



**INTERSEROH Aktiengesellschaft
zur Verwertung von Sekundärrohstoffen**

Interim financial report
of the
INTERSEROH Group

for the period from 1 January 2007 to 30 June 2007

Group Management Report for the period from 1 January 2007 to 30 June 2007

INTERSEROH

Aktiengesellschaft zur Verwertung von Sekundärrohstoffen

Cologne

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

A. Framework Conditions

1. General Economic Development

During the first half of 2007, the German economy grew robustly. This was due to favourable export surpluses generated by expansion in the global economy and investment in construction and equipment. As anticipated, private consumption picked up at the beginning of the year, a belated consequence of very elevated demand prior to the rise in value added tax. Since April consumption in private households has been rising. Towards the middle of the year, economic growth lost its verve. According to analysts this was the combined result of the high rate of the Euro, elevated energy prices, a weaker US economy, and interest rate increases by the European Central Bank.

2. Legal framework conditions

To assure disposal of household packaging via dual systems, the Packaging Ordinance is to be revised. Due to pending discussion points the adoption of the new version, originally planned by the Federal Environment Ministry for mid-2007, has been postponed. No information is available regarding a new revision date.

B. Business development

1. Sales revenues and earnings

Consolidated sales revenues amounted to EUR 900.9 million in the first six months of the year (previous year: EUR 572.4 million). EBT totalled EUR 34 million (previous year: EUR 15.9 million) and EBIT was EUR 38 million (previous year: EUR 17.3 million). The steel and metals recycling segment generated sales revenues of EUR 646.8 million (previous year: EUR 424.7 million). Sales revenues in the services and raw materials segment rose from EUR 148.8 million to EUR 255.2 million. An amount of EUR 1.2 million was consolidated between the two segments (previous year: EUR 1.2 million).

A high demand for scrap and, as in fiscal 2006, especially for non-ferrous metals, led to a jump in sales revenues and earnings in the steel and metals recycling segment. The consolidation of the companies acquired at the beginning of 2007 also contributed positively to development.

The new services launched during fiscal 2006 were well-received in the market. When comparing sales revenues and earnings for the first six months of 2007 with corresponding values from the previous year, one must take into account that sales from the deposit system were only realised starting 1 May 2006. It was at this time that the stand-alone solutions for disposable packaging devised by the large discounters were abolished. The nation-wide attraction of new customers in the area of household packaging only started with the nation-wide authorisation of the Dual System Interseroh in August of 2006.

Above all, higher paper prices, in addition to the traded PET disposable packaging from the deposit business, resulted in a significant increase in sales revenues and earnings in raw materials trading. Moreover, when comparing this year's performance with the first half of 2006, Belgian trading activities, consolidated since July 2006, need to be taken into consideration.

2. Steel and Metals Recycling

The steel and metals recycling segment performed extremely well. Steel scrap prices climbed almost continuously during the period under review; a slight price drop was noted in May alone. Overall demand from steel works was good. The stock business, i.e. transshipment and processing, was expanded at Interseroh locations. Adjusted for expansion, traded steel scrap tonnage was below the prior year's level as a result of the discontinuance of further low-margin drop shipping, i.e. pure trading.

Strong demand for non-ferrous metals in the first half of the year also caused prices to rise. Adjusted for expansion, the Interseroh Group's traded tonnage increased. Not only sales business, but also the stock business contributed to this.

INTERSEROH Hansa Recycling GmbH, Dortmund, where management and coordination of Group-wide activities in steel and metals recycling take place, acquired the following interests during the period under review:

Acquisitions included all shares in the RuP Rohstoffhandelsgesellschaft mit beschränkter Haftung, Düsseldorf, effective 1 January 2007, and 83.2 percent of the shares in Wagner Rohstoffe GmbH, Frankfurt am Main, effective 1 March 2007.

100% of RuP Rohstoffhandelsgesellschaft in Düsseldorf was acquired on 1 January 2007. The previous share of 50 percent in TOM Sp.z o.o. in Szczecin, Poland, was increased to 70 percent, effective 1 January 2007.

These investments strengthen Interseroh's regional presence and consequently its access to scrap.

3. Services and Raw Materials Trading

The new business areas of Dual System Interseroh and the deposit system produced increasing sales revenues in particular during the period under review. As expected, margins in the services field continued under pressure due to strong competition.

Developments in transport packaging recycling were in line with the previous year, while new customers were attracted in the sales packaging arena. A successful indirect sales channel has been opened, in addition to direct sales, in the area of sales packaging recycling.

Sales revenues in the Full Service area – branch store and warehouse disposal, as well as recycling of materials extracted – receded during the period under review as compared to the first half of 2006, whereas sales revenues in e-scrap (electrical and electronic scrap) recycling fluctuated at the previous year's level.

