

**NA Group Information on the results  
of the months October 2001 to June 2002  
of the fiscal year 2001/02**

## **Successful concentration on core business and optimisation at subsidiaries**

Hamburg, 13 August 2002 – In the first nine months of the fiscal year 2001/02 Norddeutsche Affinerie (NA) achieved a pre-tax profit of 28 million €. Despite the continuing weak economic situation the stable trend in profits of the first two quarters could thus be sustained.

In the main Segment of copper production, the primary smelter (RWO), developments were positive. A significantly higher throughput of copper concentrates totalling 725,000 tonnes (previous year: 601,000 tonnes) was achieved. The percentage of primary raw materials in the supplies for our copper tankhouse in Hamburg has risen accordingly.

The cathode output in Hamburg and in Lünen increased to 418,000 tonnes (previous year: 404,000 tonnes).

The continuation of the economic downturn continued to affect production and sales of our most important copper products, continuous cast wire rod and shapes as well as strip. However, in this environment the output of shapes could be maintained at a good level totalling 152,000 tonnes (previous year: 163,000 tonnes). The production of wire rod reached 221,000 tonnes (previous year: 272,000 tonnes).

As a reaction to the difficult economic situation the growth and optimisation measures in the core business of copper were efficiently continued. The integration of the companies Prymetall and Schwermetall was therefore given high priority in the last few months and could be completed. The Group's business portfolio has been optimised by the sale of MicroMet GmbH Pulvertechnologie (MicroMet).

Consolidated key figures		Fiscal year 2000/01	Fiscal year 2000/01	Fiscal year 2001/02
		12 months	9 months	9 months
Turnover	mill. €	2,010	1,445	<b>1,364</b>
Gross profit	mill. €	362	257	<b>282</b>
Personnel expenses	mill. €	168	128	<b>144</b>
Depreciation	mill. €	47	35	<b>39</b>
Earnings before taxes (EBT)	mill. €	57	43	<b>28</b>
Earnings before taxes (EBT) *	mill. €	54	41	<b>26</b>
EBITDA	mill. €	111	81	<b>75</b>
EBIT	mill. €	65	46	<b>36</b>
DVFA/SG cash flow**	mill. €	86	67	<b>55</b>
Earnings per share *	€	1.26	1.00	<b>0.42</b>
Capital expenditure	mill. €	69	52	<b>33</b>
Copper and copper alloys	1,000 t	685	518	<b>530</b>
Copper price (average)	US\$/t	1,684	1,756	<b>1,528</b>
Number of employees (average)		3,195	3,196	<b>3,581</b>

\* without minority interests

\*\* as per the German Society of Investment Analysis  
and Asset Managers/Schmalenbach Gesellschaft

### **Group turnover and profit**

The consolidated figures also include the earnings of the new subsidiaries, Prymetall and Schwermetall (50 %), as of 1 January 2002. As a result of the sale of MicroMet, backdated to 1 April 2002, the respective turnover and results of that company do no longer apply.

The consolidated turnover was still impacted by reduced metal prices and unit sales. It amounted to 1,364 million € (previous year: 1,445 million €).

The pre-tax profit for the NA Group totalling 28 million € (previous year: 43 million €) including minority interests continues the stable trend of the first two quarters.

NA AG made the greatest contribution to the Group's earnings. The developments at the subsidiaries varied. Hüttenwerke Kayser (HK) in Lünen continued to operate in a difficult environment. The copper scrap market remained strained. The low copper price caused refining charges to drop to an historically low level, in particular for copper scrap. The results for Prymetall and Schwermetall were positive, but unsatisfactory due to market conditions. Spiess-Urania Chemicals GmbH continued its restructuring programme and was able to substantially increase earnings in comparison with the previous year.

With this overall situation it was possible to achieve earnings before interest, taxes, depreciation and amortisation (EBITDA) in the sum of 75 million € (previous year: 81 million €). The EBIT (earnings before taxes and interest) decreased to 36 million € (previous year: 46 million €).

