	10.67	6.75
Associated companies	0.00	0.01
Holdings	0.10	0.24
	199.33	209.65

Except for liabilities vis-à-vis third parties in the amount of EUR 0.11 million (previous year: EUR 0.37 million), all trade payables are due within a year.

Liabilities to third parties reflect liabilities from outstanding invoices based on services already received but not yet invoiced at EUR 74.22 million (previous year: EUR 81.04 million) and liabilities in connection with concluded contracts that relate to repayment obligations to manufacturers and waste disposal obligations at EUR 15.96 million (previous year: EUR 17.33 million).

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

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

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

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

In addition, for the Dual System Interseroh (DSI) segment an amount of EUR 39.83 million (previous year: EUR 47.50 million) was recorded under trade payables for outstanding invoices from waste disposal companies.

33. Other liabilities

Liabilities (to/from)	as at 31.12.2012 Total EUR million	of which with a remaining term of up to 1 year EUR million	over 1 year, up to 5 years EUR million	over 5 years EUR million
Deposit liabilities	1.28	1.28	0.00	0.00
Advance payment received	4.56	4.56	0.00	0.00
Employees	11.46	11.46	0.00	0.00
Credit receivables	7.25	7.25	0.00	0.00
Other taxes	5.03	5.03	0.00	0.00
Incidental personnel costs	0.78	0.78	0.00	0.00
Profit transfer	35.28	35.28	0.00	0.00
Other	17.02	17.02	0.00	0.00
	82.66	**82.66**	**0.00**	**0.00**

Liabilities (to/from)	as at 31.12.2011 Total EUR million	of which with a remaining term of up to 1 year EUR million	over 1 year, up to 5 years EUR million	over 5 years EUR million
Deposit liabilities	1.12	1.12	0.00	0.00
Advance payment received	4.74	4.74	0.00	0.00
Employees	13.13	13.13	0.00	0.00
Credit receivables	6.23	6.23	0.00	0.00
Other taxes	3.03	3.03	0.00	0.00
Incidental personnel costs	1.00	1.00	0.00	0.00
Profit transfer	30.11	30.11	0.00	0.00
Other	12.15	12.15	0.00	0.00
	71.51	**71.51**	**0.00**	**0.00**

These liabilities are accounted for at their amortised acquisition cost, unless stated otherwise.

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

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

Liabilities to employees include bonuses and accrued vacation and overtime.

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

The profit transfer in the amount of EUR 35.28 million (previous year: EUR 30.11 million) relates exclusively to the profit transfer to ALBA KG.

Other liabilities include liabilities to associated companies in the amount of EUR 45.65 million (previous year: EUR 32.30 million).

34. Explanations regarding the cash flow statement

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

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

The definition of cash and cash equivalents in the cash flow statement has been expanded under internal liquidity management to include cash pooling receivables from ALBA KG. Previous years' cash flow statement figures were adjusted accordingly. Cash levels as at December 31, 2011, amounts to EUR 92.09 million (previously: EUR 74.88 million); this was unchanged as at January 1, 2011 (EUR 64.87 million). The value of changes in net operating assets within cash flow from operating activities has been adjusted in line with the cash levels.

During the year under review cash flow from operating activity has improved by EUR 18.38 million over the prev ious year. The increase in the change in net operating assets of EUR 34.76 million has had a positive effect in this respect. This is due primarily to the reduction in inventories and trade receivables. The decrease in Group EBIT of EUR 7.54 million and the increase in interest payments of EUR 5.99 million offset this positive effect. Higher interest payments compared to the previous year are due to cash outflows for the interest payments provided for in 2011 in connection with claims from the tax authorities.

Cash flow from investment activities shows an outflow of funds totalling EUR 8.87 million (previous year: EUR 2.72 million) in the year under review. Investment in property, plant and equipment has remained virtually unchanged since the previous year.

Cash flow from financing activity shows an outflow of funds totalling EUR 115.56 million (previous year: EUR 23.06 million) in the year under review. The outflows are due chiefly to the repayment of liabilities to banks in the amount of EUR 75.23 million. The resources required for this purpose were to a great extent withdrawn from cash pooling receivables. Changes in balance sheet items that are shown in the cash flow statement cannot be directly derived from the balance sheet due to non-cash effects from currency translations.

Cash and cash equivalents as total of the liquid resources reported in the balance sheet and the cash pooling receivables amount to EUR 39.03 million (previous year: EUR 92.09 million). The balances included in the level of cash and cash equivalents are subject to minimal value fluctuation risks only.

35. Segment reporting

The companies of the ALBA SE Group are divided into two segments; all companies that undertake steel and metals recycling are allocated to the segment of the same name. ALBA SE is assigned fully to the services segment.