The number of disposable packages recorded and counted in the deposit system grew.

In the medium term, the European legal framework will apply to the return and recycling of used packaging, waste electrical equipment, and other products in new EU member states. During the period under review, Interseroh received approval in Slovenia as a system operator for the collection and recycling of household packaging. Interseroh is also prepared to offer recycling services in Poland, Hungary, and Croatia with additional subsidiaries.

The paper recovery market was also characterized by rising prices during the first half of 2007. INTERSEROH Rohstoffe GmbH was able to increase its traded tonnage of recovered paper. Belgian trading activities acquired in mid-2006 also contributed to this increase. Sales revenues of INTERSEROH France S.A.S. increased as a result of recovered paper prices. Quantities fluctuated at the level of the first six months of 2006.

Prices for plastics fluctuated on average at previous year's levels. Whereas foil and EPS (expanded polystyrene) also fluctuated at the prior year's levels, Interseroh achieved increases in the traded PET disposable packaging under the deposit system.

Acquisition prices payable at the wood branch offices for materials delivery were under pressure owing to the continued high demand for waste wood; however, it was possible to increase selling prices accordingly. The traded quantity of waste wood grew after adjusting for expansion. The terms between the NRW wood branch office and the biomass-fuelled combined heating and power plant in Lünen have not been conclusively negotiated. Despite the resulting value adjustments, the wood segment contributes positively to the Interseroh Group's earnings.

4. Presentation and Explanation of the Earnings and Financial Position

a) Earnings position

	First half of 2007		First half of 2006		Change
	EUR million	%	EUR million	%	EUR million
Sales revenues	900.87	100.3	572.38	99.6	328.49
Increase/Decrease in inventories	-2.31	-0.3	2.21	0.4	-4.52
Total performance	898.56	100.0	574.59	100.0	323.97
Cost of materials	-773.01	-86.0	-485.17	-84.4	-287.84
Gross profit	125.55	14.0	89.42	15.6	36.13
Other operating income	4.10	0.4	2.16	0.3	1.94
Operating income	129.65	14.4	91.58	15.9	38.07
Personnel costs	-40.48	-4.5	-35.28	-6.1	-5.20
Scheduled depreciation	-8.53	-0.9	-5.80	-1.0	-2.73
Operating and administrative expenses	-25.90	-2.9	-20.29	-3.5	-5.61
Selling expenses	-18.89	-2.1	-16.75	-2.9	-2.14
Non profit related taxes	-0.85	-0.1	-0.60	-0.1	-0.25
	-94.65	-10.5	-78.72	-13.6	-15.93
Operating result	35.00	3.9	12.86	2.3	22.14
Investment result	1.28	0.1	1.45	0.3	-0.17
Interest result	-4.00	-0.4	-1.38	-0.3	-2.62
Other financial result	0.12	0.0	0.07	0.0	0.05
Result from ordinary operations	32.40	3.6	13.00	2.3	19.40
Extraordinary depreciation	-0.10		-0.01		-0.09
Results relating to other periods	1.72		2.96		-1.24
Earnings before taxes	34.02		15.95		18.07
Taxes on income	-14.45		-6.92		-7.53
Consolidated net income	19.57		9.03		10.54
Profit/Loss for other shareholders	-1.00		-0.45		-0.55
Consolidated unappropriated net income	18.57		8.58		9.99

Sales revenues rose by 57.4 percentage points (EUR 328.49 million) compared to the previous year. This increase is chiefly due to increases in prices and quantity in the steel and metals recycling segment, the launch of new services in the services and raw materials trading segment, and the consolidation of the companies acquired in the first half of 2007.

Personnel costs increased by 14.8 percentage points (EUR 5.20 million) compared to the previous year. This can be attributed primarily to the increase in the number of employees.

The number of employees in the Interseroh Group averaged 1,601 in the first half of 2007 (previous year: 1,384). On average, 961 individuals (prior year: 731) were engaged in the steel and metals recycling segment. The number of those working in the services and raw materials trading segment totalled 640 on average (prior year: 652).

The increase in **selling expenses** of EUR 2.14 million parallels continued expansion in business activities, especially in the development of new fields of business in the Group's services and raw materials trading segment.

Positive **results relating to other periods** are composed, on the one hand, of revenues from the retransfer of provisions and value adjustments on receivables, and on the other hand, of expenditures related to additions to value adjustments on receivables.

