



**INTERSEROH Aktiengesellschaft
zur Verwertung von Sekundärrohstoffen**

Interim Financial Report
by
INTERSEROH Group

For the period January 1, 2008 through June 30, 2008.

Group Management Report for the period January 1, 2008 through June 30, 2008

INTERSEROH

Aktiengesellschaft zur Verwertung von Sekundärrohstoffen

Cologne

Interseroh Group is one of the leading service and raw materials providers in Europe. It organises recycling processes and supplies paper, steel, metal, plastics and derived timber product industries and biomass power stations with an excess of five million tons of secondary resources a year. The Group's business activities are divided into three segments: steel and metals recycling services and raw materials trading.

A. Basic Conditions

1. General Economic Development

German economy started vigorously in fiscal year 2008 and the country's growth was marked by special effects during Q1. Thus, construction investments significantly increased due to balmy weather. Also, equipment investments significantly increased as goods ordered in 2007 due to the deteriorated write-off conditions were only delivered after the New Year. German economy withered from April through June. During both quarters, the country's export surplus again proved to be a cyclical support. Private consumption continued to be conservative despite increased available income. Increased food and energy costs and inflation fears constituted a burden for consumers' propensity to buy. An economic slow-down could be observed since about the middle of the year.

2. Basic Legal Conditions

The packaging regulation was amended to ensure disposal of household packaging using dual systems. It will be effective as of January 1, 2009 from which date recovered consumer packaging may only be collected and disposed of using an approved dual system. Furthermore, the so called initial placers into circulation, manufacturers and importers must submit a statement on May 1 that includes material- and quantity-specific information on packages that reach consumers. These completeness statements must be tested and recorded at the local Chamber of Commerce and Industry.

B. Business Development

1. Sales and Results

The Group's consolidated sales totalled EUR 1,180.7 million during the first six months of the fiscal year (previous year: Euro 900.9 million). EBT was EUR 50.2 million (previous year: Euro 34 million, EBIT totalled EUR 54.7 million (previous year: Euro 38 million). Operational division steel and metals recycling earned a turnover totalling EUR 910.9 million (previous year: Euro 646.8 million). In the services segment, sales dropped from EUR 180.1 million to EUR 169.0 million. Sales in division raw materials trade totalled EUR 119.1 million (previous year: EUR 92.6 million). An amount totalling EUR 18.3 million had to be consolidated between the segments (previous year: EUR 18.6 million).

Sales increases are mainly based on the price effects in the steel and metal recycling segment. The strong demand for steel scrap triggered significant price increases between January through June. This led to single effects in the Group's results. Furthermore, effects relating to other periods contributed to the considerable improvement of the service sector's results.

The turnover in the service sector in all fields of activity was at the same level in 2008 as it was during the same period in 2007. Because of the aggressive and partially non-cost covering price competition by some of the competitors, Interseroh deliberately passed on a certain turnover in the area sales packaging recycling thus also doing without market shares. Passing on sales led to a sales drop in this segment compared to the first half year period in 2007.

In the raw materials trade, higher paper prices and increased trading quantities on average for paper particularly provided for growth in sales as compared to the same period in 2007.

2. Steel and Metals Recycling

The development in the steel and metals recycling segment improved greatly. Steel scrap prices continuously increased during the reporting period. The traded tonnage from the warehouse business, i.e. handling and processing, exceeded the level of the same period in 2007 due to expansions that the Group had implemented. In contrast, the Group decreased third-party deals, i.e. purely commercial deals yielding low margins. The aggregate traded tonnage was increased which included increases based on adjustments. A continued price drop is expected during the rest of the year.

Non-iron metal prices were slightly under the 2007 level on average. The quantities traded in the warehouse business were at the same level of the first half year of 2007 after increases based on adjustments. The tonnage from third party deals had declined.

The risks originally associated with the EU waste disposal regulation regarding additional warehousing and exacerbated export are no longer existent. Brussels corrected the regulations.

3. Services

As expected, the margins in the service sector continued to be under pressure due to intensive competition.

Transport packaging recycling, full service and e-scrap recycling sales moved at the level of the first half year of 2007; however, the Group passed on the turnover in the sales packaging recycling sector due to aggressive and partially non-cost covering price competition by certain competitors.

Interseroh introduced a new service to complete its range of services offered. "Business Solutions" offers integrated, individual solutions for the automobile and supplier industry as well as health and construction industry. Existing Interseroh services are custom combined in a modular manner and upon exhaustive consultations.

4. Raw Materials Trade

Recovered paper prices increased during the first quarter of 2008; the prices dropped under the level of the second quarter 2007 in the second quarter 2008. However, during the reporting period the recovered paper average was above that of the first half year period in 2007.

ISR INTERSEROH Rohstoffe GmbH that coordinates the raw material activities of Interseroh Group was able to continue to expand its traded recovered paper tonnage.

On average, the prices for plastic were at the same level as the reference period in 2007. The traded foil quantities increased while EPS tonnages (expanded polystyrene) continued at a constant level. A decline was recorded for disposable PET bandages from the deposit system.