The segments performed as follows over the past fiscal year:

	Steel and metals recycling		Services		Cross-segment consolidations		Continuing business	
	2012	2011	2012	2011	2012	2011	2012	2011
	EUR million		EUR million		EUR million		EUR million	
Sales revenues								
External sales	1,605.89	1,743.26	321.02	467.41	0.00	0.00	1,926.91	2,210.67
Sales between the segments	0.16	0.28	9.90	11.34	-10.06	-11.62	0.00	0.00
	1,606.05	1,743.54	330.92	478.75	-10.06	-11.62	1,926.91	2,210.67

	Steel and metals recycling		Services		Crosssegment consolidations		Continuing business	
	2012	2011	2012	2011	2012	2011	2012	2011
	EUR million		EUR million		EUR million		EUR million	
Segment earnings	19.63	33.98	31.61	22.12	0.00	-0.12	51.24	55.98
Shares in profit of associated companies accounted for under the at-equity method contained therein	1.01	0.10	0.00	0.00	0.00	0.00	1.01	0.10
Segment EBIT	18.62	33.88	31.61	22.12	0.00	-0.12	50.23	55.88
included non-cash contributions:								
- Depreciations on tangible assets and property, plant and equipment								
scheduled	14.21	13.91	3.67	3.82	0.00	0.00	17.88	17.73
extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Transfer to provisions	0.31	1.22	8.64	8.49	0.00	0.00	8.95	9.71
- Liquidation of liabilities and provisions	0.62	2.49	22.65	28.70	0.00	0.00	23.27	31.19
- Transfers to bad debt allowances	1.47	0.95	2.01	5.40	0.00	0.00	3.48	6.35
- Impairment losses	0.75	0.72	4.55	1.02	0.00	0.00	5.30	1.74
Reconciliation:								
Segment earnings							51.24	55.98
+ Financial income							4.30	3.84
of which interest income	2.05	2.62	4.82	6.63	-2.57	-5.68	4.30	3.57
- Financial expenses							-17.87	-19.38
of which interest expense	-18.63	-19.94	-1.86	-6.15	2.76	6.81	-17.73	-19.28
- Tax expenses							-4.33	-6.74
Consolidated income from continuing business							33.34	33.70

	Steel and metals recycling		Services		Crosssegment consolidations		Continuing business	
	2012	2011	2012	2011	2012	2011	2012	2011
	EUR million		EUR million		EUR million		EUR million	
Segment assets	419.81	460.00	111.51	174.75	-3.25	-14.69	528.07	620.06
including:								
- Interests in associated companies	8.98	7.74	0.00	0.00	0.00	0.00	8.98	7,74
Reconciliation:								
Segment assets							528.07	620.06
+ Long-term financial assets							0.98	1.73
+ Deferred tax claims in accordance with IAS 12							5.81	6.25
+ Current financial assets							34.48	24.68
+ Tax refund claims in accordance with IAS 12, Income taxes							2.58	2.36
Consolidated assets according to the balance sheet							571.92	655.08
Segment liabilities	148.94	162.98	184.24	182.21	-14.20	-27.32	318.98	317.87
Reconciliation:								
+ Deferred tax liabilities in accordance with IAS 12								
+ Non-current financial liabilities							5.38	6.08
+ Income tax liabilities in accordance with IAS 12, Income taxes							9.19	71.33
+ Current financial liabilities							8.34	7.29
Consolidated liabilities according to the balance sheet							39.55	67.47
							381.44	470.04
Investments in long-term assets (property, plants and equipment and intangible assets)	11.36	11.92	1.34	1.53	0.00	0.00	12.70	13.45

The following table reflects external sales revenues and non-current assets of the segments by geographical area:

	Steel and metals recycling		Services		Cross-segment consolidations	
	2012	2011	2012	2011	2012	2011
	EUR million		EUR million		EUR million	
Germany						
a) Sales	891.79	954.99	290.63	429.47	1,182.42	1,384.46
b) Assets	161.80	174.02	13.16	15.50	174.96	189.52
Other EU countries						
a) Sales	340.68	335.03	29.04	34.40	369,72	369,43
b) Assets	33.18	8.47	0.21	0.30	33.39	8.77
Non-EU countries						
a) Sales	373.42	453.24	1.35	3.54	374.77	456.78
b) Assets	3.61	4.28	0.00	0.00	3.61	4.28

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

36. Contingent liabilities, operating leases and other financial obligations

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

The ALBA SE Group has obligations totalling EUR 0.42 million (previous year: EUR 4.35 million) from sureties and guarantee agreements and provision of collateral for non-group liabilities.

Collateral in the form of cession of receivables, assignment of current assets as securities, property charges and pledging of business shares in full was used for banks. Furthermore, a contingent liability for joint and several liability exists in connection with the syndicated loan agreement of ALBA KG for the companies covered by the syndicated loan agreement.

In addition, companies of the ALBA SE Group have joined in as guarantors of an amount of EUR 203.00 million in the corporate bond issued by ALBA KG based on the declaration of April 20, 2011.

(b) Operating leases

Apart from the financial debts already described as finance leases (refer to Note 31), the Group has also entered into rental and leasing contracts (land, office premises and buildings, as well as fittings and equipment, e.g. vehicles and office machines), which qualify as operating leases according to their economic substance. Extension and purchase options customary to the industry are contained in the underlying agreements. In the past year rental and lease payments of EUR 12.93 million (previous year: EUR 13.26 million) were made under these agreements.