The NA Group invested 33 million € (previous year: 52 million €) in fixed assets. The main investment project was the Kayser Recycling System (KRS) in Lünen.

DVFA/SG cash flow amounted to 55 million € (previous year: 67 million €).

The earnings per share of 0.42 € (previous year: 1.00 € per share) are still impacted by a high tax rate compared with the previous year. However, a lower tax rate is expected for the fiscal year as a whole.

## **Copper market**

Although the expected global economic upswing is taking effect in some individual countries, it has to date been considerably weaker than generally anticipated.

Also in the copper markets there have been signs of an economic recovery since the spring. Demand especially in the Asian region has clearly picked up in recent months. In the US and European copper markets the signs of an upturn have up to now been overall weaker although here as well an increase in order receipts is being registered for some product groups.

According to current estimations, global demand for copper in the current year 2002 will increase by approx. 4 % to 15.3 million tonnes. In the previous year it amounted to 14.7 million tonnes. Due to the weak first half-year European demand for the whole of 2002 will, at 4.1 million tonnes, be around the level of the previous year. However, an increase in demand in Europe to 4.4 million tonnes is expected for the year 2003.

The fact that the global copper market has bottomed out is also reflected in the height of the cathode stocks accumulated in the warehouses of the metal exchanges LME and COMEX. After tripling within one year to 1.28 million tonnes, their rapid increase reached a halt at the beginning of May. Since then the level of cathode stocks has stayed constant, or could even be slightly reduced in the last two months.

The copper quotation on the LME recovered in the first half of June to almost 1,700 US\$/t due to the production cutbacks at the mines as well as the prospects of a global economic recovery. However, in the last two months it has dropped again to meanwhile about 1,500 US\$/t as a result of the hitherto only weak stimulus coming from the economy and the weakness of the global metal markets. An increase in the copper quotation can be expected when the economic upturn becomes more clearly noticeable, causing stocks at the metal exchanges to be reduced further.

## **Raw material markets**

The production cutbacks applied by the international mining enterprises in autumn 2001 resulted especially in a shortage of material on the spot market for copper concentrates and thus in low treatment and refining charges (TC/RCs).

Since on account of its long-term supply agreements NA only uses the spot market to a limited extent, it was well supplied with concentrates throughout. The TC/RCs agreed under the long-term agreements have also declined, but were far higher than those obtainable on the spot market.

The situation on the copper scrap market has not improved. The low copper price still resulted in reduced availability of quantities on offer and in a significant decline in the refining charges. However, the expansion of the primary smelter (RWO) in Hamburg enabled us to produce more copper from concentrates and thus to reduce the copper scrap input with the result that the impact of the deterioration in conditions on the copper scrap market could be minimised.

## **Copper production**

By the end of June 2002 a total of 725,000 tonnes of copper concentrates (previous year: 601,000 tonnes) were processed. With a throughput of 250,000 tonnes in the third quarter, the new capacity of one million tonnes of copper concentrates annually was fully utilised.

Possibilities for further optimising the primary copper production are being pursued with top priority and being implemented as part of the dyNAMic project.

The difficult conditions on the copper scrap market have continued to have an adverse impact on HK. Nevertheless, it was possible to ensure that the copper tankhouse in Lünen was fully utilised.

The new smelter KRS is running successfully. The usual problems arising when commissioning the new plant could be remedied. Structural changes that had become necessary for the furnace periphery were successfully performed during a short plant standstill.

Production in the copper tankhouses in Hamburg and Lünen was again at a high level, with a total output of approx. 418,000 tonnes of cathodes (previous year: 404,000 tonnes).

### **Copper processing**

Due to the weak economic development in Europe and North America the general demand for our products was still poor in comparison with the previous year. Although we were able to use the first indications of stronger demand in some product sectors, the requisite stimulus was missing for a drastic change.