In March, ISR INTERSEROH Rohstoffe GmbH, Cologne, acquired the majority of international Altkunststoffaufbereiter und -händler RDB GmbH Recycling Dienstleistung Beratung, Kiel, thus opening up direct access to end consumers in the Asian market. The requirements to consolidate the company on the closing date had not yet been submitted.

The risks that were originally associated with the EU waste movement regulation regarding additional warehousing and exacerbated export are no longer existent. Brussels corrected the regulations.

Due to high demand the acceptance prices for recovered wood to be paid to the Holzkontor branch offices were under pressure during the first six months. The trading prices could be increased. The traded old wood quantity dropped, which was essentially caused by the separation from the Lünen location around December 2007.

Holzkontor Worms now runs Interseroh as a joint venture as it does all Holzkontor branch offices. Accordingly, INTERSEROH Holzhandel GmbH, Cologne, divested a 49 % share of INTERSEROH Holzkontor Worms GmbH, Worms to a regional disposal partner in March 2008.

5. Presentation and Explanation of Earnings and Financial Position

a) Earnings position

	1. Half Year 2008 Million Euro %		1. Half Year 2007 Million Euro %		Change Million Euro %	
Sales proceeds	1,180.69	99.0	900.87	100.3	279.82	31.1
Inventory change	12.43	1.0	-2.32	-0.3	14.75	-635.8
Total performance	1,193.12	100.0	898.55	100.0	294.57	32.8
Purchases	-1,012.80	-84.9	-773.01	-86.0	-239.79	31.0
Gross yield	180.32	15.1	125.54	14.0	54.78	43.6
Other operating income	14.43	1.2	4.11	0.5	10.32	251.1
Operating income	194.75	16.3	129.65	14.5	65.10	50.2
Personnel expenditure	-49.86	-4.2	-40.48	-4.5	-9.38	23.2
Systematic depreciations	-9.42	-0.8	-8.53	-0.9	-0.89	10.4
Operating and administrative expense	-44.42	-3.7	-25.89	-2.9	-18.53	71.6
Trading expenditure	-35.96	-3.0	-18.89	-2.1	-17.07	90.4
Non-profit-related tax	-1.75	-0.1	-0.85	-0.1	-0.90	105.9
	-141.41	-11.8	-94.64	-10.5	-46.77	49.4
Operating results	53.34	4.5	35.01	4.0	18.33	52.4
Income from participations	3.16	0.3	1.28	0.1	1.88	146.9
Net income profit/loss	-4.51	-0.4	-4.00	-0.4	-0.51	12.8
Other financial results	0.12	0.0	0.12	0.0	0.00	0.0
Regular company profits	52.11	4.4	32.41	3.7	19.70	60.8
Exceptional depreciation	-0.86		-0.11		-0.75	681.8
Profits & losses relating to other periods	-1.05		1.72		-2.77	-161.0
Earnings before taxes on income	50.20		34.02		16.18	47.6
Income/ profit tax	-16.04		-14.45		-1.59	11.0
Group profit & loss	34.16		19.57		14.59	74.6
incl.						
Profits/ losses attributable to minority interests	2.58		1.00		1.58	158.0
Profits attributable to the parent company's stockholders	31.58		18.57		13.01	70.1

The **sales proceeds** increased by 31.1 percent points (EUR 279.82 million) as compared to 2007. This increase in turnover is predominantly the result of prices and quantities that increased compared to 2007 in the areas steel and metals recycling and raw materials trade, of expansions into new business areas in the service segment, and because of having consolidated companies that were consolidated for the first time in the first six months in 2008.

Correspondingly, the **material expenditures** increased by EUR 239.79 million (31.0 %) to EUR 1,012.80 million.

The negative **results relating to other periods** are essentially composed of income from a reversal of provisions and liabilities on the one hand and on the other hand of expenditures from withdrawals/allocations to adjustments for accounts receivable. The release of provisions and liabilities are for the most part from the service segment where they essentially contribute to an excellent result before profit tax. They relate to trade payables for outstanding purchase invoices that must be reported in 2007 for the first time for business area Duales System Interseroh (DSI).

Passivation was substantiated based on the tendency that could be noticed where due to absent, unambiguous execution conditions of the still effective packaging regulation and the system's high and constant costs, considerable quantities were opted out from to more favourable self-disposal systems or were no longer reported so that decreased proceeds could be expected while expenses remained constant. After the final quantity report of all system operators, the provision during the first half of 2008 could be partially liquidated and newly created using the adjusted parameters.

