

**NA Group Report**  
on the 2nd Quarter of fiscal year 2006/07  
– 1 January to 31 March 2007 –

## **Norddeutsche Affinerie AG generates excellent semiannual results after very successful 2<sup>nd</sup> quarter**

Hamburg, 9 May 2007 – Norddeutsche Affinerie AG (NA) generated an excellent pre-tax profit (EBT) of €82 million (€48 million in the prior year) in the 1<sup>st</sup> half of fiscal year 2006/07. The 2<sup>nd</sup> quarter contributed €43 million (€27 million in the prior year) to this result, which as before was due to very good business operations, above all in the Copper Production Segment. High product sales and the again higher copper price led to a further increase in revenues in the half-year to €2,967 (€2,263 million in the prior year).

The market environment was volatile overall. This affected above all the spot market for copper concentrates, in which conditions remained under pressure. Nevertheless, the NA Group could utilise its very good position on the international raw material markets and the product markets. This again reflects NA's strength as a forward integrated copper processor.

Some 285,000 tonnes of concentrates (282,000 tonnes in the prior year) were processed bringing the total throughput for the half-year to 563,000 tonnes (493,000 tonnes in the prior year). The cathode output rose to 140,000 tonnes (138,000 tonnes in the prior year), and 283,000 tonnes (266,000 tonnes in the prior year) in the half-year respectively. NA again achieved excellent availability of its production facilities.

The production and marketing of copper products could be increased overall once again. Wire rod output rose to 227,000 tonnes (203,000 tonnes in the prior year), while the production of continuous cast shapes at 122,000 tonnes was slightly down (133,000 tonnes in the prior year). Schwermetall Halbzeugwerk's (NA share 50 %) output of 127,000 tonnes of pre-rolled strip was slightly less than the prior year's production of 132,000 tonnes. Prymetall produced 32,000 tonnes, almost the same as in the prior year (33,000 tonnes), but a significant part of these sales were products with higher profit margins.

NA is also competitive internationally in a volatile market environment due to its technological and operating strength. This is reflected in the strong profitability in fiscal year 2006/07.

<b>Consolidated key figures of the NA Group in accordance with IFRS*</b>		<b>2<sup>nd</sup> quarter 2006/07</b>	<b>1<sup>st</sup> half year 2006/07</b>	<b>2<sup>nd</sup> quarter 2005/06</b>	<b>1<sup>st</sup> half-year 2005/06</b>
<b>Revenues</b>	€m	<b>1,499</b>	<b>2,967</b>	1,342	2,263
<b>Gross profit</b>	€m	<b>135</b>	<b>258</b>	110	214
<b>Personnel expenses</b>	€m	<b>49</b>	<b>98</b>	47	94
<b>Depreciation and amortisation</b>	€m	<b>14</b>	<b>26</b>	12	24
<b>EBITDA</b>	€m	<b>59</b>	<b>112</b>	40	76
<b>EBIT</b>	€m	<b>45</b>	<b>85</b>	28	52
<b>Earnings before taxes (EBT)</b>	€m	<b>43</b>	<b>82</b>	27	48
<b>Consolidated net income</b>	€m	<b>26</b>	<b>49</b>	16	29
<b>Earnings per share</b>	€	<b>0.68</b>	<b>1.30</b>	0.42	0.81
<b>Gross cash flow</b>	€m	<b>44</b>	<b>82</b>	32	63
<b>Capital expenditure</b>	€m	<b>44</b>	<b>59</b>	9	24
<b>Copper price (average)</b>	US\$/t	<b>5,941</b>	<b>6,509</b>	4,944	4,623
<b>Number of employees (average)</b>		<b>3,205</b>	<b>3,214</b>	3,175	3,181

\* before revaluation of LIFO inventories using the average cost method

## **1. Results of operations, financial position and net assets of the NA Group**

The NA Group is reporting in accordance with the International Financial Reporting Standards (IFRS). The accounting policies applied in the preparation of the IFRS financial statements as at 30 September 2006 were continued unchanged. The effects from the revaluation of the LIFO inventories using the average cost method are not included in the following explanations, but reported separately at the end.

### **Results of operations**

The Group continued its positive business performance in the 2<sup>nd</sup> quarter of fiscal year 2006/07. Excellent earnings were generated overall in the 1<sup>st</sup> half-year.

Significantly enhanced sales of wire rod and higher metal prices compared with the same period in the prior year resulted in a rise in revenues. In the 1<sup>st</sup> half-year, revenues amounted to €2,967 million, up from €2,263 in the prior year.

The gross profit increased year-on-year by € 44 million to € 258 million (€214 million in the prior year). This 21 % rise reflects the excellent business trend in the 1<sup>st</sup> half-year.

Personnel expenses totalling € 98 million were slightly up on the prior year (€94 million) on account of an increase in personnel, tariff wage scale rises and profit-sharing bonuses.

