NA Group Report
on the preliminary results for fiscal year 2005/06
– 1 October 2005 to 30 September 2006 –

Norddeutsche Affinerie increases annual net income again and raises dividend

Hamburg, 19 December 2006 **– Norddeutsche Affinerie AG (NA) has again performed very successfully in the fourth quarter of fiscal year 2005/06 and succeeded in increasing the pre-tax profit for the fiscal year to € 103 million (€ 90 million in the prior year). It will therefore be recommended at the Annual General Meeting on 29 March 2007 that the dividend be increased to € 1.05 per share (€ 1.00 in the prior year). This corresponds to a dividend yield of 5.5 %. The Copper Production and Copper Processing Segments contributed equally to this very good result.**

Apart from the very positive situation on the raw material and product markets, fiscal year 2005/06 was impacted by extraordinary developments on the metal markets, particularly the copper market. The copper price reached historic highs. NA's revenues rose to an unprecedented level of € 5,753 million (€ 3,022 million in the prior year), primarily due to the increased metal prices.

In the Copper Production Segment 1,040,000 tonnes of copper concentrates were processed (1,091,000 tonnes in the prior year). Cathode output amounted to 551,000 tonnes (558,000 tonnes in the prior year). The slight decline year-on-year was the result of the scheduled stoppage for maintenance in the first quarter of the fiscal year.

The economic upswing in our core markets was well utilised by all sectors of the Copper Processing Segment: thus wire rod output increased 13 % to 423,000 tonnes (375,000 tonnes in the prior year). The output of shapes amounted to 266,000 tonnes, 12 % up on the prior year (237,000 tonnes). Schwermetall Halbzeugwerk's output improved significantly to 260,000 tonnes (233,000 tonnes in the prior year). Prymetall increased production by 8 % to 67,000 tonnes (62,000 tonnes in the prior year).

NA's positive overall economic picture is regrettably impaired by the negative trend on the German energy markets, which is affecting all of German industry. NA is countering this unacceptable development, above all, by building its own power plant.

Consolidated key figures of te NA Group in accordance with IFRS* (preliminary)		Fiscal 2004/05 12 months 1.10. - 30.09.	**Fiscal 2005/06** **12 months** **1.10. - 30.09. preliminary**
Revenues	€m	**3,022**	**5,753**
Gross profit	€m	**442**	**446**
Personnel expenses	€m	**189**	**194**
Depreciation and amortisation	€m	**64**	**52**
EBITDA	€m	**163**	**163**
EBIT	€m	**99**	**111**
EBT	€m	**90**	**103**
Consolidated net income	€m	**61**	**60**
Earnings per share	€	**1.77**	**1.64**
Gross cash flow	€m	**137**	**112**
Capital expenditure	€m	**33**	**48**
Copper price (average)	US$/t	**3,382**	**6,033**
Number of employees (average)		**3,158**	**3,187**

*** before revaluation of Lifo inventories**

1. NA Group's financial position and profitability

The following report on the financial position and profitability is a shortened account. The detailed report will be published after the Supervisory Board has held its Balance Sheet Meeting.

The NA Group reports in accordance with International Financial Reporting Standards (IFRS). The effects from the revaluation of the Lifo inventories due to the new stipulations of IAS 2 are explained separately. Compared with the prior year, the 50 % holding in KPP Kraftwerk Peute Projektmanagement GmbH & Co. KG, Hamburg, (KPP) is included for the first time. KPP is a joint venture company of NA and the Stadtreinigung Hamburg (Hamburg waste management) and has the task of planning and erecting the SF power plant.

Profitability

Earnings from operations were again very good in fiscal year 2005/06. The following factors contributed to this trend in earnings:

- Higher treatment and refining charges for processing copper concentrates
- Reliable supply of copper scrap and other recycling materials with good refining charges
- Good utilisation of the production plants in the Copper Production Segment
- Significant increase in output and sales of continuous cast wire rod (ROD) and shapes (CAST)
- Positive trend in the production and sales of products from the subsidiaries Schwermetall Halbzeugwerk and Prymetall
- The rise in energy prices particularly weighed on earnings.

Revenues rose to € 5.753 billion in the last fiscal year, up from € 3.022 billion in the prior year. This was above all due to the significantly higher metal prices.

The gross profit remained at a high level and rose to € 446 million (€ 442 million in the prior year).

Increased production, union wage-scale increases and expenditure for performance-related bonuses resulted in a rise in personnel expenses to € 194 million (€ 189 million in the prior year).

Depreciation and amortisation on intangible assets and property, plant and equipment decreased by € 12 million to € 52 million. In the previous year, this figure included impairment losses on goodwill in the amount of € 8 million.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) totalling € 163 million were at the extraordinarily high level of the previous year. In parallel, lower depreciation and amortisation resulted in a noticeable rise in earnings before interest and taxes (EBIT) to € 111 million (€ 99 million in the prior year).

