

**NA Group Information on the results  
for the 1<sup>st</sup> quarter of the fiscal year 2002/03  
(October 2002 to December 2002)**

**Positive, but clearly weaker quarterly results due to the poor economic trend and seasonal impacts**

Hamburg, 30 January 2003 – In the first quarter of the fiscal year 2002/03 Norddeutsche Affinerie AG (NA) achieved a pre-tax profit of 3 million €. This was the effect of the unfavourable situation on the raw material and product markets and the scheduled Christmas standstills in December 2002.

In the first quarter 258,000 tonnes of copper concentrates (previous year: 252,000 tonnes) were processed. This corresponds to our available capacity of 1 million tonnes per year.

In the NA Group 134,000 tonnes (previous year: 140,000 tonnes) of copper cathodes were produced in Hamburg and Lünen due to the lower input of copper scrap.

The production of continuous cast shapes at 46,000 tonnes reached the previous year's level (47,000 tonnes). With an output of 74,000 tonnes of wire rod we achieved a slight improvement compared with the previous year (72,000 tonnes).

The negotiations on the sale of Spiess-Urania Chemicals GmbH (Spiess-Urania), of which NA was previously the majority shareholder, were successfully concluded. Mitsui & Co. Ltd. (Mitsui) has acquired 80 % of the shares in Spiess-Urania backdated to 1 October 2002. The antitrust authorities have approved the acquisition.

Within the framework of the new segmentation of the German stock market indices NA was already admitted to the Prime Standard in December 2002 and is considered to have good prospects of joining the MDAX50.

Consolidated key figures		Fiscal year 2001/02	1 <sup>st</sup> quarter 2001/02	1 <sup>st</sup> quarter 2002/03
		12 months	3 months	3 months
Turnover	mill. €	1,920	376	<b>393</b>
Gross profit	mill. €	390	77	<b>85</b>
Personnel expenses	mill. €	191	42	<b>46</b>
Depreciation	mill. €	54	10	<b>14</b>
Earnings before taxes	mill. €	38	9	<b>3</b>
EBITDA	mill. €	103	21	<b>20</b>
EBIT	mill. €	50	10	<b>5</b>
DVFA/SG cash flow *	mill. €	72	14	<b>16</b>
Earnings per share	€	0.58	0.12	<b>0.03</b>
Capital expenditure	mill. €	45	11	<b>6</b>
Copper and copper alloys	1,000 t	726	163	<b>193</b>
Copper price (average)	US\$/t	1,525	1,421	<b>1,550</b>
Number of employees (average)		3,612	3,228	<b>3,506</b>

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

### **Group turnover and profit**

The turnover of the NA Group rose in the first quarter 2002/03 mainly on account of the turnovers of Prymetall and Schwermetall which had not been included in the same period of the previous year. The lower precious metal turnovers had a reverse impact. The consolidated turnover amounted to a total of 393 million € (previous year: 376 million €).

The NA Group achieved a pre-tax profit of 3 million € (previous year: 9 million €).

The quarterly results are to a great extent attributable to losses at Hüttenwerke Kayser (HK) and at Prymetall.

The continuing very strained situation on the metal scrap and copper scrap markets respectively had an adverse effect at HK. An improvement in this situation can only be expected when the copper price recovers for an onstaying period. HK is concentrating on measures to reduce costs and enhance efficiency in order to counter the negative market situation.

The losses at Prymetall are due to the weak economic trend in copper flat products as well as seasonal, scheduled production standstills in December 2002. In contrast Schwermetall recorded a positive result.

NA AG again achieved good results. However these did not reach the previous year's figure on account of reduced treatment and refining charges (TC/RCs) and higher expenditures for repairs in the rod plant and continuous casting plant.

EBITDA (earnings before interest, taxes, depreciation and amortisation) at approx. 20 million € (previous year: 21 million €), remained at a high level.

EBIT (earnings before interest and taxes) totalling 5 million € was clearly less than in the previous year (10 million. €).

DVFA/SG cash flow amounted to 16 million € (previous year: 14 million €). The rise resulted from high depreciation in the Group due to the consolidation of Prymetall/Schwermetall. The good cash flow reflects NA's financial standing and profitability.

6 million € (previous year: 11 million €) were invested in fixed and intangible assets.

### **Copper market**

In the first quarter of our new fiscal year the global copper market showed little movement.

The stocks in the worldwide warehouses of the metal exchanges amounted to 1.3 million tonnes. Measured by this, the stocks in the European warehouses of the LME at almost 0.2 tonnes were comparatively low.