Depreciation and amortisation rose to €26 million (€24 million in the prior year).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose significantly to €112 million, 47 % up on the prior year's result of €76 million. At the same time earnings before interest and taxes (EBIT) at €85 million (€52 million in the prior year) are substantially higher. The NA Group generated a considerably higher pre-tax profit of €82 million compared with the prior year (€48 million).

The following factors accounted for the positive business performance in the 1<sup>st</sup> half-year:

- Very good revenues for the processing of copper concentrates, scrap and recycling materials despite increased volatility on the raw material markets
- Increase in the throughput of the main feed materials such as copper concentrates and recycling raw materials
- High demand for wire rod with improved conditions
- Stable unit sales and revenues for continuous cast shapes and pre-rolled strip
- Increased share of high-value products in respect of finished strip
- Good forward cover for the U.S. dollar for the whole fiscal year 2006/07, continuing until far into calendar year 2008
- Higher energy costs since January 2007

The consolidated net income increased to € 49 million (€ 29 million in the prior year). After eliminating minority interest, this results in earnings per share of € 1.30 (€ 0.81 in the prior year).

### **Financial position and capital expenditure**

The gross cash flow in the first six months increased by € 19 million to € 82 million thanks to the further rise in earnings.

Inventories were slightly down on the level as at 31 December 2006, mainly due to lower stock levels of finished copper products.

Current receivables and other assets were in contrast significantly reduced. For trade accounts receivable, the shorter payment terms were particularly effective. At the same time, lower positive fair values from exchange transactions led to a reduction in other receivables and assets.

Capital expenditure amounted to € 59 million (€ 24 million in the prior year), of which € 30 million were invested in the expansion of the concentrate and electronic scrap processing facilities, in order to strengthen NA's position in these sectors even more.

€ 29 million was directed into the activation of plant and equipment for concentrate handling and transport by Hafengesellschaft Brunsbüttel GmbH on account of a long-term service contract, which is recognised as finance leasing in accordance with IAS 17/IFRIC 4.

As a result of the very good operating cash flow of € 209 million, the NA Group has cash and cash equivalents at its disposal in the amount of € 123 million as at 31 March 2007.

### **Net assets**

Total assets were € 79 million down on the total at the end of the last fiscal year and amounted to € 1,732 million as at 31 March 2007. Nevertheless, the valuation of total assets is still determined by the high metal prices.

Equity in the NA Group rose to € 537 million, up from € 501 million as at 30 September 2006. In addition to consolidated net income for the period of € 49 million, changes in accumulated other comprehensive income of € 28 million also accounted for the rise in equity. Equity was on the other hand reduced by NA AG's dividend payment of € 39 million. The balance sheet reflects NA's sound equity basis with an equity ratio of 31 %.

Financial liabilities included, in parallel with capital expenditure, liabilities arising from the contract for concentrate handling and transport, which are recognised as finance leases. This resulted in an increase in long-term financial liabilities of € 28 million. The other long-term and short-term financial liabilities have in contrast declined slightly in the 1<sup>st</sup> first half-year. As at 31 March 2007, total financial liabilities amounted to € 192 million, up from € 183 million at the end of the last fiscal year. At the same time lower negative fair values for derivative financial instruments resulted in a reduction in other short-term liabilities to € 257 million (€ 424 million as at 30 September 2006). Gearing at 13 % was at a very low level.

### Effects on valuation due to the amendment to IAS 2

As a result of the amendment to IAS 2, all available inventories in the NA Group have had to be measured using the average cost method since 1 October 2005. This leads to considerable discontinuities due to changes in the carrying amounts in the event of metal price fluctuations. These are fictitious results which can give an incorrect economic impression of the Group's results of operations, financial position and net assets. Consequently, a true picture is not really given of the operating performance, and it is impossible to make a comparison with earlier periods.

We have therefore presented the net assets, financial position and results of operations of the NA Group first of all without the effects of the revaluation of LIFO inventories. All the changes in the net assets, financial position and results of operations resulting from the application of the average cost method are listed separately in the following:

#### **Results of operations**

The application of the average cost method resulted in an increase in gross profit, earnings before interest, taxes, depreciation and amortisation (EBITDA), earnings before interest and taxes (EBIT) and earnings before taxes (EBT) of € 40 million each (€ 102 million each in the prior year). A € 24 million (€ 61 million in the prior year) higher consolidated net income remains after the recognition of deferred taxes.

After the elimination of minority interest from the consolidated net income, the revaluation results in € 0.64 higher earnings per share (€ 1.76 higher in the prior year).

#### **Financial position**

The revaluation of the LIFO inventories did not have an impact on cash flow.

#### **Net assets**

Total assets as at 31 March 2007 amounted to € 2,097 million after application of the average cost method, down from € 2,137 million at the end of the last fiscal year. However, the revaluation of LIFO inventories resulted in € 366 million higher inventories. This item amounted to € 326 million at the end of the last fiscal year.