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

	2012	2011
	EUR million	EUR million
within a year	13.29	12.26
between 1 and 5 years	31.09	30.06
in over five years	7.31	10.01
	51.69	**52.33**

(c) Other financial obligations

Maturities of other financial obligations, including open purchase orders and maintenance contracts, are shown below:

	2012 EUR million	2011 EUR million
within a year	5.70	3.84
between 1 and 5 years	5.31	4.69
in over five years	0.00	0.60
	11.01	**9.13**

37. Financial instruments

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

31.12.2012	Total		Amortised acquisition cost		Fair Value	
	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Assets						
Loans and receivables						
Cash and cash equivalents	12.67	12.67	12.67	12.67		
Trade receivables	155.43	155.43	155.43	155.43		
Other original financial assets	38.03	38.03	38.03	38.03		
	206.13	206.13	206.13	206.13		
Available for sale						
Holdings	0.83	0.83	0.83	0.83		
	0.83	0.83	0.83	0.83		
Held for trading						
Interest rate hedging transactions	0.66	0.66			0.66	0.66
	0.66	0.66			0.66	0.66
Derivatives						
associated with hedging	1.23	1.23			1.23	1.23
	208.85	**208.85**	**206.96**	**206.96**	**1.89**	**1.89**
Liabilities						
Liabilities						
Trade liabilities	199.33	199.33	199.33	199.33		
Liabilities to banks	9.26	9.26	9.26	9.26		
Liabilities under finance leases	7.67	7.67	7.67	7.67		
Other original financial liabilities	76.36	76.36	75.33	75.33	1.03	1.03
	292.62	292.62	291.59	291.59	1.03	1.03
Derivatives						
associated with hedging	0.20	0.20			0.20	0.20
	292.82	**292.82**	**291.59**	**291.59**	**1.23**	**1.23**

31.12.2011	Total		Amortised acquisition cost		Fair Value	
	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Assets						
Loans and receivables						
Cash and cash equivalents	74.88	74.88	74.88	74.88		
Trade receivables	172.30	172.30	172.30	172.30		
Other original financial assets	31.40	31.40	31.40	31.40		
	278.58	278.58	278.58	278.58		
Available for sale						
Holdings	0.83	0.83	0.83	0.83		
	0.83	0.83	0.83	0.83		
Held for trading						
Interest rate hedging transactions	0.34	0.34			0.34	0.34
	0.34	0.34			0.34	0.34
Derivatives						
associated with hedging	1.51	1.51			1.51	1.51
	281.26	**281.26**	**279.41**	**279.41**	**1.85**	**1.85**
Liabilities						
Liabilities						
Trade liabilities	209.66	209.66	209.66	209.66		
Liabilities to banks	84.50	84.50	84.50	84.50		
Liabilities under finance leases	8.99	8.99	8.99	8.99		
Other original financial liabilities	46.54	46.54	46.54	46.54		
	349.69	349.69	349.69	349.69		
Held for trading						
Forward exchange transactions	0.39	0.39			0.39	0.39
Interest rate hedging transactions	0.18	0.18			0.18	0.18
	0.57	0.57			0.57	0.57
Derivatives						
associated with hedging	6.54	6.54			6.54	6.54
	356.80	**356.80**	**349.69**	**349.69**	**7.11**	**7.11**

The carrying amounts of trade receivables, other original financial assets, cash and cash equivalents, trade payables, other short-term liabilities and liabilities with variable interest rates are equivalent to their fair value.

All financial assets and liabilities measured at fair value are to be assigned to category 2 in the fair value hierarchy in accordance with IFRS 7. This means that fair values are derived from information directly or indirectly observable other than listed market prices (according to an assessment of market conditions). Moreover, there are further immaterial liabilities in category 3. In this category, fair values of non-observable input factors are used.

Credit risk

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

The maximum credit risk with the carrying value as the equivalent of the maximum default risk of financial assets is found in the first column of the following table.

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

	Carrying value total	of which: as at the balance sheet date neither impaired nor overdue	of which: as at the balance sheet date not impaired and overdue according to the following stages in time:			
			Less than 10 days	Between 11 and 30 days	Between 31 days and 1 year	More than 1 year
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
31.12.2012						
Trade receivables	155.43	109.98	32.35	7.40	4.72	0.88
Other original financial assets	38.03	33.87	0.27	1.48	1.23	1.18
	193.46	143.85	32.62	8.88	5.95	2.06
31.12.2011						
Trade receivables	172.30	114.01	33.93	12.39	10.74	0.60
Other original financial assets	31.40	24.99	0.39	3.86	1.83	0.33
	203.70	139.00	34.32	16.25	12.57	0.93

For those assets that are neither written down nor overdue as at the balance sheet date, there are no indications that a write-off is required.

None of the other financial assets are overdue. If applicable, impairment losses are explained next to the balance sheet items concerned.

The bad debt account for trade receivables, as well other original financial assets, has developed as follows in the year under review:

	Carrying value total EUR million	Trade receivables EUR million	Other original financial assets EUR million
Value adjustments as at 01.01.2012	16.01	13.30	2.71
Allocations	2.77	2.42	0.35
Utilisation	-3.78	-3.76	-0.02
Liquidations	-5.30	-4.82	-0.48
Value adjustments as at 31.12.2012	9.70	7.14	2.56

Payment delays and insolvency on the part of the customer are the major reasons for write-offs. Due to the high number of customers, there is no concentration of credit risk.