The LME copper quotation rose from the beginning of October to the beginning of December by 200 US\$ per tonne to 1,650 US\$ per tonne. In the course of December, however, it fell again and finished the quarter at just under 1,540 US\$ per tonne. Currently the LME Settlement quotation amounts to 1,686 US\$ per tonne.

The global copper demand only recovered slightly from 14.7 million tonnes in the calendar year 2001 to about 15 million tonnes in 2002. The total increase resulted from the very good demand situation in Asia and there, in particular, China. In North America and Europe, our core market, copper demand in 2002 was about 5 % less than in the previous year.

For the current calendar year 2003 market analysts are expecting a rise in global copper demand by 5.5 % to 15.8 million tonnes. European copper demand should increase by more than 4 % to some 4.2 million tonnes.

### **Segment Copper Production**

#### **Raw material markets**

The situation on NA's important raw material markets, the copper concentrate market and the copper scrap market remains strained.

The copper concentrate market was still governed by production cutbacks at major copper mines and aggressive raw material demand from India and China.

Due to the short supply on the international market for spot purchases the TC/RCs obtainable dropped to an all-time low. However, NA obtains 80-90 % of its supplies from long-term agreements. These could not entirely escape the general trend, but their TC/RCs are overall at a clearly higher level.

The metal scrap and copper scrap market has also not recovered to date. The interim copper price increase on the LME was accompanied by a somewhat better availability but it had no notable impact on the refining charges.

On the other hand the availability of complex materials with low copper contents was good. Here we are benefiting from our new smelter, the Kayser Recycling System (KRS) at HK in Lünen, in which these materials can be treated in a low energy and environmentally compatible process. In future we will concentrate still more strongly on the treatment of complex recycling materials in order to become more independent of the volatile metal scrap and copper scrap markets.

### **Copper cathodes and metals**

In the first quarter of the new fiscal year we processed 258,000 tonnes of concentrates. This is the highest throughput to date in our primary copper production plant.

Our output of copper cathodes in Hamburg at 94,000 tonnes was at the previous year's level (95,000 tonnes).

With 40,000 tonnes the tankhouse in Lünen had a lower cathode output due to the short supply of copper scrap and very low refining charges. The previous year's output amounted to 45,000 tonnes. Since the end of December the tankhouse in Lünen has again been running to capacity.

In total, 134,000 tonnes of cathodes (previous year 140,000 tonnes) were produced in the Group.

The supply of raw materials for the new KRS in Lünen is still good. The throughput could be increased and in October and December reached almost 11,000 tonnes each month, about 85 % of the furnace capacity. In November the throughput was lower due to repair work. The technical optimisation work is being continued with urgency. The tests are also running successfully on the use of a wider range of recycling materials.

Utilisation of our plants for precious metal production was at a high level. The quantities of silver and gold, however, at 172 tonnes and 6 tonnes respectively were somewhat lower than in the previous year (173 tonnes and 7 tonnes respectively). The modernisation of the precious metal sector is still running to schedule.

The production of sulphuric acid was in line with the increased concentrate throughput and totalled about 254,000 tonnes (previous year 238,000 tonnes). The trend on the sulphuric acid market is positive and we are expecting revenues to increase in the next few months.

## **Segment Copper Processing**

### **Product markets**

In some sectors the markets for our copper products are showing the first signs of an upturn in business; however it can not yet be called a basic turnaround in the economic trend.

The demand for semis in Europe declined throughout the entire year and only picked up at the end of the year. Whilst the automotive, electro and electronics industries contributed to improving demand, the signals from the construction industry are still very hesitant.

The pictures in the cable and wire industries differ greatly. There has basically been no major reversal of the trend in our main sales market for wire rod. The telecommunications sector remains weak. Here the reluctance of the network operators to invest is noticeable. The demand in the automotive sector continues to be very stable. There are also the first signs of a slight pick-up in the enamelled wire industry and in the production of power cable.

In all, the picture is becoming increasingly positive. This is also documented in higher order receipts. Due to the lack of confidence in a sustainable economic upswing, customers are inclined to place orders at short notice. It is still too early for a long-term optimistic projection.

In the difficult economic environment the expansion of NA's value added chain by the integration of Prymetall/Schwermetall has had a positive effect.

### **Continuous cast wire rod and shapes as well as flat products**

In the first quarter 2002/03 the NA Group produced a total of 193,000 tonnes of copper and copper alloys. Inter-company supplies between Group companies are not included.

Altogether NA maintained and in some instances even enhanced its good market position on the product markets. However, for some product groups we could not escape the pressure on revenues pursuant to the economic trend; this refers especially to strips and specialty products.