At the same time, the application of the average cost method resulted in a € 219 million increase in the NA Group's equity to € 756 million (on 30 September 2006 equity increased by € 195 million to € 696 million). On this basis, the NA Group's equity ratio amounts to 36 % with gearing at 9 %.

## **2. Copper market**

The copper market was impacted by a price decline of almost US\$ 1,000 per tonne to US\$ 5,225 per tonne at the beginning of 2007. A climate of uncertainty, which was mainly attributable to increasing copper stocks in the warehouses of the metal exchanges and the economic downturn in the U.S.A., caused funds to reduce their commitments on the metal markets. Although price volatility was still high in January and February, prices moved almost continuously upwards in March. The copper price recovered to US\$ 6,940 per tonne by the end of the quarter. The reports of China's higher copper imports, which had more than doubled in the quarter compared with the prior year, brought the Chinese copper demand back into focus. China's economy grew at a very high rate in the first three months of 2007, by 11 %, and thus provided indications for the current growth in copper demand in the world's largest sales market.

Other regions of the world, with the exception of the U.S.A., are also showing high growth in copper demand.

The good demand was reflected in the trend in copper stocks on the London Metal Exchange from March onwards. After these had initially increased by 26,000 tonnes to 216,000 tonnes, they declined again to 178,000 tonnes by the end of the quarter and were thus almost at the same level as at the end of 2006. Stocks at the Comex (New York) only changed slightly during the quarter.

As a result of this development, the copper market was still very sensitive to production breakdowns of any type.

## **3. NA's operating segments**

### **Copper Production Segment**

In the Copper Production Segment, copper cathodes and precious metals are produced from primary and secondary raw materials. The main production sites are located in Hamburg and Lünen.

Our plants were very well utilised and the ambitious production targets could in some cases be surpassed.

Revenues increased in the 1<sup>st</sup> half-year from € 1,552 million to € 2,105 million due to higher unit sales and metal prices. Earnings before taxes (EBT) at €61 million were more than double the prior year's result (€27 million).

Key financial ratios in accordance with IFRS in € thousand	Fiscal year 2006/07	Fiscal year 2005/06
	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year
Revenues	<b>2,104,997</b>	1,551,667
EBIT*	<b>61,611</b>	27,778
EBT *	<b>60,658</b>	27,083

\* before revaluation of LIFO inventories using the average cost method in the amount of € 15,562 thousand (€ 49,527 thousand in the prior year)

### Raw material markets

The mining output could not keep up with the strong global demand for copper. Transport difficulties at a copper mine in Argentina and strong demand from the trade aggravated this situation further. As a result, the copper concentrate market was put under considerable pressure. Consequently, treatment and refining charges on the spot market in particular declined. Long-term supply agreements also had to accept lower treatment and refining charges despite the high copper price. NA was hardly affected by this unfavourable situation for most copper smelters, since it had already concluded long-term agreements ahead of time.

The supply of precious metal-bearing raw materials remained good as a result of the high precious metal prices.

The market for scrap with high copper contents has proved to be very volatile since December 2006. The at times aggressive buying activities of Chinese market participants also contributed to this. After initially very good material availability and high refining charges, the conditions declined significantly as of January. The market supply and the refining charges subsequently stabilised at a satisfactory level in the second half of the quarter.

The availability of all other recycling materials, which can hardly be treated by other smelters, remained good. This applied, in particular, to complex raw materials, such as electro and electronic scrap.

### Cathodes and precious metals

The NA Group produced a total of 283,000 tonnes (266,000 tonnes in the prior year) of copper cathodes in the 1<sup>st</sup> half of the fiscal year. The output of precious metals amounted to 603 tonnes (419 tonnes in the prior year) of silver and 16.8 tonnes (17 tonnes in the prior year) of gold.

## Hamburg

The production plants in Hamburg operated with maximum efficiency and achieved excellent plant availability of more than 98 %, substantially higher than the international average. As a result, 563,000 tonnes of copper concentrates were treated in the 1<sup>st</sup> half-year, 14 % up on the prior year period (493,000 tonnes). In the 2<sup>nd</sup> quarter 285,000 tonnes of copper concentrates were processed (282,000 tonnes in the prior year). Since January 2007 the primary smelter has smelted premixes from the new concentrate handling plant in Brunsbüttel. Since then cost-intensive discharging and mixing activities at the smelter could be omitted. In addition, the raw material mixes are homogenised better, which has resulted in optimal smelting and environmental conditions, in particular for more complex copper concentrates.

With the higher concentrate throughput, the sulphuric acid output also increased in the 1<sup>st</sup> half-year to 561,000 tonnes (490,000 tonnes in the prior year). The very good conditions for sulphuric acid sales in the central European market are still unchanged. NA had advantages over its European competitors due to its high sulphuric acid quality.