Liquidity risk

The liquidity necessary for the ALBA SE Group is assured under the new syndicated loan of ALBA KG, which covers an amount of EUR 400.00 million and which is integrated into the ALBA SE Group. The Company's ability to pay and its financial resource requirements are guaranteed by participating in the ALBA Group cash pooling. Cash inflow/outflow planning on a daily basis, as well as processing Group-wide payment transactions via a central treasury management system guarantees a permanent overview of liquidity requirements within the ALBA SE Group.

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

	Carrying value total EUR million	Gross In-/ Outflow EUR million	up to 30 days EUR million	from 31 to 180 days EUR million	from 181 days up to 1 year EUR million	1 to 5 years EUR million	more than 5 years EUR million
31.12.2012							
Trade receivables	199.33	199.33	103.53	38.83	44.40	12.57	0.00
Liabilities to banks	9.26	9.98	0.08	6.83	0.71	1.87	0.49
Liabilities under finance leases	7.67	8.85	0.13	1.26	0.65	6.81	0.00
Other original financial liabilities	76.36	77.26	37.10	38.22	0.03	1.90	0.01
Derivatives associated with hedging	0.20	0.20	0.07	0.13	0.00	0.00	0.00
	292.82	295.62	140.91	85.27	45.79	23.15	0.50
31.12.2011							
Trade receivables	209.66	209.66	113.97	33.78	60.74	1.15	0.02
Liabilities to banks	84.50	92.21	9.25	5.64	12.30	64.41	0.61
Liabilities under finance leases	8.99	10.54	0.21	1.74	0.96	5.50	2.13
Other original financial liabilities	46.54	46.72	32.06	4.36	8.23	2.07	0.00
Derivatives associated with hedging	6.54	6.55	0.21	3.45	1.26	0.00	1.63
Forward exchange transactions	0.39	0.39	0.19	0.20	0.00	0.00	0.00
Interest rate hedging transactions	0.18	0.18	0.00	0.00	0.00	0.00	0.00
	356.80	366.25	155.89	49.17	83.49	73.13	4.39

Gross outflows include future interest payment obligations in addition to the carrying amounts of liabilities.

No bad debts or infringements of payment agreements in connection with loan obligations held by the ALBA SE Group arose.

Currency risk

According to internal guidelines, the foreign currency receivables and liabilities resulting from contracts must be hedged if they exceed a level of EUR 0.025 million per transaction. Hedging is undertaken by means of forward exchange contracts, so-called micro hedges. Options and similar transactions are in principle not permitted, but may be approved in individual cases by resolution of the Board of Directors. No options were entered into in fiscal 2012. Micro hedging hedges the risks of each individual item separately. Hedging is used according to standardised guidelines, is subject to strict control and is restricted to the hedging of operational business. Stockpiling of foreign currencies is not permitted.

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

The nominal values of the forward exchange contracts are presented below:

Currency	31.12.2012		31.12.2011	
	Nominal volumen in Mio. Euro	Counter value in Mio. Euro	Nominal volumen in Mio. Euro	Counter value in Mio. Euro
US-Dollar	57.40	43.51	60.48	46.74
EURO	1.50	1.50	14.50	14.50

Market values of the forward exchange contracts amount to:

Market value	31.12.2012		31.12.2011	
	-Assets- in Mio. Euro	-Liabilities- in Mio. Euro	-Assets- in Mio. Euro	-Liabilities- in Mio. Euro
hedged	0.63	0.09	0.03	1.50
unhedged	0.00	0.00	0.00	0.39

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

The remaining currency risks in the ALBA SE Group were subjected to sensitivity analysis. It was found that a 10-percent rise in the rate of the Euro against the US dollar would reduce earnings by EUR 0.32 million. An equivalent reduction in the rate would result in an increase in earnings of EUR 0.40 million. No significant impact on earnings would have resulted.

Interest rate risk

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

Upon transfer of INTERSEROH Scrap and Metals Holding GmbH's syndicated loan transfer to ALBA KG, all associated interest rate hedging instruments were also transferred to ALBA KG. Furthermore, interest rate swaps in conjunction with the Asset Backed Securities programme expired in fiscal 2012. New swaps in this area were dispensed with in fiscal 2012. There were, therefore, no derivative financial instruments relating to interest rates as at the balance sheet date.

As at June 1, 2010, the interest rate swaps from previous years were offset by opposing interest rate swaps; the last of these derivatives expired in April of 2012. Fair value changes in the “interest rate swaps from previous years”, as well as in the opposing interest rate swaps, were recorded against profit and loss under other operating income in the amount of EUR 0.18 million and other operating expense in the amount of EUR -0.18 million.

The remaining interest rate risks in the ALBA SE Group were subjected to sensitivity analysis. This shows the effects that changes in interest rates would have. These changes are determined with reasonable discretion on the balance sheet date.

There is also an interest rate risk related to original financial instruments with variable interest rates. An increase in the interest rate level by 100 basis points would result in a decrease in interest income of EUR 0.09 million. A decrease in the interest rate level by 100 basis points, on the other hand, would result in interest income higher by EUR 0.09 million.