Taxes on income and gains increased by an absolute sum of EUR 7.53 million due to increased earnings before taxes on income compared to the previous year. The tax rate decreased by 0.9 percent to 42.5 percent.

b) Financial position

	30.06.2007		31.12.2006		Change
	EUR million	%	EUR million	%	EUR million
Assets					
Intangible assets	63.17	10.0	26.61	6.0	36.56
Property, plant, and equipment	104.18	16.5	81.87	18.3	22.31
Holdings recognised at equity	4.49	0.7	7.48	1.7	-2.99
Financial assets	5.04	0.8	4.17	0.9	0.87
Other receivables	1.90	0.3	0.31	0.1	1.59
Deferred tax claims	7.42	1.2	6.65	1.5	0.77
Long-term assets	186.20	29.5	127.09	28.5	59.11
Inventories	56.98	9.0	47.20	10.6	9.78
Trade debtors	219.20	34.8	188.46	42.3	30.74
Financial assets	14.65	2.3	2.43	0.5	12.22
Other receivables	41.83	6.6	36.99	8.3	4.84
Current income tax claims	6.95	1.1	13.91	3.1	-6.96
Liquid assets	104.23	16.5	29.91	6.7	74.32
Short-term assets	443.84	70.4	318.90	71.5	124.94
	630.04	100.0	445.99	100.0	184.05

	30.06.2007		31.12.2006		Change
	EUR million	%	EUR million	%	EUR million
Liabilities					
Subscribed capital	25.58	4.1	25.58	5.7	0.00
Reserves	126.14	20.0	107.74	24.2	18.40
Proportion of equity attributable to INTERSEROH AG shareholders	151.72	24.1	133.32	29.9	18.40
Minority interests	5.24	0.8	2.00	0.4	3.24
Equity	156.96	24.9	135.32	30.3	21.64
Provisions for pensions	20.38	3.2	20.02	4.5	0.36
Other long-term provisions	5.46	0.9	5.41	1.2	0.05
Deferred tax liabilities	10.91	1.7	5.72	1.3	5.19
Financial liabilities	118.94	18.9	38.88	8.7	80.06
Other long-term liabilities	0.05	0.0	0.05	0.0	0.00
Long-term debt	155.74	24.7	70.08	15.7	85.66
Provisions	4.82	0.8	4.63	1.0	0.19
Current income tax liabilities	17.00	2.7	8.55	1.9	8.45
Financial liabilities	45.35	7.2	20.83	4.7	24.52
Trade creditors	192.09	30.5	151.80	34.1	40.29
Other short-term liabilities	58.08	9.2	54.78	12.3	3.30
Short-term debt	317.34	50.4	240.59	54.0	76.75
	630.04	100.0	445.99	100.0	184.05

The Group's **balance sheet total** increased by EUR 184.05 million (41.3%) to EUR 630.04 million in the first half of 2007.

Long-term assets have increased primarily in the area of intangible assets (addition of goodwill within the scope of business acquisitions in the amount of EUR 36.2 million), in property, plant, and equipment due to the expansion of the scope of consolidation (additions to carrying value: EUR 17.9 million), as well as large current investments (EUR 13.0 million).

The increase in **short-term assets** may be attributed mainly to the increase in cash and cash equivalents, as well as higher trade debtors – in the main, due to greater sales revenues in the two Group segments. The increase in cash and cash equivalents stems from the use of financing with a stronger external focus in the steel and metals recycling segment and the resulting liquidity inflows.

The **equity ratio** in the Group has decreased by 5.4 percentage points to 24.9 percent from 30.3% as of 31 December 2006 owing to the considerable increase in total assets.

Higher **long-term debt** originates in particular from the assumption of a promissory note in the steel and metals recycling division.

The increase in **short-term debt** is attributable mainly to the increase in trade creditors – in turn caused by the increase in sales revenues in the two Group segments – and the financial liabilities. Financial liabilities chiefly include liabilities from settled receivables arising from the first-time asset-backed securities program in the steel and metals recycling segment. The liquidity generated by the settled receivables is appropriated by the purchaser of the receivables.

5. Foreseeable Development, Possible Opportunities, and Potential Risks

Most economic research institutes do not anticipate an end to the economic upswing in Germany, which is stimulated by exports in particular.

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

Steel and Metals Recycling

Demand for steel and metal scrap will continue to be high, according to the experts. Interseroh already has a network of circa 50 steel and metal recycling sites, as well as trading offices in Germany, Poland, and the Netherlands. Further growth is likely primarily in Germany and in Eastern Europe. In addition to Poland, the Baltic States are a relevant region for Interseroh.

One potential risk is the volatility of scrap prices. Interseroh counters this risk by maintaining inventories in conformity with market requirements.

Another potential risk arises from the EU Waste Shipment Ordinance. Implementation, which is flawed according to experts, has been hampering the export of scrap to individual countries since the middle of July. As a result unplanned warehousing costs may be incurred until the amendment of the EU Commission announced for the autumn of 2007.

Interseroh anticipates declining prices in the steel and metals recycling segment for the third quarter of 2007 and a corresponding decrease in results compared to the first half of 2007.