In the 1<sup>st</sup> half-year 189,000 tonnes of copper cathodes were produced, about 8 % up on the prior year (176,000 tonnes). The output in the quarter amounted to 94,000 tonnes (92,000 tonnes in the prior year). 60 % of the cathode output in the half year was made from primary and 40 % from recycling raw materials. During the phase of significantly reduced refining charges for scrap, NA could again use its cost advantage by the combined processing of concentrates and recycling raw materials.

The high prices for precious metals resulted in a very good supply situation for precious metal recycling raw materials. In the 1<sup>st</sup> half-year, silver production in particular increased to 603 tonnes (419 tonnes in the prior year), an increase of 44 %.

The gold output is basically determined by the composition of the processed copper concentrates. It amounted to 16.8 tonnes in the 1<sup>st</sup> half-year, at the level of the prior year (17 tonnes).

## Lünen

The overall good supply of recycling materials enabled the Kayser Recycling System (KRS) to be fully utilised. In contrast, the anode furnace smelter was at times not fully utilised as a result of the temporary deterioration in the availability of copper scrap. The new material preparation plant proved its worth, particularly in this weaker market phase. It is now possible to treat a considerably wider range of recycling materials.

The KRS throughput was increased from 100,000 tonnes to 107,000 tonnes in the 1<sup>st</sup> half-year. The increased processing of electro and electronic scrap contributed to this. The position in the electronic scrap business is further enhanced by the large-scale plant for the sampling and preparation of electronic scrap, which was commissioned in January.

To keep the Lünen tankhouse fully supplied, some 22,000 anodes from the Hamburg tankhouse were processed in Lünen in the 1<sup>st</sup> half-year. The cathode output in the 2<sup>nd</sup> quarter amounted to 46,000 tonnes as in the prior year. In the 1<sup>st</sup> half-year it totalled 93,000 tonnes, 3 % up on the prior year (90,000 tonnes).

### **Copper Processing Segment**

In the Copper Processing Segment, NA's own and bought copper cathodes are processed into wire rod and shapes as well as rolled products. The production sites are Hamburg, Emmerich and Stolberg.

The excellent product quality and our high reliability in delivery are the basis of our strong market position in the product sector. In addition, the forward integration from the cathode to copper strip is increasingly developing into a decisive competitive advantage.

Revenues in the Copper Processing Segment rose to €2,309 million (€1,737 million in the prior year) due to increased unit sales and metal prices. Earnings before taxes (EBT) in the Segment rose to €25 million (€22 million in the prior year). Wire rod sales could again be increased further year-on-year.

Key figures in accordance with IFRS	Fiscal year 2006/07	Fiscal year 2005/06
	1 <sup>st</sup> half-year	1 <sup>st</sup> half-year
Revenues	2,309,310	1,736,889
EBIT *	27,958	24,227
EBT *	25,205	21,810

\* before revaluation of LIFO inventories using the average cost method in the amount of €24,059 thousand (€52,818 thousand in the prior year)

### **Product markets**

The European cable and wire industry is optimistic for 2007. At the same time, the positive economic general conditions in Europe are having a stimulating impact on the order situation in the copper-processing industry.

We see a positive trend in investment in infrastructure as well as in the construction industry. This leads to generally higher sales for all copper products and is reflected particularly in the demand for energy cable.

The demand for enamelled wire - and this concerns primarily the production of transformers and electric motors - is likewise positive. This industry is benefiting inter alia from growth in the regenerative energy production sector. The pods of the modern wind turbines contain up to 10 tonnes of copper.

In line with the economic trend in Germany and Europe, the European semis industry, the processor of NA's continuous cast shapes, is reporting very good capacity utilisation. This especially refers to the strip industry as the sub-supplier of the electro and electronic sector.

As a result of the high copper price, sales have declined slightly in the low-value copper product sector, e.g. copper for roofing and installation pipes.

In contrast, demand for copper specialty products, in which copper cannot be replaced by other materials, has remained at a high level and has participated in the general growth.

The subdued U.S. economy has resulted in a decline in copper demand there. In addition, the weak U.S. dollar is an added hurdle for copper products from Europe.

### **Wire rod (ROD)**

We succeeded in stretching the order volume in the very good market environment and increase wire rod production. Almost all areas of application accounted for this positive development.

The NA Group produced 125,000 tonnes of wire rod in the 2<sup>nd</sup> quarter, an increase of almost 17 % compared with the prior year (107,000 tonnes). In total, 227,000 tonnes were produced in the 1<sup>st</sup> half-year, significantly up on the good prior year figure (203,000 tonnes).