Earnings before taxes (EBT) rose by € 13 million to € 103 million. Increased tax expenditures reduced the consolidated net income to € 60 million (€ 61 million in the prior year). After deduction of minority interests, this results in earnings per share in the amount of € 1.64 (€ 1.77 in the prior year). This includes the higher number of shares after the 10 % capital increase in January 2006.

The net income of NA AG, on which the dividend is based, thus amounts to € 59 million. At the Annual General Meeting the payment of € 39 million in dividends will be recommended, which corresponds to a payout ratio of about 66 %. The dividend per share would therefore amount to € 1.05.

The amount of € 20 million should also be allocated to revenue reserves to strengthen the company's equity base.

Financial position and capital expenditure

Gross cash flow declined from € 137 million in the prior year to € 112 million in fiscal year 2005/06 due to increased tax payments.

At € 48 million, capital expenditure in fiscal year 2005/06 was significantly more than in the previous year (€ 33 million). It was mainly focused on additions to plants in the primary smelter and facilities to reduce energy consumption. The procurement of two state-of-the-art tankships as part of a leasing agreement is also included for transporting sulphuric acid, for which a long-term freight agreement has been concluded between NA and a service company.

Differences in measurement resulting from the revised IAS 2

In accordance with the current valid stipulations of IAS 2, available inventories must be measured using the average cost method. The inclusion of changes in the carrying amount can lead to considerable discontinuity and a loss of comparability. This results in illusory figures that can give an economically misleading impression of the financial position and profitability.

All the changes in the NA Group's financial position and profitability related to measurement as laid down in the new version of IAS 2 are detailed separately in the following:

The application of the average cost method led to a € 221 million increase in EBT, EBIT and EBITDA. The difference in the prior year amounted to € 58 million. After the recognition of deferred taxes, a € 132 million higher consolidated net income is computed (€ 35 million in the prior year).

After elimination of minority interests from the consolidated net income, earnings per share are € 3.66 higher (€ 1.03 in the prior year).

The gross cash flow in contrast is not affected by the revaluation of the Lifo inventories.

2. Copper market

There were price rises on the copper market to historic highs in fiscal year 2005/06. From the initial US$ 3,900/t (settlement), the copper rose, with strong fluctuations at times, to a high of US$ 8,788/t by mid May 2006. After that the copper price moved sideways and generally stayed in a price range of US$ 7,400 to 8,000/t. Strong price impulses came from funds and other capital investors, which had commitments on the futures markets for industrial metals.

The market situation was characterised by production losses at mines and smelters, low inventories and good demand. The assumption that there might again be excess production on the copper market had to be corrected as time went on. Cathode production did not achieve the necessary growth to satisfy the high demand. The stocks in the warehouses of the metal exchanges were very low and did not provide a sufficient alternative. The expected substantial copper surplus failed to materialise.

A market scenario was behind the prices' sideways performance since summer 2006 that was determined by seasonal factors. In the U.S.A. the flagging real estate boom had a deflating impact. In Europe the economic recovery provided positive impulses, however, cathode demand was limited owing to the usual summer holiday plant shutdowns in the processing industry.

As regards China's copper demand, uncertainties still existed which were caused by lower cathode imports and unclear information on the utilisation of off-exchange inventories.

The price continued to be supported by the existing supply shortages, which were even more apparent due to strike action in the South American copper industry. In addition, there were fears that there could be further strikes.

Copper stocks increased slightly in the warehouses of the metal exchanges until the end of September, but were overall at a very low level. While they increased at the London Metal Exchange by about 24,000 tonnes to 117,000 tonnes, they decreased at the Shanghai Metal Exchange by 27,000 tonnes to 33,500 tonnes. At the New York Comex, inventories declined by 11,500 tonnes to 18,730 tonnes.

3. NA's Operating Segments

Copper Production Segment

In the Copper Production Segment primary and secondary raw materials are processed into copper cathodes and precious metals. The production sites are located in Hamburg and Lünen.

Raw material markets

The market for copper concentrates was still characterised by significant surpluses in the first few months of the fiscal year. Then production losses and strikes at major mines had an adverse impact on the market situation. As a result treatment and refining charges on the spot market declined substantially. The long-term market was also affected. Conditions have, however, stabilised again in the meantime and show a basically positive tendency.

The market conditions for blister copper and intermediates from other smelters improved on account of the high metal prices. The supply of precious metal bearing raw materials grew considerably so that very good conditions could be obtained.