Services and Raw Materials Trading

With the line of services it offers, Interseroh is developing into a full-range supplier of waste disposal services for trade and industry. Interseroh is especially counting on further growth in the areas of sales packaging and full service. The Interseroh services division is dependent on regulatory requirements. Consequently, changes in these regulatory requirements offer opportunities, but also harbour considerable risks.

The risk of a possible collapse of the dual system must be viewed in this light. The amendment of the Packaging Ordinance, which has been planned for a year, is intended to ensure that copycats participate in the system in the future – and thus contribute to its financing. Copycats are companies that pay only partially, or not at all, for the return and recycling of their sales packaging.

In the event that the Packaging Ordinance is not amended in the near future and the free-riders thereby integrated into the system, financing of disposal costs from proceeds can no longer be assured and the system may collapse. The growth theme of the Interseroh Dual System would become moot. Consequences would include significant reductions in sales revenues and results in the business segment of services and raw materials trading.

The services business will continue to be characterised by intense competition from service providers resulting in pressure on margins. Moreover, the market is likely to be marked by increasing consolidation and concentration among the logistics and recycling partners.

Interseroh plans to develop a larger, international raw materials base. This is a necessary consequence of the concentration of raw materials customers and the rising demand in terms of supply quantities and quality. New collection markets for secondary raw materials include the new EU member states of Central and Eastern Europe. Interseroh has, therefore, begun to build countrywide take-back systems in these countries.

INTERSEROH Dienstleistungs GmbH was restructured in the middle of 2007 in order to optimise internal processes. The hitherto functional organisation was replaced by a business unit organisation. Operational IT structures, obsolete and strategically risky, were abolished at the same time. Adjustments will be finalised by the middle of fiscal 2008.

Environmental protection

Since legal regulations for environmental protection are subject to continuous change and are becoming increasingly stringent, and since further tightening will occur as a result of new EU directives, investment may be required in future – although the level and timing of such investment is difficult to predict.

Taxes

On 6 July 2007, the Federal Council voted to adopt the 2008 corporate tax reform. Accordingly, the corporate tax rate will fall to 15 percent starting in 2008. In the present mid-year financial report as of 30 June 2007, deferred taxes were calculated at the rate still in force. The legislative process had not advanced sufficiently as of the June 30th balance sheet date to justify the application of future tax rates for latent taxes. As a result, a combined corporate Group tax rate of 39.9 percent was used for the present report. In the financial statements for the year under review from 1 January 2007 to 31 December 2007, the anticipated future corporate group tax rate of approximately 32 percent will be used as a basis for deferred taxes. The calculation of current income taxes will be undertaken with the tax rates still applicable at the time.

6. Risk situation

The major risks for the Interseroh Group are defined as follows:

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

The following changes have occurred compared to the 2006 financial statements:

The probability of occurrence of individual risks in the first two quarters of 2007 compared to the aggregate value calculated for fiscal 2006 is considered slightly lower for six of the eight risk areas and higher in two risk areas. In two cases, the classification of 'low' is exceeded.

The individual changes compared to the evaluation the 2006 financial statements arise chiefly from the improved assessment of strategy in the steel and metals recycling division, in services, and for INTERSEROH France S.A.S.

The values for risk impact are set higher than the previous year in four cases for the first two quarters of 2007 in accordance with estimates of those responsible. A slight increase is seen for investment and finance risks. The overall risk assessment range – moderate – remains the same.

From the perspective of the Group, the following risk-relevant issues have been identified:

- Negative influences on earnings and market share in the services segment owing to ongoing consolidation in the waste management industry with the expectation of larger, more comprehensive groups of waste management companies based on systems and raw materials.
- Changes to the Packaging Ordinance impacting sales revenues and earnings and the discontinuance of individual fields of business in the Group's services and raw materials trading segment. In this light, the continued delay in the amendment to the Packaging Ordinance possibly resulting in the collapse of the dual system is of particular relevance. This would invalidate the Dual System Interseroh service and lead to significant losses in sales revenues and earnings in this segment.
- Increased competition in the steel and metals recycling segment as a result of large mergers.

External financing costs of the Interseroh Group have not increased greatly as a result of the general rise in interest rates. Variable interest obligations are hedged based on maturity.

C. Other

1. Supervisory Board

The General Shareholders' Meeting resolved on 21 June 2006 to reduce the Supervisory Board to six members. The following individuals are currently members of the Supervisory Board of INTERSEROH AG: Dr. Axel Schweitzer (Chairman), Berlin, Friedrich Carl Janssen (Deputy Chairman), Cologne, Hans-Jörg Vetter (Deputy Chairman), Königstein/Taunus, Joachim Hunold, Düsseldorf, Friedrich Merz, Arnsberg, Dr. Eric Schweitzer, Berlin.