### **Continuous cast shapes (CAST)**

In the 1<sup>st</sup> half-year, the production level was high with 122,000 tonnes of copper shapes cast in the Hamburg continuous casting facilities (133,000 tonnes in the prior year). The slight decline in demand for low-value copper products, e.g. copper roofing, could be compensated partly (mostly) by higher-value products. 65,000 tonnes of the 122,000 tonnes of shapes were processed in the strip sector in the NA Group.

### **Pre-rolled strip (Schwermetall Halbzeugwerk)**

After a slightly reduced order intake at the beginning of the year, demand for strips has picked up substantially and since then has been at a high level.

Schwermetall Halbzeugwerk (NA share 50 %) produced 127,000 tonnes in the 1<sup>st</sup> half-year (132,000 tonnes in the prior year). Of this 65,000 tonnes were produced in the 2<sup>nd</sup> quarter (70,000 tonnes in the prior year).

A total of 31,000 tonnes of pre-rolled strip was delivered to Prymetall from the half-year output.

### **Strip and wire (Prymetall)**

Prymetall has had a high and stable order backlog for months now. Demand has increasingly shifted to high-value industrial strips and wire profiles.

In the 1<sup>st</sup> half-year 32,000 tonnes (33,000 tonnes in the prior year) were produced of strip and wire products. Of this 17,000 tonnes were produced in the 2<sup>nd</sup> quarter (19,000 tonnes in the prior year).

### **4. Human resources**

The NA Group had a total of 3,204 employees at the end of March 2007 (3,176 in the prior year).

Personnel costs in the 1<sup>st</sup> half-year amounted to € 98.1 million (€ 94.1 million in the prior year). The increase is in particular due to tariff wage-scale increases, the slight increase in personnel due to increased production and provisions for the share price oriented incentive programme.

In the 2<sup>nd</sup> quarter, 46 young persons finished their apprenticeships, of which almost all have now been employed in permanent positions. NA will maintain its high number of apprentices of more than 7 % of the workforce again this year.

At the beginning of April 2007 the 4<sup>th</sup> tranche of our incentive programme for the Executive Board and senior staff was issued in the form of a virtual stock option plan. The incentive programme is part of our performance-related remuneration structure.

NA encourages its employees to acquire NA shares. Again, this year there will also be a programme whereby they can acquire employee shares.

### **5. Corporate Governance**

At its meeting on 28 March 2007, the Supervisory Board appointed Mr Peter Willbrandt as Deputy Member of the Board with effect from 1 April 2007. Mr Willbrandt's appointment ensures continuity in NA's Executive Board, since age-related changes will take place in the next few years. Mr Willbrandt has been employed at Norddeutsche Affinerie AG since 1988 and was most recently the general manager of the Primary Copper Production sector. Apart from being responsible for the operating side, his duties on the Board will largely focus on growth projects in the primary copper production sector.

NA's Annual General Meeting was held on 29 March 2007 and attended by about 2,900 shareholders and guests. All the items on the agenda/resolutions proposed by the company's management were approved. The payment of a dividend of € 1.05 per share (€ 1.00 per share in the prior year) was approved, which corresponds to a dividend yield of about 5 %.

## **6. Research & Development**

We are making good progress in the pilot plant in Hamburg with our future-looking product, CIS solar cells. We assume that we will be able to complete the pilot phase by the end of 2007 and then go into mass production. Thus, the plan is still to produce 200,000 m<sup>2</sup> of CIS solar cells per annum in a production plant on an industrial scale from 2008 onwards. We expect to enter the market quickly, because our cells are very attractive, alone on account of the considerably lower production costs in comparison with conventional silicon cells.

## **7. Operational and strategic measures to improve earnings**

NA's central operating target is the continuous improvement of its efficiency, its productivity and its quality on all levels of industrial value added. NA has an extraordinary position here in the copper industry and can set itself clearly apart from its European and international competitors.

The changeover of the concentrate logistics to the new handling and storage facilities in Brunsbüttel since the beginning of 2007 has been very successful overall. The targeted savings potential has been achieved.

Significant changes have taken place on the – for NA – very important energy markets. It can now be seen that the power suppliers have meanwhile revised their opinions and energy-intensive companies like NA can again hold constructive discussions with them.

Thus, in February 2007, we concluded a two-year electricity supply agreement with Vattenfall Europe Hamburg AG for all NA's main production sites in Hamburg and North Rhine-Westphalia. The agreement for 2008 and 2009 covers a quantity of more than 900 million kWh of electricity per annum. The time when the contract was concluded was favourable due to the relatively low price level on the primary energy markets and on account of the expected rise again in electricity prices resulting from the climate discussions.

NA wanted to noticeably reduce its current dependence on the oligopoly of German power suppliers from the end of 2009 onwards by the erection of a substitute fuel power plant (SF power plant) to be operated by Hamburger Stadtreinigung and NA as a joint venture. The power plant project was running to schedule. The plant design and the tendering procedure for buildings and technology had been completed. The authorities were expected to grant planning permission in May this year.