Taxes on income and proceeds absolutely increased by EUR 1.59 million due to the higher results before tax on income received as compared to 2007. The tax rate decreased by 10.5 % to 32.0 %. In essence, this is based on the fact that the tax rate cut was taken into account only after June 30, 2007, as part of a corporate tax reform act with respect to the tax assessment.

b) Financial status

	30.06.2008		31.12.2007		Change	
	Million Euro	%	Million Euro	%	Million Euro	%
<u>Assets</u>						
Intangible assets	83.80	10.0	79.01	12.0	4.79	6.1
Tangible assets	106.58	12.8	100.16	15.2	6.42	6.4
Equity investments	10.53	1.3	7.62	1.2	2.91	38.2
Financial assets	6.34	0.8	6.11	0.9	0.23	3.8
Other receivables	2.60	0.3	2.15	0.3	0.45	20.9
Deferred tax assets	8.64	1.0	4.28	0.7	4.36	101.9
Long-term assets	218.49	26.2	199.33	30.3	19.16	9.6
Inventories	95.46	11.4	65.62	10.0	29.84	45.5
Supply and service receivables	322.53	38.7	191.98	29.2	130.55	68.0
Financial assets	14.69	1.8	12.84	2.0	1.85	14.4
Other receivables	58.88	7.1	43.19	6.5	15.69	36.3
Current income tax receivables	6.80	0.8	5.98	0.9	0.82	13.7
Liquid assets	116.94	14.0	139.10	21.1	-22.16	-15.9
Short-term assets	615.30	73.8	458.71	69.7	156.59	34.1
	833.79	100.0	658.04	100.0	175.75	26.7
 <u>Liabilities</u>						
Capital stock	25.58	3.1	25.58	3.9	0.00	0.0
Reserves	164.43	19.7	141.09	21.4	23.34	16.5
Equity share attributable to INTERSEROH AG shareholders	190.01	22.8	166.67	25.3	23.34	14.0
Minority shares	10.75	1.3	8.84	1.3	1.91	21.6
Equity capital	200.76	24.1	175.51	26.6	25.25	14.4
Accruals for pensions	20.25	2.4	20.27	3.1	-0.02	-0.1
Other long-term accruals	3.80	0.5	3.89	0.6	-0.09	-2.3
Deferred tax liabilities	8.75	1.0	7.60	1.2	1.15	15.1
Financial liabilities	109.62	13.1	119.14	18.1	-9.52	-8.0
Other long-term liabilities	1.28	0.2	0.04	0.0	1.24	3,100.0
Long-term debt	143.70	17.2	150.94	23.0	-7.24	-4.8
Accruals and deferrals	17.74	2.1	6.92	1.1	10.82	156.4
Current income tax liabilities	31.08	3.7	20.93	3.2	10.15	48.5
Financial liabilities	121.84	14.6	71.13	10.8	50.71	71.3
Trade payables	249.52	30.0	179.84	27.3	69.68	38.7
Other short-term liabilities	69.15	8.3	52.77	8.0	16.38	31.0
Short-term debt	489.33	58.7	331.59	50.4	157.74	47.6
	833.79	100.0	658.04	100.0	175.75	26.7

The group's **total assets** increased by EUR 175.75 million (26.7%) to EUR 833.79 million during the first half of 2008.

The increase of **short-term assets** is chiefly due to increased trade accounts receivables, which is primarily based on the increased turnover in both group segments steel and metals recycling and raw materials trade. This was seen alongside a cash reduction.

The group's **equity-to-assets ratio** reduced compared to December 31, 2007 (26.7%) due to a significant 2.6 percentage point increase in total assets to 24.1 percent.

The increase of **short-term debt** is mainly due to the increased trade accounts receivable, and particularly due to a price increase in both group segments steel and metals recycling and raw materials trade, and financial liabilities. The financial liabilities predominantly include the liabilities from paid receivables that arose as part of the asset backed securities program in the steel and metals recycling segment. The purchaser of the receivables is entitled to the liquidity from paid receivables.

6. Foreseeable Development, Potential Opportunities and Risks

For the second half of 2008, economists expect only restrained dynamics including a continued drop in orders received by the industry which tendency started in December 2007. Furthermore, in addition to the flagging world economy, the Euro's upvaluation will increasingly constitute a burden for German exports. Moreover, the world market prices for energy and raw materials continued to increase which is why inflation for any given liquidity provisions should remain high for the time being. It is expected that the cyclical slow-down will put a damper on the perspectives for 2009.

The assessment regarding Interseroh Group's short- to medium-term developments is based on current expectations and assumptions regarding the effects of future events and economical conditions on the operating companies.

Steel and Metals Recycling

Since 2003, global demand for steel annually increased by 9 percent and steel production increased by 6 percent. Experts continue to expect high growth rates and a commensurate high demand for scrap steel. The demand for steel scrap will also remain at a high level in the future.

Interseroh is consistently expanding this segment. The purchase of scrap business Alba AG will be realized in the second half of 2008 as announced end of May. The operation would thus be expanded from about 35 locations including 1,000 employees to about 85 locations. The companies' integration into Interseroh Group will be a challenging task for the second half of 2008. Additional growth is mainly scheduled in Germany, Eastern Europe and the United States.

The volatility in scrap prices constitutes a potential risk. Interseroh controls this risk by using a market-compliant inventory management.

Interseroh expects continuously declining scrap prices for the second half of 2008.