2. The Share

The positive performance of the Interseroh Group was also reflected in the movements of the share price. When the stock exchange opened on 2 January 2007, the Interseroh share was quoted at EUR 30.12 in XETRA trading and the price increased to EUR 51.20 in the period under review. The closing price on June 30th was EUR 48.00. The Interseroh Management Board and Investor Relations Officers held numerous talks with shareholders and potential investors from Germany and abroad. All the items on the agenda for the ordinary General Shareholders' Meeting on 21 June 2007 were approved by large majority. By resolution, the dividend was set at 11 cents per share.

At the end of July 2007, Isabell Finance Vermögensverwaltungs GmbH & Co. KG, Berlin, informed the Management Board of INTERSEROH AG that its share of voting rights was at 50.036 percent.

INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen, Cologne

Consolidated balance sheet as of 30 June 2007

ASSETS			LIABILITIES				
	30.06.2007 EUR	31.12.2006 EUR		30.06.2007 EUR	30.06.2007 EUR	31.12.2006 EUR	31.12.2006 EUR
Long-term assets			Equity				
Intangible asset	63,172,814.90	26,613,382.50	Share of equity attributable to the shareholders of the parent company				
Property, plant, and Holdings recognized at equity	104,180,930.61 4,492,781.31	81,869,952.31 7,483,752.54	Subscribed capital	25,584,000.00		25,584,000.00	
Financial assets	5,039,245.28	4,167,014.50	Reserves	126,138,575.68	151,722,575.68	107,736,898.88	133,320,898.88
Other receivables	1,895,093.43	303,559.74	Minority interests		5,242,326.41		1,997,211.47
Deferred tax claims	7,422,294.02	6,652,656.93			156,964,902.09		135,318,110.35
	<u>186,203,159.55</u>	<u>127,090,318.52</u>					
Short-term assets			Debt				
Inventories	56,985,201.18	47,205,162.40	Long-term debt				
Trade debtors	219,195,515.18	188,459,623.36	Provisions for pensions and similar obligations	20,380,244.80		20,024,715.00	
Financial assets	14,647,454.35	2,431,944.65	Other long-term provisions	5,458,366.94		5,414,229.68	
Other receivables	41,827,382.10	36,988,606.76	Deferred tax liabilities	10,909,501.55		5,721,369.84	
Current income tax	6,955,507.41	13,907,083.57	Financial liabilities	118,940,238.43		38,878,960.34	
Cash and cash equivalents	104,230,019.49	29,911,875.80	Other liabilities	49,729.81	155,738,081.53	48,997.16	70,088,272.02
	<u>443,841,079.71</u>	<u>318,904,296.54</u>					
			Short-term debt				
			Provisions	4,823,120.97		4,632,140.53	
			Current income tax liabilities	16,998,947.02		8,545,112.27	
			Financial liabilities	45,350,754.87		20,834,696.06	
			Trade creditors	192,093,333.90		151,796,998.99	
			Other liabilities	58,075,098.88	317,341,255.64	54,779,284.84	240,588,232.69
					473,079,337.17		310,676,504.71
	<u>630,044,239.26</u>	<u>445,994,615.06</u>			630,044,239.26		445,994,615.06

INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen, Cologne

Consolidated Income Statement for the period from 1 January to 30 June 2007

	1st half of 2007 EUR	1st half of 2006 EUR
1. Sales revenues	900,874,035.59	572,384,141.66
2. Increase (previous year decrease) in finished goods and work-in-progress	-2,316,621.93	2,205,612.57
3. Other operating income	10,636,058.46	6,610,672.01
4. Cost of materials	773,011,094.40	485,168,071.33
5. Personnel costs	40,483,580.18	35,275,542.10
6. Amortisation and depreciation on intangible assets and property, plant, and equipment	8,534,984.23	5,797,860.26
7. Other operating expenses	50,445,954.70	39,149,807.05
8. Result from holdings recognised at equity	1,185,344.07	1,449,353.12
9. Financial earnings	1,052,839.32	445,368.99
10. Financial expenses	4,941,110.90	1,759,806.40
11. Earnings before taxes	34,014,931.10	15,944,061.21
12. Taxes on income and earnings	14,445,790.58	6,916,192.95
13. Consolidated result	19,569,140.52	9,027,868.26
14. Profit/Loss for other shareholders	-1,003,102.54	-446,960.78
15. Consolidated unappropriated net income	18,566,037.98	8,580,907.48
16. Undiluted earnings per share ¹⁾	1.89	0.87

¹ There were no dilutive effects

**Notes to the Interim Consolidated Financial Statements
for the period January 1, 2007, to June 30, 2007**

**INTERSEROH
Aktiengesellschaft zur Verwertung von Sekundärrohstoffen
Cologne**

1. Information on the Company

The Interseroh Group is one of the leading service and raw materials groups in Europe. The business activities of the group are divided into the segment of services and raw materials trading and the segment of steel and metals recycling. Within the scope of its activities, Interseroh organises recycling processes as a service provider, and delivers as a supplier more than five million tons of secondary raw materials a year to the paper, steel, plastics, and derived timber product industries, as well as biomass power stations.