Whilst for continuous cast shapes with an output of 152,000 tonnes (previous year: 163,000 tonnes) the decline remained moderate, the recession in the cable and wire industry was far more noticeable for continuous cast wire rod with an output to 218,000 tonnes (previous year: 272,000 tonnes).

In May and June we already succeeded in achieving the previous year's production level for shapes again. The integration of Prymetall and Schwermetall has had a positive and stabilising impact on the production of continuous cast shapes in Hamburg.

Since being acquired by the NA Group with effect from 1 January 2002, a total of 30,000 tonnes of strip and 6,000 tonnes of wire products have been produced at Prymetall. Demand has slightly increased in some sectors, while for other products, e.g. coin strip, it has significantly dropped off. The semis market in Europe is characterised by intensive competition with corresponding pressure on prices. As a result the surcharges are declining in some sectors.

Order receipts and plant utilisation at Schwermetall from May onwards were again at a high level. NA's share of the production output at Schwermetall amounted to 70,000 tonnes of pre-rolled strip.

The total output of copper and copper alloys excluding internal deliveries amounted to 530,000 tonnes (previous year: 518,000 tonnes). The increase in comparison with the previous year is mainly the result of the acquisition of Prymetall and Schwermetall.

## **Human resources**

On average the NA Group had 3,581 employees (previous year: 3,196). This change is particularly due to the inclusion of Prymetall and Schwermetall as well as the sale of MicroMet. The number of employees as at 30 June 2002 totalled 3,689.

Also this year the employees at NA AG were able to participate in the company's success due to the good results for the previous year. Thus, in May a profit-sharing bonus was paid again in accordance with our performance-oriented and profit-related remuneration system. About one third of the employees took advantage of the offer to receive their bonus in the form of company shares acquired at a discount and had their respective shares which cannot be resold for 2 ½ years transferred to their bank deposit.

At the beginning of the year a new law was passed in Germany enabling employees to use part of their annual remuneration for a company pension fund. Companies are complying with this by offering their employees the solution provided by their respective industry.

## **Strategy Vision NA 2000 Plus**

The implementation and further development of the growth strategy Vision NA 2000 Plus is being steadily continued.

The focal points were the further consolidation of the recent acquisitions and the steady implementation of optimisation measures in the whole Group. Accordingly, the value based management programme, dyNAmic, was introduced at the beginning of the year 2002.

As a result of the development, construction and commissioning of the KRS in February 2002, HK's position as the recycling specialist has been enhanced. The KRS is an efficient, new process for the recovery of copper and precious metals from recycling materials and residues. With the KRS the NA Group has improved its competitiveness and leading position in the recycling of copper and precious metals. NA is thus also well prepared for the return and recycling of electronic scrap which became law in April 2002.

In order to improve HK's position in electronic scrap recycling, the company Elektro Recycling Nord (ERN) has been directly assigned to HK. ERN is a company specialised in the recycling of electronic scrap which was founded in the '90s by NA and the Hamburg electric utility, HEW.

At Prymetall the integration project, Euro-Copper, was brought to a successful conclusion in May 2002. At the same time a cost reduction and performance enhancement programme was started.

To optimise its business portfolio, NA sold MicroMet backdated to 1 April 2002 to ECKA Granulate GmbH & Co. KG, Fürth. Thus an ideal owner could be found for MicroMet that has powder metallurgy as its core business and was prepared to continue production at the Hamburg site.

## **Outlook**

For months now we have been expecting the global economy to pick up. Differing regional trends can, however, be detected, e.g. in North America and Southeast Asia. Economic growth in Europe and especially in Germany has remained up to now at a very low level. Clear signs of a sustained upturn in the economic environment cannot as yet be discerned. The stimulus for an improvement is at all events coming from the export trade.

The copper market also suffers from the international and European economic weakness, which is expressed in the continued low copper price. Since, apart from physical demand, the current copper price also reflects the international economic environment, it is not expected that the price level will significantly recover within the next few months. Consequently, the raw material markets and, in particular, the markets for copper scrap will probably also not be stimulated to any great extent.