From an economic viewpoint, the second half of 2008 will also be influenced by the financial and expenditure-related consequences of financing associated with the purchase of the acquired companies. A potentially intensifying conditions policy implemented by the banks in view of the sustained tension from capital and financial markets will have to be taken into account.

Services

The service business is characterized by significant competition among the service providers, particularly by the currently still existing high numbers of dual system suppliers, which will lead to pressure on the margins.

Interseroh is backing on continued growth particularly with respect to services, packaging, full service and its new Business Solutions service. The amendment to the Packaging Act effective January 2009 will constitute new quality standards for system operators in the sales packaging segment. Interseroh is universally meeting these standards.

The division of Interseroh Services depends on regulatory standards. However, the changes of these regulatory requirements also have inherent significant risks.

The amendment to the packaging regulation effective January 1, 2009, could require a license for additional quantities when using dual systems, which would be disadvantageous. The quantities that are currently licensed to higher margins via self-disposal solutions (e.g. Interseroh self-disposal solution) would thus decline, which would have commensurate effects on the segment's profitability, even though higher aggregate growth can be expected from a sales perspective and even though the market share is scheduled to be significantly increased.

Raw Materials Trade

Interseroh plans to continue expanding the traded recovered paper and recovered plastic tonnages by means of internal and external growth.

It can be assumed that a declining demand by the derived timber product industry will lead to declining trading prices for recovered wood starting in the third quarter 2008. The acceptance prices will be adjusted accordingly to compensate for this development.

Environmental Protection

As the legal environmental protection requirements are continuously subject to change, are becoming increasingly stricter, and since they will be tightened even more due to new EU directives, investments might become necessary in the future whose amounts and time sequence can hardly be predicted.

Taxes

The current and deferred taxes of German group companies will be determined by means of a uniform 31.48 % tax rate that will become effective following the Corporate Tax Reform on January 1, 2008. The current and deferred taxes of foreign group companies will be assessed using the respective effective profit tax rates. They range from 17.5 to 40 percent.

7. Risk Situation

The main risks for Interseroh Group are defined as follows:

1. Strategic risks – lacking vision and strategy
2. Strategic risks – lacking integration of strategic orientation regarding proprietorship and communication
3. Strategic risks – lacking customer focus placement: Trade / sales (particularly steel and metals scrap)
4. Strategic risks – lacking customer focus placement: Services
5. Risks from new acquisitions (projects / corporate acquisitions)
6. Risks based on customer relations – dependency on customers
7. Risks based on customer relations – dependency on suppliers (waste producer)
8. Investment and financing risks

The following changes occurred as compared to the annual accounts 2007:

The probability of individual standard risks to occur during the first two quarters 2008 is viewed as slightly higher compared to the determined aggregate value 2007 in three of eight risk areas and is considered as lower in one risk area. It exceeds the area termed „low“ in three cases.

In 2008, the most essential individual changes compared to the 2007 assessment are based on the decreased strategic customer focus assessment in the Group's service division and the significantly increased investment and financing risks in the raw materials trade segment.

Officers assessed the risk impact values as higher than in 2007 in three cases during the reporting period. On a scale of 1.0 to 10.0 risk points, a reduction by a maximum of 1.3 points for „Risks from customer relations“ in the areas raw materials trade and steel and metals recycling is becoming apparent. On the whole, the estimated consequences remain stable at a median risk impact.

From the Group's viewpoint, the following facts could be identified:

- Adverse effects on the results and market share in the service sector from the emerging consolidation of the disposal industry and the expectant attitude of large, comprehensive disposal groups operating on a system and raw material basis.
- Changes of the packaging regulations including impacts on sales and resulting in the disappearance of individual businesses in the segments service and raw materials trade. This could lead to significant sales and profit losses in these segments.
- Tightened competitive environment in the steel and metal recycling segment due to large company mergers and attempts by the steel mills to enter into the steel and metals recycling market.

Interseroh Group's external financing costs did not significantly increase due to a general interest level increase during the reporting period. Variable interest payable could be secured depending on the term.

C. Miscellaneous

1. Board of Directors

The board of management appointed Manuel Althoff on June 1, 2008, in the company's board of directors thus replenishing it to four persons. Althoff assumed the function of chief financial officer from chairman Johannes-Jürgen Albus.

Current chairman Johannes-Jürgen Albus retired from office effective August 4, 2008, in consultation with the board of directors. Christian Rubach also retired from the board of directors effective August 4, 2008.

Effective August 5, 2008, the board of management appointed Dr. Axel Schweitzer as chair of the board of directors of INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen.

Volker Hars took charge of the steel and metals recycling segment in the board of directors on August 5, 2008.

2. Board of Management

Hans-Jörg Vetter resigned from his board of management mandate effective May 16, 2008. Upon the company's application, Roland Junck was personally appointed effective May 16, 2008. The general meeting elected Junck into the board of management on June 25, 2008.

After Dr. Axel Schweitzer, the board of management chair, was appointed chair of the board of directors, Dr. Eric Schweitzer was appointed chair of the board of management effective August 5, 2008. Dr. Werner Holzmayer will complete the board of management as a new member after the court appointment.