The interim consolidated financial statements for the first six months of fiscal 2007 were released for publication by resolution of the Management Board on 27 August 2007.

2. Accounting and Valuation Policies

The interim financial statements for the period of 1 January to 30 June 2007 are prepared in accordance with the International Financial Reporting Standard (IFRS) IAS 34 "Interim Financial Reporting".

The consolidated interim financial statements do not contain all information and notes required under IFRS for the consolidated financial statements at the end of the fiscal year, and should be read in conjunction with the consolidated financial statements as of 31 December 2006.

The accounting and valuation policies applied in preparing the interim consolidated financial statements reflect the methods used in the consolidated financial statements for the fiscal year ending 31 December 2006. This also applies to the principles and methods applied for the assumptions and estimates required within framework of the interim financial statements.

A detailed description of the accounting policies is contained in the notes to the consolidated financial statements of 31 December 2006 and published in our 2006 annual report.

3. Consolidated Group

Below is a summary of the change in the scope of consolidation in the interim period under review.

Number of companies	fully consolidated	valued at equity	not included due to insignificance			Total
			interest > 50%	interest > 20% <=50%	interest < 20%	
As of 1 Jan.	30	5	19	17	9	80
Additions	5	1	6	0	0	12
Disposals	-1	-2	-1	-3	0	-7
As of 30 June	34	4	24	14	9	85

In addition to INTERSEROH AG, the consolidated financial statements as of 30 June 2007 also include a total of 27 domestic and six foreign subsidiaries within the scope of full consolidation. The fully consolidated companies fulfil the requirement that INTERSEROH AG directly or indirectly holds a majority of their voting rights. During the fiscal year, one company (INTERSEROH Nordmetall GmbH, Cologne) was merged with another subsidiary, thereby disappearing from the consolidated companies' list. All shares in the RuP Rohstoffhandelsgesellschaft mit beschränkter Haftung, Düsseldorf, were acquired effective 1 January 2007, and 83.2 percent of the shares in Wagner Rohstoffe GmbH, Frankfurt am Main were acquired effective 1 March 2007. Furthermore, another 20 percent of shares in TOM Sp. z o.o., Szczecin, Poland, and the remaining third-party shares in HR Hüttenwerkentsorgung GmbH, Mülheim an der Ruhr (50 %) were purchased during 2007. Additionally, a company still inactive in the previous year and therefore not consolidated (INTERSEROH Hansa Finance GmbH, Dortmund) has been added.

The consolidated financial statements of INTERSEROH AG include four (previous year, five) companies (three domestic and one foreign company) recognised at equity. The disposals of TOM Sp. z o.o., Szczecin, Poland, and HR Hüttenwerkentsorgung GmbH, Mülheim an der Ruhr, which are now fully consolidated owing to additional share acquisitions, are offset by the addition of 50 percent of the shares of TOM II Sp. z o.o., Szczecin, Poland.

In the period under review, a total of EUR 42.62 million was used for the acquisition of new companies (share deals RuP Rohstoffhandelsgesellschaft mit beschränkter Haftung, Düsseldorf and Wagner Rohstoffe GmbH, Frankfurt am Main, including Wirtz-Trading GmbH, Düsseldorf and Müller Rohstoffe GmbH, Linsengericht, which were merged retroactively as of 1 January 2007 with the two aforementioned companies). In addition to hidden reserves totalling EUR 2.81 million in land and buildings after the deduction of tax liabilities, goodwill of EUR 31.28 million was created. As a result of the acquisition of another 20 percent of shares in TOM Sp. z o.o., Szczecin, Poland, previously recognised at-equity, and its subsidiary TOM II Sp. z o.o., Szczecin, Poland, goodwill of EUR 4.64 million was generated at a purchase price of EUR 6.56 million. All purchase prices were settled exclusively by the transfer of funds.

4. Borrowers' note loans

In particular in order to finance the corporate mergers outlined under item 3 above, one of the consolidated companies took out several note loans totalling EUR 80 million on 18 April 2007. The loans are not collateralised and can be broken down as follows with respect to interest rates and terms:

	Term in year	Amount 20.06.2007 EUR million
5.035 % (fix)	3	9.75
6-Mon.-EURIBOR + 0.775 %	3	40.50
5.134 % (fix)	5	6.25
6-Mon. - EURIBOR + 0.875 %	5	23.50
		<u>80.00</u>

Loans with variable interest rates are hedged by appropriate hedging transactions (interest rate swaps).

