

**COPPER MARKET**

In August it was a mystery to some market observers what was happening on the international financial markets, which was also dragging the copper market down with it. Developments starting from the shifts on the American real estate market were in some instances of a critical nature. The concern about liquidity shortfalls and the danger of major banks and funds becoming insolvent paralysed the financial sector. Speculative investors changed their commitments in respect of commodities in favour of a wider spread to reduce risks and liquidated positions in order to generate cash. This had little to do with fundamental changes on the respective raw material markets. The copper price declined in August within a few days by almost US\$ 1,100/t to US\$ 6,960/t (settlement; 17.08.), and did not recover until an interest rate reduction in the U.S.A. and liquidity assistance from the European Central Bank indicated that the crisis had been overcome. In addition, the impression grew that the events would not affect global economic growth and thus no revaluation of demand for base metals must take place for the time being. As a result, investors again showed interest in raw material commitments. The copper price rose to more than US\$ 7,000/t and in the last few days has fluctuated in a range of about US\$ 7,300 and 7,500/t. Backwardation for three-month contracts declined to US\$ 50 to 80/t.

The copper price was well supported on the fundamental side. The turbulences on the credit markets have hardly affected the overall economy in the Euro zone. The economic trend there is considered to be robust and should maintain its growth dynamics. Consequently, copper demand could rise again after the summer break. In Japan copper demand weakened mid year, however the OECD sees the Japanese GDP rising by some 2.4 % in the year as a whole. Although the state of the U.S. economy gives rise to concern, the first half of 2007 still turned out to be surprisingly positive. China has continued its copper imports at a high level so that they totalled 993,000 t from January to July 2007, thus more than doubling last year's figure. Currently, the good availability of supplies is faced with seasonally reduced demand. Excess quantities in August have therefore been exported or stored in nearby LME warehouses. However, copper demand is expected to increase again as of September.

At the same time, the copper market is vulnerable to production stoppages. The end of the five-week strike at Codelco, the Chilean copper company, and thus the return to normal production hardly caused any reaction. The strikes in the Mexican copper industry continue. Labour disputes will likewise begin in Peru shortly. The copper stocks in the warehouses of the metal exchanges show disparate trends. While stocks at the LME rose from about 103,000 t to almost 140,000 t in August, they were down from 91,600 t to 67,000 t at the SHFE. The Comex inventories remained initially at a level of some 19,000 t, but declined at the beginning of September to 16,800 t. The statistics published by the ICSG in August on the global copper market showed a copper deficit of 300,000 t for the first five months of 2007, the WBMS calculates a deficit of 216,000 t for the first half of 2007.

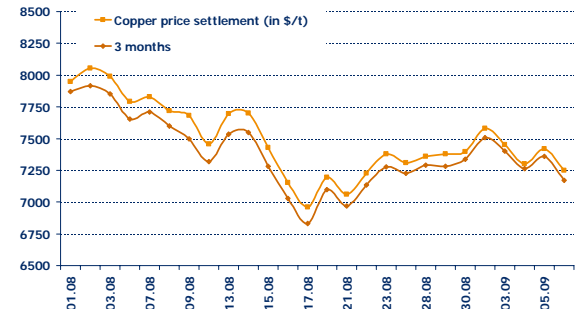
**COPPER RAW MATERIALS AND PRODUCTS**

The global mining output of copper has risen by almost 6 % from January to May 2007 compared with the prior year. Nevertheless, the market for copper concentrates is in short supply and the TC/RCs in the spot and long-term business are very low. „Too low for smelters that have to buy their raw materials from mines,“ says Thomas Hölandt, General Manager of the business unit responsible for concentrate procurement at NA „While the mining enterprises are making record profits, they should remain fair in their negotiations with the custom smelters.“ Protests about the low TC/RC level are also coming from the China Smeltery Purchase Team, which wants to reduce its output in response by 10 to 15 % in the 2nd half of 2007. The salvage of the vessel stranded off Chile in August with almost 50,000 t of concentrates on board destined for India prevented the situation from becoming aggravated further. The supply of copper scrap remained good, but was affected by the growing uncertainty on the markets. Demand for continuous cast wire rod has picked up again in recent weeks, however, this is still not the case for strip products.

**Copper price performance affected by the crisis on the financial markets**



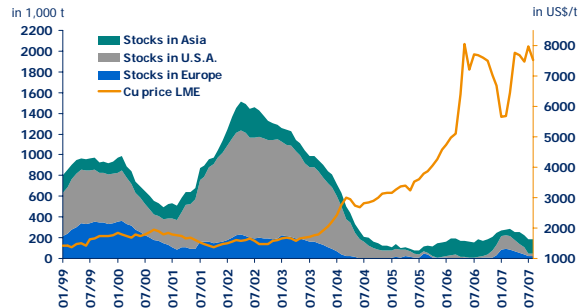
Copper price settlement LME August 2007 (in \$/t)



**After decline, LME copper stocks stagnate at about 100,000 tonnes**



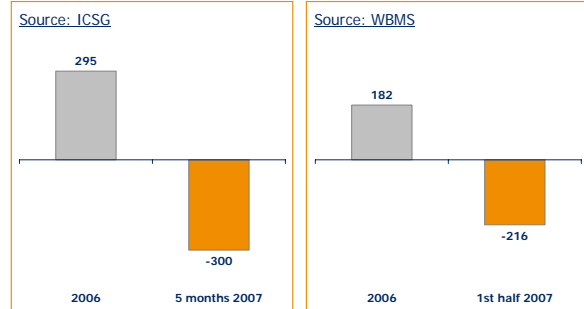
Copper quotation and stocks on the metal exchanges



**Copper balance again in a production deficit**



Global refined copper balance (in 1,000 t)



**GLOSSARY:**

- Backwardation: amount by which spot price is higher than 3 month price
- Comex: New York Commodity Exchange
- ICSG: International Copper Study Group
- LME: London Metal Exchange
- Settlement : cash selling rate
- SHFE: Shanghai Futures Exchange
- SRB: Strategic Reserve Bureau
- TC/RC: Treatment and refining charges for concentrates

This information contains forward-looking statements based on current assumptions and forecasts. Various known and unknown risks, uncertainties and other factors could have the impact that the actual future results, financial situation or developments differ from the estimates given here.

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