Price change risk

Commodities futures transactions to hedge price change risks of copper, nickel and aluminium existed in individual companies of the steel and metals recycling segment as at the balance sheet date.

All commodities futures transactions were in economic hedges. Furthermore, hedge accounting was applied in significant areas.

Commodities futures transactions are accounted for at fair value. To the extent that hedges have been created to hedge inventory, the carrying amount of the hedged warehouse inventory was adjusted with the changes in fair value of the hedged risks.

As at 31 December, 2012, commodities futures transactions in the amount of EUR 0.60 million with positive fair value were designated and accounted for as hedges. Fluctuations in fair value are immediately recorded under sales revenues or cost of materials depending on the type of underlying transaction. In fiscal 2012 an amount of EUR 0.60 million was recorded against income from the measurement of hedging instruments in the fair value hedge, while at the same time a change in fair value in the amount of EUR -0.56 million was recognised in income from the hedged warehouse inventory.

The remaining price change risks in the ALBA SE Group were subjected to sensitivity analyses. It was found that a ten percent rise or fall in copper, nickel, zinc and aluminium prices would result in a reduction or increase in earnings and thus equity of approximately EUR -1.10 million and EUR 1.10 million, respectively.

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

Category according to IAS 39	Interest	from subsequent valuation				Disposals	Net earnings 2012
		at Fair Value	currency conversion	bad debt allowance	impairment losses		
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Loans and receivables	3.92	0.00	0.00	-2.77	5.30	-0.75	5.70
Financial instruments held for trading	0.00	0.43	0.00	0.00	0.00	-5.55	-5.12
Derivatives associated with hedging	-1.51	-0.15	0.00	0.00	0.00	0.00	-1.66
Financial liabilities valued at updated acquisition cost	-13.02	0.00	0.00	0.00	0.00	0.00	-13.02
	-10.61	**0.28**	**0.00**	**-2.77**	**5.30**	**-6.30**	**-14.10**

Category according to IAS 39	Interest	from subsequent valuation				Disposals	Net earnings 2011
		at Fair Value	currency conversion	bad debt allowance	impairment losses		
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Loans and receivables	3.40	0.00	0.00	-6.54	1.81	0.00	-1.33
Financial instruments held for trading	0.00	-0.49	-0.41	0.00	0.00	3.87	2.97
Derivatives associated with hedging	-4.46	-0.72	0.00	0.00	0.00	0.00	-5.18
Financial liabilities valued at updated acquisition cost	-13.82	0.00	0.00	0.00	0.00	0.00	-13.82
	-14.88	**-1.21**	**-0.41**	**-6.54**	**1.81**	**3.87**	**-17.36**

The value adjustment column reflects additions to loans and receivables in the amount of EUR 2.77 million (previous year: EUR 5.88 million), which have been recorded in value adjustment accounts. The reversal of impairment loss account relates only to reductions in the corresponding value adjustments.

Exchange gains and losses cannot be shown separately for loans and receivables on the one hand and financial liabilities on the other, since separate data capture is not supported by IT structures.

38. Asset-backed securities

In 2007 companies in the steel and metals recycling segment entered into a framework receivables purchase and management agreement with Portigon AG (formerly, WestLB AG) in order to participate in the ABS proM programme it administers for the securitisation of receivables – the so-called “Asset Backed Securities – ABS”. In 2011 this contract was extended for another four years and has a term that extends to 2015.

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

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

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

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

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

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

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

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

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

As of December 31, 2012, a total volume of EUR 62.30 million (previous year: EUR 61.70 million) in trade receivables has been sold to the SPV. Previous to the balance sheet date, EUR 11.50 million (previous year: EUR 11.30 million) was allocated against income to the default reserve from the receivables sold to the SPV. Revenues realised from default reserves released as a result of deposits to receivables amounted to EUR 11.49 million (previous year: EUR 11.27 million). From collections made between the sales date preceding the balance sheet date and December 31, liabilities in the amount of EUR 26.81 million (previous year: EUR 26.16 million) remain after deduction of the released reserves. These liabilities are secured by the pledging of a total of seven collection accounts maintained at two banks in this connection.

As at the balance sheet date receivables from the SPV from the retained receivables dilution reserve and transaction cost reserve amounting to EUR 3.80 million (previous year: EUR 3.85 million) have been recorded.

Since 2011 EUROPE METALS B.V., Heeze/the Netherlands, function as Dutch seller and EUROPE METALS Asia Ltd. Hong Kong/China as Hong Kong seller and thus as originators themselves.

As opposed to the German seller, these two companies do not sell receivables already created, but future claims from the sale of goods already dispatched to the buyer.

The cash inflow from this sale is accounted for as a short-term loan. This loan is reduced by the receivable that is created during the course of the transfer of risk.

As of December 31, 2012, a total volume of EUR 2.08 million (previous year: EUR 7.18 million) in trade receivables has been sold to the SPV.

From collections made between the sales date preceding the balance sheet date and December 31, liabilities in the amount of EUR 1.61 million (previous year: EUR 6.31 million) remain after deduction of the released reserves. These liabilities are secured by the pledging of a total of three collection accounts maintained at two banks in this connection.