Supplies on the European copper scrap market were short at the beginning of the fiscal year, but improved substantially in the course of the second quarter. Rising copper prices as well as declining demand from Asian competitors had a positive impact here. The stocks in the trade and at the scrap dealers in Europe and North America increased significantly. Material availability remained good until and beyond the end of the fiscal year. The supply of copper-bearing and precious metal recycling raw materials, including end-of-life materials such as electronic scrap, was good overall. The enforcing of the new legislation on waste electric and electronic equipment (ElektroG) in March 2006 has had a positive effect.

Cathodes and precious metals

Hamburg

Production performance in the Copper Production Segment was very good. However, the production losses incurred in November 2005 during the standstill could not quite be fully recouped.

At 1,040,000 tonnes, concentrate throughput in fiscal year 2005/06 was just under that in the prior year (1,091,000 tonnes). 273,000 tonnes of copper concentrates were processed in the fourth quarter (269,000 tonnes in the prior year).

An output of 366,000 tonnes of cathodes was reached in Hamburg in the fiscal year (375,000 tonnes in the prior year). 96,000 tonnes of copper cathodes were produced in the fourth quarter.

In line with the concentrate throughput, the sulphuric acid output in the fiscal year amounted to 1,018,000 tonnes (1,073,000 tonnes in the prior year). While the global market prices for sulphuric acid declined temporarily at the beginning of the fiscal year, they stayed generally stable in Europe, our main market, as a result of the closure of some production capacities at competitors.

The market for precious metal-bearing raw materials continued to develop well, as a result of which utilisation of our precious metal production facilities was very high. Silver output rose 12 % to 985 tonnes (880 tonnes in the prior year). Gold production amounted to 36 tonnes for the fiscal year (29 tonnes in the prior year).

Lünen

The Lünen site is the centre of our recycling activities. The steady technological expansion is increasingly proving its worth. A total of 297,000 tonnes of secondary raw materials (271,000 tonnes in the prior year) was processed. In particular, the processing of electric and electronic scrap was again significantly increased.

The tankhouse in Lünen achieved a new peak in the fiscal year with a cathode output of 184,500 tonnes (182,000 tonnes in the prior year). In the fourth quarter, 48,000 tonnes were produced, about 3 % up on the previous year (46,500 tonnes).

The NA Group's cathode output totalled 551,000 tonnes (558,000 tonnes in the prior year). The slight decline year-on-year was a result of the scheduled standstill for maintenance at the Hamburg primary smelter in November 2005.

Copper Processing Segment

In the Copper Processing Segment our own and external copper cathodes are processed into continuous cast wire rod and shapes as well as rolled products. The production sites are located in Hamburg, Emmerich and Stolberg.

Product markets

In 2006 the product markets for copper generally lived from the strong global demand and increasingly from the incipient economic upswing in Europe and Germany. In particular, the European markets had a large backlog demand as of early summer so that copper products at times were hardly available on the market.

The high copper demand resulted from the increased production in the energy cable and wire industries as well as good capacity utilisation in the semi-finished product industry. In particular, high-grade products, such as cable strip, strips for electronic components and surface-finished semis were required. Demand from the telecommunications sector was stable. The construction industry also made a contribution to the growth with overall slightly increasing order quantities after years of stagnation.

The continued high copper price had an adverse impact on some sectors of the copper product markets. The tendency to substitution, particularly in the non-European copper tube markets, rose. The metal price-related higher financing requirements for the working capital severely changed the purchasing and ordering behaviour to some degree all along the value added chain.

NA could prove its strength as an integrated product fabricator (cathodes, wire rod, shapes, flat products) throughout the whole of the fiscal year. With the ongoing shortage of cathodes, NA had a special unique selling point by having its own cathode supply available.

Wire rod (ROD)

The production of continuous cast wire rod increased 13 % in the last fiscal year to a new high of 423,000 tonnes (375,000 tonnes in the prior year). Both production plants in Hamburg and in Emmerich (60 % NA) contributed equally to this. Output in the fourth quarter amounted to 102,000 tonnes (84,000 tonnes in the prior year).

In our core market, we focused above all on demand from the energy cable and electric drive sectors. While the cathode shortage resulted in delivery problems at competitors, NA could extend its market position as an integrated copper producer and processor in Europe.

Continuous cast shapes (CAST) and flat products

A new peak output of 266,000 tonnes of shapes was achieved in Hamburg for the fiscal year, i.e. a 12 % increase compared with the prior year (237,000 tonnes). In the fourth quarter, output reached 64,000 tonnes, up from 58,000 tonnes in the prior year.

This growth primarily arose as a result of increased production in the product sector for the electric and electronic industries. NA additionally participated in the recovery of the European copper tube market.