5. Introduction of ABS financing

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

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

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

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

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

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

The sale of receivables in the consolidated financial statements is presented according to the “Risk-and-Reward-Approach” pursuant to IAS 39. Accordingly, receivables are written off the

balance sheet at their nominal value at the time they are transferred to the SPV. The default reserve created to take credit risks into account is recalculated at every purchase date for the newly sold receivables. It is fully recognised on the income statement under other operating expenses.

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

The remittances from trade debtors received as part of this service function between the time the receivables are sold and the balance sheet date are recognised as a liability to the SPV at their nominal value. They are reported under short-term 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 30 June 2007, a total volume of EUR 79.46 million in trade debtors has been sold to the SPV. EUR 1.43 million were allocated against income to the default reserve from the receivables sold to the SPV up to the balance sheet date. Revenues realised from default reserves retransferred as a result of deposits to receivables amounted to EUR 0.39 million. Between the sales date preceding the balance sheet date and June 30th, collections of EUR 17.40 million were made.

As of the balance sheet date, accounts receivable from the Irish SPV from retained receivables dilution reserves of EUR 9.84 million and transaction cost reserves of EUR 0.39 million were reported on the balance sheet.

6. Dividends paid out

In accordance with the resolution of the General Shareholders' Meeting on 21 June 2007, a dividend of EUR 0.11 per share (exclusively ordinary shares) was paid to the shareholders for fiscal 2006 (a total of EUR 1.08 million).

7. Segments

The companies of the Interseroh Group are divided into two segments, whereby all companies that undertake steel and metals recycling are assigned to the segment of the same name. All other companies are included in the services and raw materials trading segment. INTERSEROH AG is assigned entirely to the services and raw materials trading segment.

Segment revenues and earnings in the interim period under review are shown as follows:

	Steel and metals recycl.		Services and raw materials trading		Inter- segment consolidations		Group	
	First half of 2007 EUR million	First half of 2006 EUR million	First half of 2007 EUR million	First half of 2006 EUR million	First half of 2007 EUR million	First half of 2006 EUR million	First half of 2007 EUR million	First half of 2006 EUR million
Sales revenues								
External sales	645.97	423.79	254.90	148.59	0.00	0.00	900.87	572.38
Sales between segments	0.83	0.95	0.34	0.23	-1.17	-1.18	0.00	0.00
	646.80	424.74	255.24	148.82	-1.17	-1.18	900.87	572.38

	Steel and metals recycl.		Services and raw materials trading		Inter- segment consolidations		Group	
	First half of 2007 EUR million	First half of 2006 EUR million	First half of 2007 EUR million	First half of 2006 EUR million	First half of 2007 EUR million	First half of 2006 EUR million	First half of 2007 EUR million	First half of 2006 EUR million
Segment result	22.27	14.42	16.04	3.02	-0.19	-0.11	38.12	17.33
including:								
- Amortisation of intangible assets and depreciation of plant, property and equipment scheduled	5.36	3.05	3.18	2.75	0.00	0.00	8.53	5.80
extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Result from affiliated companies	1.19	1.45	0.00	0.00	0.00	0.00	1.19	1.45
- Result from other holdings	0.10	0.00	0.00	0.00	0.00	0.00	0.10	0.00

Since all consolidated companies are assigned to the two segments described, the reconciliation of the totals in the segment presentation to the corresponding closing figures is derived exclusively from the inter-segment consolidations indicated.

Segment revenues are distributed among sales regions as follows:

	Steel and metals recycling		Services and raw materials trading		Group	
	First half of 2007	First half of 2006	First half of 2007	First half of 2006	First half of 2007	First half of 2006
	EUR million		EUR million		EUR million	
Germany	360.36	254.75	195.74	114.74	556.10	369.49
Other EU countries	267.56	142.34	35.92	31.30	303.48	173.64
Non-EU countries	18.05	26.70	23.24	2.55	41.29	29.25
	<u>645.97</u>	<u>423.79</u>	<u>254.90</u>	<u>148.59</u>	<u>900.87</u>	<u>572.38</u>

8. Changes in the Supervisory Board

In accordance with the resolution of the ordinary General Shareholders' Meeting on 21 June 2007 amending the articles of association, the number of Supervisory Board members was reduced from nine to six. The following gentlemen have left the Supervisory Board effective as of the conclusion of the General Shareholders' Meeting

- Dr. jur. Jürgen R. Neuhaus, Cologne
- Dr. Wolfgang Bosch, Neu-Anspach

Mr. Bernd Aido, Lübeck, left the Board already in February 2007.