As at the balance sheet date receivables from the SPV from the retained receivables dilution reserve and transaction cost reserve amounting to EUR 0.03 million (previous year: EUR 0.14 million) have been recorded.

The Dutch and Hong Kong sellers do not create a default reserve as is done with the receivables sold by the German seller.

39. Related party disclosures

The main shareholder of ALBA SE is ALBA KG, in which the chairman of the Board of Directors and the chairman of the Supervisory Board of ALBA SE each hold 50 percent indirectly.

Via ALBA KG, the chairmen of the Board of Directors and the Supervisory Board are attributed an indirect holding of 85.324 percent of shares issued in ALBA SE as at December 31, 2012.

In the course of operational business the companies in the ALBA SE Group obtain materials, supplies and services from numerous business partners Europe-wide. Among them are companies in which the ALBA SE Group holds an interest, as well as companies that have connections with the chairmen of the Board of Directors and Supervisory Board of ALBA SE.

(a) Information on companies associated with the Interseroh Group

The ALBA SE Group maintains normal business relationships with associated, unconsolidated subsidiaries. Transactions with these companies are minor in scope, result from normal business transactions and are entered into at market conditions.

Business relationships with holdings are as a rule related to the customary business activities with the companies invested in, are entered into according to market conditions and are minor in scope.

As at December 31, 2012, there are outstanding receivables from the holding The ProTrade Group LLC, totalling EUR 1.89 million from loans extended by a company within the Group.

No securities and/or guarantees have been granted to holdings or unconsolidated subsidiaries.

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

In connection with the control and profit transfer agreement, ALBA SE's income under commercial law in the amount of EUR 35.28 million was transferred to ALBA KG. The corresponding obligation is shown under other liabilities (Note 33).

The companies of the ALBA SE Group maintain normal business relationships with ALBA KG. This also applies to the Group allocation contract entered into in 2012, which resulted in expenses in the amount of EUR 5.56 million in the year under review. These transactions result from normal business transactions and are entered into at market conditions.

During the year under review a cash pooling agreement was entered into between the ALBA SE Group and ALBA KG. This has existed since July 1, 2011, for ALBA SE. The cash pooling receivables have an interest rate of 2.0 percent

and the cash pooling liabilities an interest rate of 6.0 percent. The net balance of cash pooling receivables as at the balance sheet date is reported under financial assets (Note 21).
Interest expense and income arising from the cash pooling arrangement may be found in investment and finance income (Note 14).

Contingent liabilities between ALBA SE and ALBA KG are based primarily on the ALBA KG syndicated loan agreement entered into in the year under review, in which the ALBA SE Group is integrated. Please refer to Note 36 in this connection.

The following table shows the major supply and services rendered to related parties, excluding ALBA KG, or received from related parties:

Type of business event	2012 EUR million	2011 EUR million
Purchase of goods	38.66	47.75
Sale of goods	50.56	36.77
Purchased services	30.30	43.40
Services rendered	4.51	9.72
Other operating income	4.74	2.09
Other operating expense	4.42	4.25
Interest income	0.00	0.31

The balances shown under associated companies relate to the companies of the ALBA Group that are not part of the ALBA SE's scope of consolidation. These can be found in the individual sections of the Notes. Balances with associated unconsolidated companies are included as well, although on the whole the amounts are immaterial.

Please refer to Note 40 for information on the remuneration of members of the Board of Directors and the Supervisory Board.

In addition to his activity as a member of the Supervisory Board, Dr. Werner Holzmayer received payments for services totalling EUR 0.02 million in 2012 (previous year: EUR 0.11 million).

In addition to his activity as a member of the Supervisory Board, Mr. Peter Zühlsdorff purchased no goods from related parties in 2012 (previous year: EUR 0.19 million).

In addition to his activity as a member of the ALBA SE Board of Directors, Mr. Joachim Wagner purchased services in the amount of EUR 0.29 million in 2012 (previous year: EUR 0.28 million) from related parties.

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

The shareholdings of all other members of the Supervisory Board and Board of Directors as of December 31, 2012, were neither directly nor indirectly more than one percent of the shares issued by the company. Total shareholdings of all other members of the Supervisory Board and Board of Directors also fell short of one percent on the closing date.

40. Board of Directors and Supervisory Board

(a) Board of Directors

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

- Dr. Axel Schweitzer, Berlin (Chairman)
- Joachim Wagner, Frankfurt

Compensation paid to members of the Board of Directors, including former members, in the 2012 fiscal year amounted to EUR 1.53 million (previous year: EUR 2.48 million). This amount contains a variable compensation component of EUR 0.89 million (previous year: EUR 1.82 million). In fiscal 2012 obligations under undistributed variable remuneration components for the Board of Directors in the amount of EUR 0.02 million (previous year: EUR 0.08 million) were liquidated and charged to profit and loss. The allocation to the pension provision for Board of Director members totalled EUR 0.09 million (previous year: EUR 0.16 million). A total of EUR 1.46 million (previous year: EUR 1.52 million) has been provided for pension obligations for former Board of Director members and their next-of-kin.