However, shortly before starting the construction phase of the SF power plant, discussions were again held between Vattenfall Europe and NA, which resulted in an agreement being concluded between the two companies at the beginning of May 2007. The agreement stipulates that NA gives up its plans to build and operate the SF power plant and instead participates in the planned Vattenfall coal-fired power plant (2x800 MW) in Hamburg-Moorburg by the acquisition of a virtual slice of the power plant capacity. The power plant should be commissioned in 2012. Vattenfall will already take over the complete supply of the entire NA Group (more than 1 billion kWh of electricity per annum) from 1 January 2010 onwards for a period of 30 years. This ensures that NA has a permanent secured electricity supply at all its German production sites, which will

enable us to plan ahead long-term for the whole NA Group, thus facilitating deliberations on future investments. In addition, the agreement with Vattenfall means significantly less risk for us compared with procuring electricity from our own SF power plant, since we are exposed neither to the risk of obtaining licenses, nor the risks involved in investment or operation. Vattenfall is supplying the electricity on the basis of production costs at completely transparent conditions. With the new agreement NA will have an electricity price level similar to that of the SF power plant. The NA Group's electricity costs will therefore be reduced by more than a third.

In addition to the operating improvement steps, NA, as the leading European copper company, is working intensively on the implementation of its growth strategy.

The consolidation of the European and global industrial environment as well as the expansion of sales markets in India, China and South America offer NA the opportunity to grow further by internal investment as well as by investing in or acquiring other companies. NA will play an active role in this.

NA will be able to further enhance its very good position in copper production from copper concentrates and recycling raw materials as well as in the business sectors of continuous cast wire rod and shapes and strip products by internal investment, above all at the Hamburg site.

The heart of NA's business is copper production from concentrates. This is why the expansion of the concentrate processing facilities in Hamburg has priority in internal growth. Our target is to increase the concentrate throughput in the medium term to 1.5 million tonnes per annum.

We have set ourselves very ambitious growth targets in both segments and plan to increase the annual cathode output and production of copper products by more than one million tonnes each by 2010.

NA is in an excellent starting position to achieve this, like hardly any other company in our industry.

## **8. Outlook**

NA achieved an outstanding pre-tax profit in the amount of € 82 million in the first half of fiscal year 2006/07 (€ 43 million in the prior year). The basis of this very positive trend in earnings is the integration of copper production and copper processing in the NA Group, whereby copper production has made the greatest contribution to the success. NA's business model is thus very successful also when compared internationally and provides stable revenues even in volatile markets.

Financial burdens, such as the jump in costs for the electricity supply since the beginning of 2007 or tariff wage-scale increases, can be compensated in the current fiscal year. The risk of further unforeseen additional cost impacts on the energy side was removed by the conclusion of a two-year agreement for the main Group sectors. Work is continuing on further measures to reduce costs and enhance performance to overcome the price/cost gap.

NA's share price, which was around € 19 at the beginning of the fiscal year, has moved in the range of € 22 and 24.70 from the end of January to the beginning of March 2007. Despite various factors weighing on the share price, which were attributable to general market fluctuations, NA shares recovered again during March and were quoted at € 23.60 at the end of March 2007. Thus, NA's market capitalisation reached about € 920 million. We expect NA shares to continue to perform well.

The future prospects for copper remain good. Thus, the international copper industry will develop further as a global growth industry, because copper is the metal of modern life and growth due to its excellent physical, mechanical and chemical properties. It is the basis for power generation and distribution, for electrical drives, for computer technology, for communications and for many other applications. The substitution endeavours during the high-price phase will therefore only have a limited effect.

The copper price will stay at a relatively high level since the international economic growth, in particular in Asia and Europe, will strengthen demand. Nevertheless, volatility will remain on the raw material markets. NA is also optimally equipped to cope with this.

For copper concentrates, NA's most important raw material, we expect revenues to be stable despite the present market pressure. The copper scrap markets will remain volatile in the future as well and be dependent on how aggressively Asian dealers operate in Europe. The market for complex recycling raw materials will probably continue its positive trend.

NA expects the positive trend on the product markets to continue. The very good demand for NA wire rod already ensures now that our production capacities are fully utilised at improved conditions. We see a similar trend for shapes up to strip products

NA started the current fiscal year with outstandingly good quarterly results and has succeeded in maintaining this in the 2<sup>nd</sup> quarter with good production and sales figures. The following quarters will also deliver very good results. The preconditions are therefore excellent that NA will significantly surpass the already very good results of the prior year.