3. The Share

The stock price progress reflected Interseroh Group's positive business development. When the stock exchange opened on January 2, 2008, the Interseroh share was quoted at EUR 48.49 in XETRA trading, and increased during the reporting period up to EUR 65.40; it was quoted at EUR 59.90 on June 30, 2008. Interseroh's board of directors and the investor relation agents conducted numerous discussions with shareholders, analysts and potential investors from Germany and abroad. During the annual general meeting on June 25, 2008, all agenda items were accepted by the vast majority. The dividend which the meeting determined was 86 cents plus a 14 cent bonus per no-par share.

INTERSEROH Aktiengesellschaft
zur Verwertung von Sekundärrohstoffen, Cologne

Group's earnings statement
from January 01 through June 30, 2008

	1st half year 2008 EUR	1st half year 2007 EUR
1. Sales proceeds	1,180,692,348.57	900,874,035.59
2. Increase in inventory (decrease in prev. yr.) of finished and unfinished products	12,434,604.09	-2,316,621.93
3. Other operating revenues	36,665,603.93	10,636,058.46
4. Purchases	1,012,797,925.28	773,011,094.40
5. Personnel expenditure	49,864,325.70	40,483,580.18
6. Writedowns on intangible assets and tangible assets	9,419,511.06	8,534,984.23
7. Other operating costs	105,423,763.46	50,445,954.70
8. Capital gains in associated companies reported acc. to equity method	3,086,775.03	1,185,344.07
9. Financial yields	3,657,815.09	1,052,839.32
10. Financing costs	8,839,343.88	4,941,110.90
11. Earnings before taxes on income	50,192,277.33	34,014,931.10
12. Tax expenditure	16,036,561.23	14,445,790.58
13. Group results	34,155,716.10	19,569,140.52
14. Profits/ losses attributable to minority interests	2,576,343.69	1,003,102.54
15. incl. profits attributable to parent company shareholders	31,579,372.41	18,566,037.98
16. Undiluted results per share from period results fr. continued business attributable to parent company's common stockholders	-	1.89
	1)	3.21

¹⁾ No dilution effects exist

INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen, Cologne

Consolidated balance sheet ending June 30, 2008

ASSETS					LIABILITIES			
	30.06.2008	31.12.2007			30.06.2008	30.06.2008	31.12.2007	31.12.2007
	EUR	EUR			EUR	EUR	EUR	EUR
Long-term assets								
Intangible assets	83,803,567.42	79,010,538.06						
Tangible assets	106,577,343.17	100,162,171.80						
Financial assets reported acc. to equity method	10,526,885.63	7,619,876.28						
Financial assets	6,336,438.68	6,112,525.22						
Other receivables	2,602,251.59	2,149,129.99						
Deferred tax assets acc. to IAS 12	<u>8,640,931.47</u>	<u>4,278,520.86</u>						
	<u>218,487,417.96</u>	<u>199,332,762.21</u>						
Short-term assets								
Inventories	95,457,863.11	65,623,927.94						
Trade accounts receivable	322,526,569.97	191,982,026.00						
Financial assets	14,693,252.17	12,835,690.90						
Other receivables	58,879,022.82	43,185,653.77						
Tax refund claims acc. to. IAS 12, Profit tax	6,800,533.61	5,982,860.55						
Payment instruments and equivalent	<u>116,944,988.30</u>	<u>139,097,609.57</u>						
	<u>615,302,229.98</u>	<u>458,707,768.73</u>						
	<u>833,789,647.94</u>	<u>658,040,530.94</u>						
Equity capital								
			<u>Subscribed capital and reserves attributable to the parent company's shareholders</u>					
			Capital stock		25,584,000.00		25,584,000.00	
			Reserves		<u>164,426,714.81</u>	<u>190,010,714.81</u>	<u>141,090,676.21</u>	<u>166,674,676.21</u>
			<u>Minority equity</u>		<u>10,752,810.92</u>			<u>8,836,421.62</u>
						<u>200,763,525.73</u>		<u>175,511,097.83</u>
Debts								
			<u>Long-term debt</u>					
			Wage-earner benefits from pension promises		20,251,427.62		20,274,805.16	
			Other long-term accruals		3,798,401.53		3,894,039.86	
			Deferred tax due acc. to IAS 12		8,750,425.14		7,595,577.68	
			Financial debts		109,623,455.10		119,137,923.51	
			Other liabilities		<u>1,280,798.14</u>	<u>143,704,507.53</u>	<u>44,008.23</u>	<u>150,946,354.44</u>
			<u>Short-term debt</u>					
			Accruals and deferrals		17,736,567.04		6,916,076.41	
			Tax due acc. to. IAS 12, Profit tax		31,080,062.41		20,927,809.29	
			Financial debts		121,836,197.75		71,134,874.06	
			Trade payables		249,516,508.50		179,835,500.54	
			Other liabilities		<u>69,152,278.98</u>	<u>489,321,614.68</u>	<u>52,768,818.37</u>	<u>331,583,078.67</u>
						<u>633,026,122.21</u>		<u>482,529,433.11</u>
							<u>833,789,647.94</u>	<u>658,040,530.94</u>

**Attachment to the Group's Interim Financial Report
for January 1 through June 30, 2008**

**INTERSEROH
Aktiengesellschaft zur Verwertung von Sekundärrohstoffen
Cologne**

1. Company information

Interseroh Group is one of the leading service and raw materials providers in Europe. The Group's business activities are divided into three segments: steel and metals recycling, services and raw materials trading. As part of its services Interseroh arranges for recycling processes and by now supplies the paper, steel, plastic and wood processing industries and biomass power plants as a provider of more than six million tons of secondary raw materials on a yearly basis.