Above and beyond this amount, no additional remuneration was paid to former members of the Board of Directors and related persons for consultancy services (previous year: EUR 0.05 million).

Total remuneration for individual Board of Directors members is determined by the Supervisory Board in a plenary session, including any Group payments, based on a performance assessment. The individual Board of Director member's tasks, his personal performance, the financial situation, the success and future prospects of the Company constitute the criteria for the appropriateness of remuneration; other criteria include customary remuneration in the comparator environment and the remuneration structure that applies elsewhere in the ALBA SE Group.

The professional functions exercised by the members of the Board of Directors consist of the Company’s management and representation. Dr. Axel Schweitzer, moreover, functions as Chairman of the Board of Directors of ALBA KG. Mr. Joachim Wagner is a member of the Board of Directors of ALBA KG.

A share in the total equity capital of ALBA SE in the amount of 85.324 percent and, therefore, voting rights from 8,395,849 shares were attributable to Dr. Axel Schweitzer as at the balance sheet cut-off date of December 31, 2012.

Effective January 1, 2013, the Supervisory Board appointed Rob Nansink to the ALBA SE Board of Directors. He is responsible for trading and for reinforcing the international orientation of the steel and metals recycling segment. He is also supervising the expansion of the “non-ferrous metals” business area.

(b) Supervisory Board

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

Supervisory Board Member (Profession)	Membership in Committees of the Supervisory Board of ALBA SE	Membership in other statutory Supervisory Boards	Membership in other controlling boards in terms of section 125, par. 1, clause 5 (2) of the German Companies Act
Mr. Dr. Eric Schweitzer Berlin Chairman (Member of the Board of Directors of Alba Group plc & Co. KG, Berlin)	Presiding Committee Nominating Committee Personnel Committee		
Mr. Friedrich Carl Janssen Cologne Deputy Chairman (Private individual)	Presiding Committee Nominating Committee Personnel Committee		
Mr. Peter Zühlsdorff Berlin Deputy Chairman (Businessman, Deutsche Industrie Holding GmbH, Frankfurt am Main)	Presiding Committee Nominating Committee Personnel Committee Audit Committee	OBI Group Holding GmbH, Wermelskirchen (Chairman) Kaiser's Tengelmann AG, Viersen (Chairman) YOC AG, Berlin	Tengelmann Verwaltungs- und Betriebs GmbH, Mühlheim a.d. Ruhr (Advisory Committee) Dodenhof Gruppe, Posthausen (Chairman of Advisory Committee) KMS Group Management GmbH, Viersen (Chairman of Advisory Committee) departed on December 31, 2012 GfK Nürnberg e.V., Nuremberg (President of Presiding Committee) ALBA Group plc & Co. KG, Berlin (Advisory Committee) Berlin Partner GmbH, Berlin (Supervisory Board) departed in February 2012
Mr. Dr. Werner Holzmayer Cologne (Auditor, lawyer, tax adviser at Ebner Stolz Mönning Bachem Wirtschaftsprüfer, Steuerberater, Rechtsanwälte Partnerschaft, Cologne)	Chairman of Audit Committee	Intersport Deutschland e.G., Heilbronn Sintra KGaA, Cologne	Dr. Jürgen Meyer Holding GmbH, Mühlheim (Advisory Committee Spokesperson) Dr. Jürgen Meyer GmbH, Mühlheim (Advisory Committee Spokesperson)
Mr. Joachim Edmund Hunold Dusseldorf (Businessman)		Kick Media AG, Cologne Goal Sky AG, Dusseldorf	AIR BERLIN PLC & Co. Luftverkehrs KG, Rickmansworth, UK
Mr. Roland Junck Zurich, Switzerland (CEO Managing Director at Nyrstar NV, Balen, Belgium; Consulting Engineer)	Audit Committee		AGFA GEVAERT N.V., Mortsel, Belgium SAMHWA Steel S.A., Krakelshaff-Bettembourg, Luxembourg

Liabilities totalling EUR 0.24 million (previous year EUR 0.24 million) were created for the remuneration of members of the Supervisory Board for the period from January 1 to December 31, 2012. No loans had been extended to members of the Supervisory Board as at December 31, 2012. No loans were repaid during the year under review.

A share in the total equity capital of ALBA SE in the amount of 85.324 percent and, therefore, voting rights from 8,395,849 shares were attributable to Dr. Eric Schweitzer as at the balance sheet cut-off date of December 31, 2012.

41. Employees

The average number of employees is reflected below:

	2012	2011
Salaried employees	957	1,015
Industrial workers	953	944
	1,910	1,959

42. Auditors' Fee

The audit fee recorded as expense in the fiscal year in accordance with section 319, paragraph 1, clause 1, 2 of the German Commercial Code amounts to EUR 0.83 million (previous year: EUR 1.02 million). EUR 0.62 million (previous year: EUR 0.66 million) is attributable to the year-end audit, EUR 0.10 million (previous year: EUR 0.15 million) to other confirmation services, EUR 0.02 million (previous year: EUR 0.15 million) to tax advisory services and EUR 0.09 million (previous year: EUR 0.06 million) to other services.