The whole fiscal year was characterised by high demand for pre-rolled strip. The order intake has continually increased, especially since January 2006. The summer months also did not show the usual seasonal downturn. This positive trend was attributable to the overall good capacity utilisation in the European rolling mills. The overseas business stagnated slightly after a good start on account of the high metal prices and the connected high costs of financing.

The production of pre-rolled strip at Schwermetall Halbzeugwerk (50 % NA) rose 12 % over the whole fiscal year to 260,000 tonnes (233,000 tonnes in the prior year). In the fourth quarter we produced 68,000 tonnes (57,000 tonnes in the prior year).

The situation at Prymetall (100 % NA) improved significantly in the fiscal year. In particular, the share of products with good profit margins in the strip sector could be increased in the course of the fiscal year. This concerned especially the electro and electronic industries. The production of mass products with lower profit margins was reduced, as planned, owing to the high costs of financing.

A total of 67,000 tonnes of strip and wire products was produced, an 8 % increase compared with the prior year (62,000 tonnes). Output in the fourth quarter amounted to 16,600 tonnes (14,900 tonnes in the prior year).

4. Human resources

At the end of the fiscal year, the NA Group had 3,225 employees including apprentices (3,187 in the prior year). The increase in personnel is mainly based in the production sectors, CIS Solartechnik and KPP.

Personnel expenses increased year-on-year by € 4.5 million. This is above all due to increases in the tariff wage-scale, higher expenditures for personnel due to increased production and higher provisions for performance-oriented bonuses.

Thanks to the motivated participation of all the employees, a Group-wide special campaign under the company suggestion scheme was a great success. The employees submitted in total 3,440 important suggestions.

In the interests of ensuring its own supply of junior staff and as a result of its social commitment, NA has one of the most extensive training programmes in its industry. With 232 apprentices at the end of the fiscal year, the percentage in the NA Group was 7.2 %. Training is given in a total of 16 trades and professions in the NA Group.

5. Research & Development

The Research & Development sector took part in all the major internal growth and optimisation projects. The most important project is the RWO Future Project, which the concentrate throughput should be increased to 1.5 million tonnes p.a. in Hamburg).

For the CIS solar cell project, we have erected the main machines in the pilot plant to schedule and commissioned them. The pilot tests, which should show the general industrial-scale feasibility of the production of flexible CIS solar cells, is still planned for the end of 2007.

6. Operating and strategic measures to enhance performance

As a result of the dramatic energy price rises, NA is concentrating Group-wide on measures to increase energy efficiency further and on process changes. The process changes have the target of generally reducing energy consumption and increasing flexibility in the use of primary energy carriers. Considerable success was achieved here in the past. Further steps with a high improvement potential are being worked on or implemented.

NA is thus doing its utmost to compensate totally or in part for the growing cost burden resulting from the special energy situation in Germany.

Apart from these operational measures, the conversion of the Hamburg production site into one that is self-sufficient as regards its electricity supply is an important strategic step. Work on the erection of a 110 MW SF power plant is therefore pressing on urgently. The power plant is a 50/50 joint venture between NA and the Stadtreinigung Hamburg (Hamburg waste management). Capital expenditure amounts to about € 330 million and will be financed by banks. NA's equity share amounts to about € 50 million.

The licensing process of the public authorities under the immission control ordnance for the SF power plant was initiated in November 2006. The technical planning and invitations for tenders for the technical plants have been completed. Construction work should start by the middle of 2007. Commissioning is scheduled for the second half of 2009. NA's current electricity costs at the Hamburg site should be halved as a result of the power plant.

NA continues to press on with internal and external growth steps. The internal projects focus on the expansion of copper production from copper concentrates to a throughput of 1.5 million tonnes p.a. and the strengthening of our recycling activities. In addition, we are intensively pursuing options for the internationalisation of our business and for entering fast-growing regions. We assume today that concrete steps will materialise in the course of 2007.

7. Outlook

NA will counter unacceptable developments on the German energy market by taking internal and external measures. NA expects in addition that the government's already announced steps will become effective in future.

The strong demand for copper and copper products will also continue in 2007. This applies to not only the global but also NA's German/European core markets. NA therefore believes that the copper price will remain at a high level. NA furthermore expects positive trends on the raw material and product markets. The profit contributions from NA's most important product group in the wire rod and strip sector will tend to improve further.

From the results of the first few months, it can be expected that NA's business performance will follow a very positive trend in the new fiscal year 2006/07.

Financial calendar 2007

31 January 2007	Annual press conference and DVFA analyst conference
29 March 2007	Annual General Meeting
30 March 2007	Dividend payment
9 May 2007	Interim report on 2nd quarter 2006/07
14 August 2007	Interim report on 3rd quarter 2006/07
19 December 2007	Preliminary results of fiscal year 2006/07