The Group's interim financial statements for the first half year of fiscal year 2008 were released to be published following a decision by the board of directors of August 27, 2008.

2. Accounting and valuation principles

The Group's interim financial statements for the period January 1 through June 30, 2008, was prepared in accordance with the International Financial Reporting Standard (IFRS) IAS 34 „Interim Reporting“.

The Group's interim financial statements do not include all information and attachment information as prescribed by IRFS for consolidated accounts at the end of a fiscal year, and should be read in connection with the consolidated accounts of December 31, 2007.

The accounting and valuation methods used to prepare the Group's interim financial statements are in accordance with the methods used to prepare the Group's consolidated accounts for fiscal year ending December 31, 2007. The same applies to the basic principles and methods of the assumptions and estimates required for the Group's interim financial statements.

A detailed description of the accounting standards is included in the attachment to the Group's consolidated accounts for December 31, 2007, and published in our financial statements 2007.

3. Basis of consolidation

Below is a summary of the changes regarding the basis of consolidation made during the interim reporting period:

Number of companies	fully consolidated	assessed at equity	not included as inessential			Total
			Participation > 50%	Participation >20% <=50%	Participation < 20%	
Status 1.1.	38	5	25	15	11	94
Additions	2		1			3
Divestitures			-3			-3
Status: June 30th.	40	5	23	15	11	94

In addition to INTERSEROH AG, a total of 30 domestic and nine foreign subsidiary companies were included in the consolidated account's full consolidation ending June 30, 2008. Regarding the fully included companies, the conditions for INTERSEROH AG having the direct and indirect majority of the votes have been met. Economically effective on January 1, 2008, all Rohstoffe Kohler GmbH, Germersheim shares had been acquired. In addition, a company (SRH Rohstoffhandel GmbH, Siegen), which had not been included due to its subordinate importance, had also been added effective January 1, 2008,

During the reporting year, a total of EUR 6.9 million was expended for new company acquisitions (essentially the Rohstoffe Kohler GmbH, Germersheim share deal). A goodwill totalling EUR 4.61 million was created.

The acquired companies' assets and debts at the time of acquisition are shown in the tables below:

Kohler	SRH
Acquisition	Acquisition
100%	100%
Million EUR	Million EUR

Goodwill fr. initial consolidation	4.61	0.00
Long-term assets	1.59	0.00
Short-term assets	5.49	0.54
Long-term debt	0.00	0.04
Short-term debt	4.72	0.46

The listed companies contributed to the Group's results as follows:

Company	Initial Consolidation time	Results	Turnover
		1st half 2008	1st half 2008
Million Euro			
Rohstoffe Kohler GmbH. Germersheim	01.01.2008	0.84	7.93
SRH Rohstoffhandel GmbH. Siegen	01.01.2008	0.00	7.33

INTERSEROH AG included into its consolidated accounts five at-equity companies (two domestic and two foreign companies) as it did last year. During the first half year of 2008, the Group's participation in TOM II Sp. z o.o., Szczecin, Poland, was increased to 50 percent (currently 31.36 percent) for a purchase price of EUR 0.44 million. No changes were made otherwise.

All acquisitions were paid exclusively by payment transfers.

4. Scheduled expansions of the basis of consolidation after June 30, 2008

ISR INTERSEROH Rohstoffe GmbH, Cologne, acquired 70 percent of the equity of RDB GmbH Recycling Dienstleistung Beratung, Kiel, in the partnership share and assignment agreement dated March 26, 2008. The agreement is subject to conditions precedent that had not yet been met on the closing date.

The buyer agrees as part of the agreement to sell his 99 percent stake in RDB Hongkong Ltd. to RDB GmbH Recycling Dienstleistung Beratung, Kiel.

Based on an agreement, INTERSEROH Hansa Recycling GmbH, Dortmund, intends to take over ALBAMETALL GmbH, Berlin, via a subsidiary dated May 26, 2008.

The acquisition's subject are several companies including about 35 locations that are partly fully owned by ALBAMETALL GmbH and partly managed as joint ventures with third parties.

5. Change of legal form

The general meeting of June 25, 2008, resolved to convert INTERSEROH AG's legal form from an Aktiengesellschaft (incorporated company) to a European company (Societas Europaea, SE). Thus, INTERSEROH AG's self-conception as a Europe-focussed company should be expressed in its name to elucidate its Europe-wide orientation to the public without changing INTERSEROH SE's company structure and management compared to INTERSEROH AG.