43. Events After The Balance Sheet Date

INTERSEROH Scrap and Metals Holding GmbH signed an agreement on December 21, 2012, to acquire 65 percent of the shares of ZG Balkan Holding GmbH, Berlin (to operate under the name "ALBA Balkan Holding GmbH" in future). The latter had in turn previously signed an agreement to acquire all shares in Reukema Balkan SRL, Bucharest, Romania (to operate under the name "ALBA Balkan Recycling SRL"). Reukema Balkan SRL for its part holds all shares in Reukema Metali d.o.o., Pancevo, Serbia (to operate under the name "ALBA Metali d.o.o." in future), as well as Reukema Metali BH d.o.o., Doboj, Bosnia-Herzegovina (to operate under the name "ALBA Metali BH d.o.o." in future).

The companies together operate twelve scrap yards in Croatia, Bosnia-Herzegovina, Serbia, Montenegro and Romania. As part of the acquisition of the companies named above, companies established for this purpose, fully-owned subsidiaries of ALBA Balkan Holding GmbH, also acquired four ships suitable for transporting scrap.

The goal of the acquisition is to expand activities in the Balkans and to strengthen the position as supplier for steel works in Turkey. Integration of the companies will positively impact both sales and earnings of the ALBA SE-Group. Capital expenditures will be required, to be financed via ALBA KG. Completion of the transaction was initially contingent upon the approval of the responsible anti-trust authorities in Turkey, as well as the expiration of an appeals deadline for third parties at the Romanian commercial register. Anti-trust authorities approved the transaction on February 7, 2013; the appeals deadline expired on March 1, 2013. Transfer of control under the transaction took place on March 6, 2013.

EUR 5.63 million was paid in connection with the transaction. Of this amount EUR 0.13 million was contributed to share capital and EUR 3.27 million as premium to capital reserves. Another EUR 2.23 million were added by paying the shares in the shipping companies into the reserve. Of this amount EUR 2.1 million is allocated to previously acquired receivables vis-à-vis the seller of the ships, which was offset against the purchase price on acquisition. The minority interests investing in the holding company did not pay any contributions to the capital reserve. Previous to hidden reserves and liabilities and based on unaudited figures, non-current assets in the amount of EUR 1.12 million, current assets in the amount of EUR 6.92 million and current liabilities in the amount of EUR 5.02 million were acquired. Since the identification of the acquired assets and their fair value, as well as the accounting assessment, had not yet been concluded at the time of the preparation of the consolidated financial statements, no reliable information on goodwill and the shares of minority interests can be presented.

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

44. Corporate Governance Pursuant To Section 161 Of The German Companies Act

The Board of Directors and Supervisory Board of ALBA SE issued their annual declaration on the recommendations of the “Government Commission on the German Corporate Governance Code” in December of 2012 and posted it on the Company’s website (www.alba-se.de, Investor Relations, Corporate Governance, Declarations of Compliance), thereby affording permanent access to the Company’s shareholders.

45. Exemption Option pursuant to section 264, paragraph 3 of the German Commercial Code

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

- INTERSEROH Management GmbH, Cologne
- INTERSEROH Product Cycle GmbH, Cologne
- INTERSEROH Pfand-System GmbH, Cologne
- INTERSEROH Pool-System GmbH, Cologne
- Repasack Gesellschaft zur Verwertung gebrauchter Papiersäcke mbH, Wiesbaden
- INTERSEROH BW Rohstoff und Recycling GmbH, Stuttgart
- INTERSEROH NRW GmbH, Dortmund
- INTERSEROH Evert Heeren GmbH, Leer
- INTERSEROH Franken Rohstoff GmbH, Sennfeld
- INTERSEROH Jade-Stahl GmbH, Wilhelmshaven
- INTERSEROH Rhein-Neckar Rohstoff GmbH, Mannheim
- INTERSEROH Scrap und Metals Trading GmbH, Cologne
- INTERSEROH Hansa Rohstoffe GmbH, Dortmund
- INTERSEROH SEROG GmbH, Bous
- INTERSEROH Stainless Steel GmbH, Dortmund
- INTERSEROH Hansa Finance GmbH, Dortmund
- Wagner Rohstoffe GmbH, Frankfurt
- Elvira Westarp GmbH, Aschaffenburg

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

- INTERSEROH Dienstleistungs GmbH, Cologne
- INTERSEROH Scrap and Metals Holding GmbH, Dortmund
- Brandenburgische Boden Gesellschaft für Grundstücksverwaltung und-verwertung mbH, Zossen

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

46. Inclusion in the consolidated financial statements under commercial law

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

47. Affirmation by the Legal Representatives pursuant to sections 297, paragraph 2, clause 4, and 315, paragraph 1, clause 6, of the German Commercial Code (HGB)

We affirm that, to the best of our knowledge, and in line with the applicable accounting principles the consolidated financial statements present a true and fair view of the Group's net assets, financial position and results of operations and that the Group's management report reflects the course of business, including the business results and situation of the Group, such that an accurate picture is conveyed and the key risks and opportunities of the Group's anticipated developments are described.

Cologne, March 20, 2013

ALBA SE

The Board of Directors

Dr. Axel Schweitzer   Rob Nansink   Joachim Wagner

Imprint

ALBA SE

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