### **Financial calendar 2007**

14 August 2007	Interim report on 3 <sup>rd</sup> quarter 2006/07
10 November 2007	Open Day at the Hamburg Stock Exchange
19 December 2007	Preliminary results for fiscal year 2006/07

<b>Consolidated balance sheet (IFRS) (in €thousand) ASSETS</b>	<b>31.03.2007</b>	<b>30.09.2006</b>
Intangible assets	27,689	27,906
Property, plant and equipment	362,968	330,512
Investment property	45	45
Financial assets		
Interests in affiliated companies	272	272
Investments	629	629
Other financial assets	669	778
	1,570	1,679
Fixed assets	392,272	360,142
Deferred tax assets	1,848	1,621
- thereof from revaluation of LIFO inventories using the average cost method	0	0
Non-current receivables and other assets	26,922	26,426
Non-current assets	421,042	388,189
Inventories	1,017,785	794,522
- thereof from revaluation of LIFO inventories using the average cost method	365,541	325,920
Current receivables and other assets		
Trade accounts receivable	216,713	468,236
Other receivables and assets	318,941	478,660
	535,654	946,896
Short-term security investments	386	386
Cash and cash equivalents	122,583	6,566
Current assets	1,676,408	1,748,370
	2,097,450	2,136,559

<b>Consolidated balance sheet (IFRS) (in €thousand) EQUITY AND LIABILITIES</b>	<b>31.03.2007</b>	<b>30.09.2006</b>
Equity		
Subscribed capital	95,115	95,115
Additional paid-in capital	101,941	101,941
Retained earnings	583,664	550,683
<i>- thereof from revaluation of LIFO inventories using     the average cost method</i>	<i>218,937</i>	<i>195,164</i>
Changes in accumulated other comprehensive income	(26,629)	(54,353)
Minority interest	2,155	2,774
	756,246	696,160
Long-term provisions		
Pension liabilities	56,666	54,964
Deferred tax liabilities	161,748	127,778
<i>- thereof from revaluation of LIFO inventories using     the average cost method</i>	<i>146,604</i>	<i>130,756</i>
Other long-term liabilities	33,591	32,106
	252,005	214,848
Long-term liabilities		
Long-term financial liabilities	115,380	88,785
Other long-term liabilities	0	588
	115,380	89,373
Non-current provisions and liabilities	367,385	304,221
Other short-term provisions	40,106	40,655
Short-term liabilities		
Short-term financial liabilities	76,783	94,065
Trade accounts payable	582,847	546,410
Income tax payable	17,033	31,369
Other short-term liabilities	257,050	423,679
	933,713	1,095,523
Current provisions and liabilities	973,819	1,136,178
	2,097,450	2,136,559

<b>Consolidated Income Statement (IFRS) (in € thousand)</b>	<b>2<sup>nd</sup> quarter 2006/07</b>	<b>1<sup>st</sup> half-year 2006/07</b>	<b>2<sup>nd</sup> quarter 2005/06</b>	<b>1<sup>st</sup> half-year 2005/06</b>
Revenues	1,498,507	2,967,026	1,342,431	2,263,255
Changes in inventories of finished goods and work in process	(66,862)	132,392	(19,586)	125,430
- thereof from revaluation of LIFO inventories using the average cost method	(37,322)	15,489	4,733	13,843
Own work capitalised	928	1,789	1,266	1,560
Other operating income	6,516	9,897	6,190	9,738
Cost of materials	(1,298,344)	(2,813,923)	(1,166,826)	(2,084,131)
- thereof from revaluation of LIFO inventories using the average cost method	42,732	24,132	48,789	88,502
Gross profit	140,745	297,181	163,475	315,852
- thereof from revaluation of LIFO inventories using the average cost method	5,410	39,621	53,522	102,345
Personnel expenses	(49,333)	(98,152)	(47,333)	(94,136)
Depreciation and amortisation	(13,658)	(26,449)	(12,127)	(24,280)
Other operating expenses	(27,173)	(47,565)	(22,442)	(43,489)
	50,581	125,015	81,573	153,947
Result from investments	7	7	6	6
Interest income	1,837	3,220	1,125	1,894
Interest expense	(3,865)	(6,935)	(2,614)	(5,008)
Earnings before taxes (EBT)	48,560	121,307	80,090	150,839
- thereof from revaluation of LIFO inventories using the average cost method	5,410	39,621	53,522	102,345
Income taxes	(19,626)	(48,737)	(32,211)	(60,621)
- thereof from revaluation of LIFO inventories using the average cost method	(2,162)	(15,848)	(21,408)	(40,937)
Consolidated net income	28,934	72,570	47,879	90,218
- thereof from revaluation of LIFO inventories using the average cost method	3,248	23,773	32,114	61,408
Minority interest	(314)	(577)	(309)	(620)
Consolidated net income without minority interest	28,620	71,993	47,570	89,598
- thereof from revaluation of LIFO inventories using the average cost method	3,248	23,773	32,114	61,408
Basic earnings per share (in €)	0.77	1.94	1.32	2.57
- thereof from revaluation of LIFO inventories using the average cost method	0.09	0.64	0.90	1.76
Diluted earnings per share (in €)	0.77	1.94	1.32	2.57
- thereof earnings from revaluation of LIFO inventories	0.09	0.64	0.90	1.76