The new company name must be entered in the commercial register for the change to be effective, which has not yet occurred.

6. Distributed dividends

According to a resolution by the annual general meeting on June 25, 2008, a dividend totalling EUR 0.86 plus a bonus of EUR 0.14 per share (excluding common shares) was paid out to the shareholders during fiscal year 2007 (total: EUR 9.84 million).

7. Segments

Interseroh Group's companies are divided up into three segments, whereby all steel and metals recycling companies are assigned to the steel and metals recycling segment. The other companies will be combined in the services or raw materials trade segments in accordance with their main operations. INTERSEROH AG was assigned to the services segment in its entirety.

The segment profits and results were as follows during the interim reporting period:

	Steel and metals recycling		Services		Raw materials trade		comprehensive segment consolidations		Group			
	1st half yr.	2008	1st half yr.	2007	1st half yr.	2008	1st half yr.	2007	1st half yr.	2008	1st half yr.	2007
	Million Euro		Million Euro		Million Euro		Million Euro		Million Euro			
Sales proceeds												
External sales	909.92	645.98	153.08	163.76	117.69	91.13	0.00	0.00	1,180.69	900.87		
Sales between segments	0.98	0.83	15.94	16.36	1.39	1.46	-18.31	-18.65	0.00	0.00		
	910.90	646.81	169.02	180.12	119.08	92.59	-18.31	-18.65	1,180.69	900.87		

	comprehensive segment consolidations										Group	
	Steel and metals recycling		Services		Raw materials trade							
	1st half yr.	1st half yr.	1st half yr.	1st half yr.	1st half yr.	1st half yr.	1st half yr.	1st half yr.	1st half yr.	1st half yr.		
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007		
	Million Euro		Million Euro		Million Euro		Million Euro		Million Euro			
Segment profit & loss	32.44	22.18	20.20	12.84	4.82	3.57	-2.09	-0.68	55.37	37.91		
including:												
- Writedowns on intangible assets												
scheduled	5.92	5.36	1.72	1.34	1.78	1.83	0.00	0.00	9.42	8.53		
unscheduled	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
<u>Transition</u>												
Segment profit & loss									55.37	37.91		
+ financial yields									3.66	1.05		
+ financing costs									-8.84	-4.94		
+ tax expenditure									-16.03	-14.45		
<u>Group profit & loss acc. to P&L</u>									34.16	19.57		

The segments' assets have changed as follows compared to the consolidated accounts of December 2007:

		Steel and metals recycling			
		30.06. 2008	31.12. 2007	Change	Change
		Million Euro		%	
Segment assets		511.42	352.82	158.60	44.95%
including:					
- inventories		92.50	62.99	29.51	46.85%
- trade accounts receivable		233.01	92.43	140.58	152.09%

The steel and metals recycling segment assets significantly increased compared to the consolidated accounts ending December 31, 2007, mainly due to major price hikes during the first half year of 2008.

The segment profits were distributed to the following trading regions:

	Steel and metals recycling		Services		Raw materials trade		Group	
	1st half yr. 2008	1st half yr. 2007	1st half yr. 2008	1st half yr. 2007	1st half yr. 2008	1st half yr. 2007	1st half yr. 2008	1st half yr. 2007
	Million Euro		Million Euro		Million Euro		Million Euro	
Germany	513.27	360.37	143.94	154.79	36.11	40.94	693.32	556.10
Other EU countries	299.74	267.56	7.74	7.52	32.68	28.40	340.16	303.48
Non-EU countries	96.91	18.05	1.40	1.45	48.90	21.79	147.21	41.29
	909.92	645.98	153.08	163.76	117.69	91.13	1,180.69	900.87

8. Changes in the board of directors

INTERSEROH AG's board of management appointed Manuel Althoff in the company's board of directors on June 1, 2008. Althoff since assumed the function of chief financial officer from chairman Johannes-Jürgen Albus. So far he officiated as both the chairman and chief financial officer.

Current chairman Johannes-Jürgen Albus retired from office effective August 4, 2008, in consultation with the board of management. Likewise, Christian Rubach retired from the board of directors effective August 4, 2008.

Effective August 5, 2008, the board of management appointed Dr. Axel Schweitzer as chair of the board of directors of INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen.

On August 5, 2008, Volker Hars took charge of the steel and metal recycling segment in the board of directors.

The company made adequate provisions with respect to the obligations resulting from the resource related changes in the board of directors.

9. Changes of the board of management

During the annual general meeting on June 25, 2008, Roland Junck, Betzdorf, Luxemburg, was elected a new member of the board of management to replace Hans-Jörg Vetter, who retired from the board effective May 16, 2008, for the time until the termination of that general meeting which resolves on tax relief for fiscal year ending December 31, 2011. The tenure of all other board of management members will also end at that time.

