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Interseroh SE submits quarterly report: Attractive development in sales revenues and earnings

Sales revenues and earnings

During the first three quarters of 2008, service and raw materials group Interseroh, Cologne (Germany), was able to again increase its sales and earnings compared to the same period last year. The group's consolidated sales increased from 1.34 billion Euro during the first three quarters of 2007 by 32 percent to currently 1.77 billion Euro, which at this point is already equivalent to the total sales of 2007.

Sales in the steel and metals recycling segment increased from 0.95 billion Euro to 1.37 billion Euro. The service segment contributed 245.6 million Euros to the company's sales (comparison period of last year: 272.6 million Euros). Sales in the raw materials trading business segment increased from 147.4 million Euros to 186.1 million Euros. An amount of 27.9 million Euros was consolidated between the segments (2007: 30.2 million Euros).

The EBT increased from 47.3 million Euros to 56.6 million Euros, EBIT increased from 53.6 million Euros to 64.5 million Euros.

Third quarter sales totalled 591.1 million Euros (3rd quarter 2007: 435.7 million Euros). EBT totalled 6.4 million Euros, EBIT was 10 million Euros.

Business segment: Steel and metals recycling

Since July, scrap steel prices have dropped from their record levels during the first six months of 2008 due to restrained demand worldwide. The marketed tonnage from the company's stock business, i.e. from handling and processing, was on a higher level than during the same period last year after adjustments that accommodated the company's expansion. Third party deals and mere trading transactions with lower margins were below last year's level.

On average, the prices for non-ferrous metals were slightly below last year's level. The traded stock business quantities were at the same level as in the first three quarters in 2007 after adjustments based on expansion. Tonnage from third party deals had declined slightly.

On the whole, the company's marketed quantities increased due to the not yet consolidated acquisitions compared to the same period last year.

Former Albametal GmbH was consolidated on 30 September 2008, and accordingly not included in sales, earnings and tonnages.

Business segment: Service

The service segment saw a favourable development. However, the margins continued to remain under considerable strain due to intense competition. Due to an aggressive and partially non-cost-covering price competition conducted by some competitors, the company's sales packaging recycling division deliberately renounced on part of the sales.

Business segment: Raw materials trading

While recovered paper prices increased during the first quarter of 2008, they dropped from April through June and remained almost constant during the third quarter. The average prices during the first three quarters were below last year's level in the same period. An increase of the marketed tonnage based on additional acquisitions of free trade volumes also contributed to the sales growth in this business segment during the first three quarters of 2008.

The prices for recovered plastics during the first three quarters of the current fiscal year were slightly below the level of the same period in the previous year. Compared to the previous year, the marketed quantities increased mainly due to the consolidation on 1 August 2008, of recovered plastics recycler and trader RDB GmbH, which had been acquired in March.

The decreased demand for thermic recovered wood quantities can be traced back to the shut-downs of several biomass power plants. The demand for material quantities by the chipboard industry was also rather restrained due to sluggish business activities in the furniture industry. The market price for recovered wood dropped accordingly. In addition, the lower tonnage brought to market as compared to last year was caused by the divestiture of the Lünen location at the end of 2007.

Effects on net debt, working capital and balance sheet total

Higher steel and metal scrap prices during the first two quarters of 2008 and for recovered paper during the first quarter of this year led to increased working capital compared to the same period last year. The company's net debt increased accordingly. Prices, acquisitions and investments in fixed assets increased the balance sheet total compared to the previous year.

Employees

The average number of employees of Interseroh Group increased by 13 percent from 1,586 during the first three quarters of 2007 to 1,797 during the first three quarters of 2008. 1,066 of the employees worked in the business segment steel and metals recycling (comparison value of last year: 969), 384 in the business segment service (2007: 341) and 347 in raw materials trading (2007: 276).

Outlook

Following the markdowns during the last few months, Interseroh anticipates continued declining and significantly volatile prices in the steel and metals recycling business division.

Interseroh will not follow the non-cost-covering price competition practiced by several sales packaging recycling competitors. The company will continue to pursue its high-quality and high-yield strategy in this business segment. Interseroh plans to further expand its full service offerings and is working on new business models to develop new business segments.

The paper and plastics markets have been under pressure since October. Accordingly, declining paper and plastics prices are expected for the raw materials trading segment.

Interseroh SE's management expects that, despite a rather weak fourth quarter due to market conditions, its sales and earnings will be considerably higher in the business year 2008 than in 2007.

Additional information:

INTERSEROH SE

Investor Relations

Stollwerckstrasse 9a

51149 Koeln

Germany

Phone.: +49 2203 9147 1241 / 1264

Email: aktie@interseroh.com