<b>Consolidated cash flow statement for the NA Group (in €thousand)</b>	<b>1<sup>st</sup> half-year 2006/07</b>	<b>1<sup>st</sup> half-year 2005/06</b>
Earnings before taxes after revaluation of LIFO inventories	121,307	150,839
Revaluation of LIFO inventories using the average cost method	(39,621)	(102,345)
<b>Earnings before taxes without revaluation of LIFO inventories</b>	<b>81,686</b>	<b>48,494</b>
Depreciation and amortisation	26,449	24,280
Write-downs/write-ups on current assets	293	340
Change in long-term provisions	3,187	2,997
Result of disposal of fixed assets	(5)	(243)
Result of investments	(7)	(6)
Net interest expense	3,715	3,114
Income taxes paid	(33,480)	(15,759)
<b>Gross cash flow</b>	<b>81,838</b>	<b>63,217</b>
Changes in receivables and other assets, including short-term security investments	414,607	(279,311)
Change in inventories (without revaluation of LIFO inventories)	(183,661)	(217,300)
Change in short-term provisions	(551)	8,992
Change in liabilities (excl. financing liabilities)	(103,057)	317,085
<b>Cash inflow (outflow in prior year) from operating activities (net cash flow)</b>	<b>209,178</b>	<b>(107,317)</b>
Purchase of fixed assets	(58,758)	(24,302)
Proceeds from disposal of fixed assets	184	332
Interest received	3,220	1,894
Dividends received	7	6
<b>Cash outflow from investing activities</b>	<b>(55,347)</b>	<b>(22,070)</b>
Proceeds from capital increases	0	75,753
Proceeds from the issuance of bonds and taking up financial liabilities	27,788	74,590
Payments for the redemption of bonds and financial liabilities	(18,459)	(1,865)
Interest paid	(6,935)	(5,008)
Dividend payments	(40,208)	(38,606)
<b>Cash outflow (inflow in prior year) from financing activities</b>	<b>(37,814)</b>	<b>10,864</b>
Change in cash and cash equivalents	116,017	(24,523)
Cash and cash equivalents at beginning of period	6,566	29,678
<b>Cash and cash equivalents at end of period</b>	<b>122,583</b>	<b>5,155</b>

<b>Consolidated Statement of Changes in Equity of NA Group</b>						
(in € thousand)	Subscribed capital	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income	Minority interest	Total
Balance as at 30.09.2005	86,562	34,731	396,740	(17,714)	4,301	504,620
- thereof from the revaluation of LIFO inventories using the average cost method			63,085			63,085
Capital increase	8,553	67,200				75,753
Dividend payment			(37,154)		(1,452)	(38,606)
Consolidated net income			89,598		620	90,218
- thereof from the revaluation of LIFO inventories using the average cost method			61,408			61,408
Changes in accumulated other comprehensive income				(35,405)		(35,405)
Exchange differences				(10)		(10)
Balance as at 31.03.2006	95,115	101,931	449,184	(53,129)	3,469	596,570
- thereof from the revaluation of LIFO inventories using the average cost method			124,493			124,493
Balance as at 30.09.2006	95,115	101,941	550,683	(54,353)	2,774	696,160
- thereof profit from the revaluation of LIFO inventories			195,164			195,164
Dividend payment			(39,012)		(1,196)	(40,208)
Consolidated net income			71,993		577	72,570
- thereof from the revaluation of LIFO inventories using the average cost method			23,773			2,773
Changes in accumulated other comprehensive income				27,727		27,727
Exchange differences				(3)		(3)
Balance as at 31.03.2007	95,115	101,941	583,664	(26,629)	2,155	756,246
- thereof from the revaluation of LIFO inventories using the average cost method			218,937			218,937

<b>Segment reporting for the NA Group</b>								
in € thousand	Copper Production Segment		Copper Production Segment		Copper Production Segment		Copper Production Segment	
	6 months 2006/07	6 months 2005/06	6 months 2006/07	6 months 2005/06	6 months 2006/07	6 months 2005/06	6 months 2006/07	6 months 2005/06
Revenues								
Total revenues	2,104,997	1,551,867	2,309,310	1,736,889	1,188	763		
– thereof inter- Segment revenues	1,418,716	1,005,945	29,753	20,319	0	0		
Revenues with third parties	686,281	545,922	2,279,557	1,716,570	1,188	763	2,967,026	2,263,255
EBIT*	61,611	27,778	27,958	24,227	(4,168)	(397)	85,401	51,608
Earnings before taxes *	60,658	27,083	25,205	21,810	(4,177)	(399)	81,686	48,494

\* before the revaluation of LIFO inventories using the average cost method

## **Disclaimer**

### *Forward-looking Statements*

*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. We assume no liability to update forward-looking statements.*