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INTERSEROH SE: Difficult markets due to economic conditions depress first quarter results in 2009

Poor overall economic conditions, as well as drastic production cuts in the steel industry, have depressed the business results of the environmental service provider and raw materials trader, Interseroh, Cologne, during the first three months of the current fiscal year. Interseroh booked a loss of EUR 9.81 million (EBT) in the first quarter of 2009. The reason for this development lies primarily in the lower sales quantities in steel scrap markets in the first quarter of 2009. In contrast the situation in the markets for non-ferrous metals, copper in particular, has eased. Operational business in the services and raw materials trading segments has developed slightly better than anticipated in the first three months of the year. Consolidated group sales amounted to EUR 258.7 million in the first quarter (comparable period in the prior year: EUR 527.0 million).

Sales revenues in the steel and metals recycling segment were posted at EUR 158.7 million (prior year: EUR 405.1 million). The services segment contributed EUR 70.47 million (prior year: EUR 69.4 million), the raw materials trading segment EUR 33.57 million (prior year: EUR 61.0 million). Sales between segments of EUR 4.1 million (prior year: EUR 8.5 million) had to be consolidated.

EBT amounted to EUR -9.81 million (prior year: EUR 17.3 million), while EBIT was EUR -7.0 million (prior year: EUR 19.5 million).

Steel and Metals Recycling

Demand for steel scrap was also extremely low in the first three months. At the same time, prices continued to decline in the steel scrap markets. Prices for non-ferrous metals on the other hand hovered at the same levels or evidenced slight increases, depending on the type. A significant rise in demand for non-ferrous metals occurred in March, reaching September 2008 levels. Asian buyers responded to lower prices with higher demand and filled their warehouses.

Interseroh increased its 85 percent share in Wagner Rohstoffe GmbH to 100 percent effective January 1, 2009.

Services

Sales revenues in the services segment were slightly above the levels of the comparable period in the previous year. Interseroh has succeeded in attracting new customers in the sales packaging recycling market. Interseroh improved its position in the German dual sys-



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tems ranking in the first quarter from third to second place. Margins in the services segment remained under pressure.

Raw Materials Trading

Demand for both used paper and plastics was persistently weak during the first quarter. Prices for used paper remained at the low December 2008 level, as did prices for coloured foil. Price recovery was noted in the case of high-quality foil vis-à-vis the low point of December 2008. Input quantities of timber dropped, due to both economic and weather conditions, and traded quantities fell correspondingly.

Impact on net debt, working capital and total assets

Lower sales quantities in the steel scrap markets resulted in a moderate drop in working capital in the first quarter compared to the balance sheet date, December 31, 2008. Net debt and total assets have decreased due to lower utilisation of short-term loan facilities.

Other events of special significance

Interseroh and ALBA have entered into a cooperation agreement at the beginning of the current fiscal year. By consolidating the strengths of both corporate groups – keeping in mind the arm's length principle -, their position vis-à-vis competitors will be significantly enhanced. This cooperation allows for full coverage of the entire value creation chain of collection, recycling, processing and trading of raw materials, defined as urban mining. The goal is to develop Interseroh into the leading raw materials and environmental services provider in Europe under the virtual umbrella of the ALBA Group.

Employees

The number of Interseroh Group employees rose from an average of 1,699 in the first quarter of 2008 to an average of 1,985 in the first three months of 2009. This increase over the previous year is due chiefly to the initial consolidation of the companies acquired. 1,276 individuals (comparable period of the previous year: 1,090) were employed in the steel and metals recycling segment, 386 (prior year: 350) in the services segment and 323 (prior year: 259) in the raw materials trading segment. Short-time work was announced in numerous companies in the steel and metals recycling segment in order to take into account the prolonged difficulties in the market situation.



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Outlook

In the current fiscal year Interseroh is anticipating a market environment for the recycling industry that continues to present challenges. Due to low demand for steel scrap, the Executive Board intends to enhance synergies among the individual sites in the steel and metals recycling segment. For this purpose Interseroh is currently establishing a new organisational structure with three regional directors in the steel and metals recycling segment in Germany. They will coordinate cross-regional contacts to customers and buyers and optimise internal processes. In the services segment Interseroh continues to count on its image as quality leader, as well as flexible service concepts tailored to individual customers. The Group's competitive position in the services area should continue to be reinforced by means of competence in consultancy services and new products. In the raw materials trading segment the Executive Board anticipates mixed sales. While prices for certain types of paper rose in April and demand remained stable, in the case of other types demand continued to be restrained. This development was also apparent in the plastics market. Demand from Asian buyers for high-quality plastics rose. According to this higher demand prices increased.

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