The remaining Supervisory Board members were re-elected for a term ending at the conclusion of the General Shareholders' Meeting that passes resolution on the formal approval of the actions of the board of the fiscal year ending 31 December 2011.

9. Events after the expiration of the interim reporting period

After 30 June 2007 – during the period from 6 to 17 July 2007 – Isabell Finance Vermögensverwaltungs GmbH & Co. KG, Berlin, acquired additional shares in INTERSEROH AG. Thus, Isabell Finance Vermögensverwaltungs GmbH & Co. KG has an interest in excess of 50 % in INTERSEROH AG at the time of release of this interim report.

There are no significant events that have occurred since 31 December 2006 beyond those matters described in these notes that have not already been integrated in the 2006 annual report.

10. Audit

The present interim report as of 30 June 2007 was neither audited nor reviewed pursuant to Section 317 HGB (*German Commercial Code*).

11. Assurances of legal representatives

To the best of our knowledge, we provide assurance that the consolidated interim statements prepared in accordance with applicable accounting principles for interim financial reporting represent a true and fair view of the Group's net asset, financial, and earnings position, and that the interim Group management report presents the course of business, including the results of business and the situation of the Group, such that a true and fair view is conveyed and that significant risks and opportunities inherent in the anticipated development of the Group during the remaining fiscal year are described.

Cologne, 27 August 2007

INTERSEROH Aktiengesellschaft
zur Verwertung von Sekundärrohstoffen

The Management Board

Johannes-Jürgen Albus
Christian Rubach
Roland Stroese



Johannes-Jürgen Albus



Roland Stroese



Christian Rubach

INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen, Cologne

Statement of changes in equity in the first six months of 2006 and 2007

	Parent company					Minority interests	Consolidated equity
	Accumulated other consolidated result						
	Adjustment items from currency conversion					Minority capital	
	Subscribed capital	Surplus capital	Consolidated equity	Other neutral transactions	Equity		
	EUR mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.
As of 01.01.2006	25.58	38.61	108.26	0.12	-55.90	1.78	118.45
Dividends paid			-8.46		-8.46	-0.22	-8.68
Changes to group of consol. companies			-0.07		-0.07	0.04	-0.03
Consolidated net income			8.58		8.58	0.45	9.03
Amounts directly incorporated in equity				0.03	0.03	0.00	0.03
Overall group result	---	---	---	---	---	0.45	9.05
As of 30.06.2006	25.58	38.61	108.31	0.15	-55.90	2.04	118.80
As of 01.01.2007	25.58	38.61	124.81	0.22	-55.90	2.00	135.32
Shares issued					0.00	0.07	0.07
Dividends paid			-1.08		-1.08	-0.66	-1.74
Changes to group of consol. companies					0.00	2.83	2.83
Consolidated net income			18.57		18.57	1.00	19.57
Amounts directly incorporated in equity			0.72	0.19	0.91	0.00	0.91
Overall group result	---	---	---	---	---	1.00	20.48
As of 30.06.2007	25.58	38.61	143.01	0.41	-55.90	5.24	156.96

INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen, Cologne

Consolidated cash flow statement for the first six months 2007 and 2006

	1-6/2007 EUR million	1-6/2006 EUR million
Consolidated result	19.57	9.03
+ income tax expense	14.46	6.92
+/- interest result	4.00	1.38
+/- write-ups/write-downs on long-term assets	7.76	5.21
+/- increase/decrease in long-term provisions	0.40	0.49
+/- changes in net operating assets	0.91	-21.92
Cash flow from current business	47.10	1.11
+ Payments from interest	0.60	0.27
- Disbursements for interest	-2.05	-1.02
+ Payments from dividends	0.22	0.71
- Disbursements for income taxes	-0.34	-4.39
Net cash flow from current business activity	45.53	-3.32
+ Payments received from the disposal of long-term assets	1.46	2.44
- Disbursements for investment in consolidated companies and other business units	-39.79	-0.19
- Payments for investment in long-term assets (excluding finance leases)	-22.37	-19.68
Cash flow from investment activity	-60.70	-17.43
- Disbursements to shareholders	-1.08	-8.46
- Disbursements to minority interests	-0.66	-0.22
+ Payments from minority interests	0.07	0.00
+ Payments from assumption of financial liabilities	105.13	19.25
- Disbursements for the repayment of financial liabilities	-13.97	-4.50
Cash flow from financing activity	89.49	6.07
Cash changes in cash and cash equivalents	74.32	-14.68
+ Cash and cash equivalents balance at the beginning of the period	29.91	29.48
= Cash and cash equivalents at end of period	104.23	14.80

Contacts:

INTERSEROH Aktiengesellschaft
zur Verwertung von Sekundärrohstoffen

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