After the board of management chair Dr. Axel Schweitzer was elected chair of the board of directors, Dr. Eric Schweitzer was appointed chair of the board of management effective August 5, 2008. Dr. Werner Holzmayer will complete the board of management as a new member after the court appointment.

10. Events following the end of the interim reporting period

No significant events took place beyond the circumstances that were already included in the annual report until the board of directors' decision of August 27, 2008, based on which the semi-annual financial report was released for publication.

11. Audit review

The Group's interim financial statements for the period January 1 through June 30, 2008, and the interim financial report for June 30, 2008, were neither reviewed by an auditor nor audited according to § 317, HGB.

12. Legal agents' insurance

We affirm to the best of our knowledge that according to the applicable accounting principles for interim reporting, the Group's interim financial statements accurately reflect the financial and assets position and profit situation according to the Group's actual situation, and that the Group's interim financial report reflects the business development including the company results and the Group's status such that an image has been provided reflecting the actual situation, and that the essential opportunities and risks of the Group's expected development during the remaining fiscal year were described.

Cologne, August 27, 2008

INTERSEROH Aktiengesellschaft
zur Verwertung von Sekundärrohstoffen

The Board of Directors

Dr. Axel Schweitzer
Manuel Althoff
Volker Hars
Roland Stroese

INTERSEROH Aktiengesellschaft zur Verwertung von Sekundärrohstoffen, Cologne

Consolidated statement of shareholders' equity for first half year 2007 and 2008

	Parent company						Minority shareholders	Group equity		
				Group's cumulated other profit or loss						
	Capital stock	Capital reserve	Group equity	earned	Deferred item fr. foreign currency translation	other neutral trans- actions				
	Million Euro	Million Euro	Million Euro	Million Euro	Million Euro	Million Euro	Million Euro	Million Euro		
Status: 01/01/2007	25.58	38.61	88.12	0.22	-19.21	133.32	2.00	135.32		
Issue of shares						0.00	0.07	0.07		
Distributed dividends				-1.08		-1.08	-0.66	-1.74		
Changes of basis of consolidation						0.00	2.83	2.83		
Group's half-year profit and loss				18.57		18.57	1.00	19.57		
Amounts directly comprised in equity				0.72	0.19	0.91	0.00	0.91		
Group's total profit and loss	---	---	---	---	---	19.48	1.00	20.48		
Status: 06/30/2007	25.58	38.61	106.33	0.41	-19.21	151.72	5.24	156.96		
Status: 01/01/2008	25.58	38.61	121.04	0.65	-19.21	166.67	8.84	175.51		
Issue of shares						0.00	0.07	0.07		
Distributed dividends				-9.84		-9.84	-1.06	-10.90		
Changes of basis of consolidation						0.00	0.09	0.09		
Group's half-year profit and loss				31.58		31.58	2.58	34.16		
Amounts directly comprised in equity				1.32	0.28	1.60	0.23	1.83		
Group's total profit and loss	---	---	---	---	---	33.18	2.81	35.99		
Status: 06/30/2008	25.58	38.61	144.10	0.93	-19.21	190.01	10.75	200.76		

**INTERSEROH Aktiengesellschaft
zur Verwertung von Sekundärrohstoffen, Cologne**

**Group's cash flow statement
for first half year 2008 and 2007**

	1st half yr. 2008	1st half yr. 2007
	Million Euro	Million Euro
Group profit & loss	34.16	19.57
+ Income tax cost	16.04	14.46
+/- Net income profit/loss	4.51	4.00
+/- Write-offs / write-backs f. long-term assets	7.60	7.76
+/- Increase / decrease of long-term accruals	-0.12	0.40
+/- Change of net operating assets	<u>-79.92</u>	<u>0.91</u>
 Cashflow fr. operating business	 -17.73	 47.10
+ Interest payments	2.29	0.60
- Interest payouts	-4.81	-2.05
+ Payments fr. dividends	0.06	0.22
- Payouts f. income tax	<u>-10.61</u>	<u>-0.34</u>
 Net cashflow fr. operating activities	 <u>-30.80</u>	 <u>45.53</u>
+ Divestiture payments fr. long-term assets	1.92	1.46
- Payouts f. investments in consolidated companies and other business units	-7.51	-39.79
- Long-term asset investment payouts (excl. financing leasing)	<u>-15.03</u>	<u>-22.37</u>
 Cashflow fr. investments	 <u>-20.62</u>	 <u>-60.70</u>
- Acquisitor payouts	-9.84	-1.08
- Minority shareholder payouts	-1.06	-0.66
+ Minoritiy shareholder payments	0.07	0.07
+ Payments fr. borrowing	53.06	105.13
- Amortization payments	<u>-12.97</u>	<u>-13.97</u>
 Cashflow fr. financing	 <u>29.26</u>	 <u>89.49</u>
Changes in cash of payment instruments and equivalents	 <u>-22.16</u>	 <u>74.32</u>
+ Payment instruments and equivalents at beg. of period	 <u>139.10</u>	 <u>29.91</u>
 = Payment instruments and equivalents at end of period	 <u>116.94</u>	 <u>104.23</u>

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