In this environment NA has been able to hold up well in comparison with other companies in the industry. This is essentially due to the stable and high-performance copper production in Hamburg.

The earnings for the current fiscal year have declined compared with the good previous year. The NA Group, however, could report stable earnings for each of the three completed quarters of the fiscal year 2001/02. In the fourth quarter we are expecting a similar trend.



We shall continue to use the ongoing difficult situation in the current fiscal year to optimise our plants by carrying out scheduled repair work this year which was initially planned for next year. As a result we shall lay the foundations necessary to participate optimally in the expected economic upswing in the next fiscal year.

Although, compared with the previous years, the annual profit for the fiscal year 2001/2002 will be considerably lower, in view of the very difficult economic environment it will be more than satisfactory. NA is nevertheless targeting the payment of a good dividend.

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#### **Legal Notice:**

##### *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.*

## Consolidated Profit and Loss Account

(in thousand €)

	1 <sup>st</sup> – 3 <sup>rd</sup> quarters 2001/02	1 <sup>st</sup> – 3 <sup>rd</sup> quarters 2000/01
Turnover	1,364,284	1,445,234
Variations in inventories of finished goods and work in process	(2,345)	95,640
Own work capitalised	1,544	2,887
Other operating income	20,536	26,849
Cost of raw materials and supplies	(1,102,446)	(1,313,428)
Gross profit	281,573	257,182
Personnel expenses	(143,627)	(128,159)
Depreciation and amortisation	39,399	(34,744)
Other operating expenses	(62,803)	(48,697)
Income from investments	160	697
Net interest	(7,505)	(3,760)
Result of ordinary activities	28,399	42,519
Taxes on income	(13,350)	(9,396)
Profit for the financial year	15,049	33,123
Profits attributable to minority interests	(1,432)	(921)
Unappropriated profit	13,617	32,202

## Consolidated Cash Flow Statement

(in thousand €)

	1 <sup>st</sup> – 3 <sup>rd</sup> quarters 2001/02	1 <sup>st</sup> – 3 <sup>rd</sup> quarters 2000/01
1. Profit for the financial year	15,049	33,123
2. Depreciation on fixed assets	39,530	33,920
3. Changes in long-term provisions	2,798	449
4. Other expenses and income not affecting cash flow	-1,976	-975
<b>5. DVFA/SG cash flow</b>	<b>55,401</b>	<b>66,517</b>
6. Changes in short-term provisions	-2,463	-10,794
7. Cash flow movements due to investments in associated undertakings	484	-27
8. Profits and losses from the disposal of fixed assets	-74	-225
9. Changes in inventories	-28,407	-50,025
10. Changes in trade accounts receivable and sundry assets	-15,897	6,272
11. Changes in trade accounts payable and sundry liabilities	4,810	-22,850
<b>12. Cash inflow from current operating activities</b>	<b>13,854</b>	<b>-11,132</b>
13. Disposals of fixed assets	324	449
14. Additions to fixed assets (including changes in Group companies consolidated)	-110,195	-52,478
<b>15. Cash outflow from investing activities</b>	<b>-109,871</b>	<b>-52,029</b>
16. Proceeds from capital increases	2,636	4,067
17. Proceeds from the convertible bond issue and the raising of bank loans	139,146	90,361
18. Payments for the redemption of bonds and bank loans	-21,622	-6,646
19. Dividend payments of NA AG	-24,265	-24,000
20. Dividend payments from subsidiaries to third parties	-1,531	-2,139
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<b>21. Cash inflow for financing activities</b>	<b>94,364</b>	<b>61,643</b>
22. Changes in financial resources affecting cash flow	-1,653	-1,518
23. Financial resources at beginning of period	6,409	9,764
<b>24. Financial resources at end of period</b>	<b>4,756</b>	<b>8,246</b>