Totalling about 74,000 tonnes the output of wire rod increased slightly compared with the previous year (72,000 tonnes).

The production of continuous cast shapes at 46,000 tonnes was at the previous year's level (47,000 tonnes).

Prymetall and Schwermetall are likewise affected by the weak economic situation.

At Prymetall 12,000 tonnes of strip products and 3,000 tonnes of wire products were produced. The performance enhancement programme started immediately after the acquisition is currently being successfully implemented.

Our production share at Schwermetall amounted to some 38,000 tonnes. A cost reduction and performance enhancement programme was also started at Schwermetall in November 2002.

### **Human resources**

In the first quarter the NA Group had an average of 3,506 employees (previous year: 3,228). The change is in particular due to the acquisition of Prymetall and Schwermetall as well as the sale of MicroMet GmbH Pulvertechnologie (MicroMet) and Spiess-Urania. The number of employees as at 31 December 2002 amounted to 3,503.

In autumn 2002 HK started a cost reduction and performance enhancement programme. Personnel adjustments are also intended as part of this programme. It is planned that the current 641 employees should be initially reduced by about 50 employees in the near-term.

In the context of the Euro-Copper project there will be personnel adjustments at Prymetall as well. Thus, the number of staff will be reduced by 86 from 439 to 353.

All the personnel adjustments in the Group will be carried out as far as possible in a socially acceptable manner.

### **Strategy Vision NA 2000 Plus**

The integration of HK (in 2000) and Prymetall/Schwermetall (in 2002) in the NA Group fulfilled the important milestones of Vision NA 2000. Consequently NA is very well positioned in the value added chain of copper and has made a major contribution to the consolidation of the European copper industry.

NA's core business is the production and processing of copper. For this reason, apart from the integration of the new subsidiaries, the optimisation of our investment portfolio was one of the most important tasks in the year 2002. This has been successfully achieved by the sale of MicroMet and Spiess-Urania.

The sales have been accompanied by further cost reduction and performance enhancement projects such as dyNAmic, eNergiA and Euro-Copper, with which NA Group's competitive position is strengthened in the long term.

### **Outlook**

In the difficult economic environment in Germany and Europe the NA Group has set the course for the future with its concentration on the core business of copper. Copper is the metal of progress: an upswing in the economy will therefore result in a rise in copper demand.



Forecasts on how the fiscal year will continue can, of course, only be made with very little reliability. This is due to the unclear economic situation in Germany and abroad, however especially to the uncertain outcome of international crises.

The upswing in national, European and international industry which has been expected for months has still not materialised. The expectations for the short and medium term development, above all in Germany and Europe, assume continued weak economic growth.

NA's raw material and sales markets will be impacted by this.

In the segment Copper Production we expect that we will have sufficient supplies of raw materials to enable us to keep our cathode production at its high level. As in the previous year this ensures the earning power of the NA Group.

In the sector of raw material processing, work is continuing on the expansion of the capacity for particularly attractive raw materials with high margins. The aim is to utilise the concentrate processing capacity in Hamburg at a high level and to make still better use of the advantages presented by the KRS in Lünen as regards the treatment of complex copper raw materials.

In the segment Copper Processing we are expecting developments to differ depending on the product group.

Sales of our continuous cast wire rod mainly span Germany and our European neighbours and are therefore dependent on the economic trend in those countries. The most important customer branch is the cable industry for which the forecasts at present do not anticipate a growth spurt. Nevertheless, from today's viewpoint we are expecting sales from our plants in Hamburg and Emmerich to exceed the previous year's level.

The production of shapes and pre-rolled strip is at the previous year's level. It will pick up accordingly in line with an economic upswing. Our specialty products such as oxygen-free copper will benefit from this to an even greater degree.

In this situation which is overall difficult to assess, NA is concentrating on the continuation of measures to enhance performance, reduce costs and improve its market position. In doing so, we are optimising the prerequisites to participate in the expected economic upturn.

At the Annual General Meeting on 26 March 2003 the Executive Board and Supervisory Board will recommend the payment of a dividend of 0.65 € per share. This corresponds to a current dividend yield of about 6 %.

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*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. Quartal 2002/2003	1. Quartal 2001/2002
Turnover	392.809	375.833
Variations in inventories of finished goods and work in process	60.536	34.884
Own work capitalised	478	486
Other operating income	6.238	4.908
Cost of material and supplies	(375.504)	(338.824)
Gross profit	84.557	77.287
Personnel expenses	(46.220)	(42.410)
Depreciation and amortisation	(14.338)	(10.433)
Other operating expenses	(19.525)	(14.349)
Income from investments	1.025	230
Net interest	(2.901)	(1.298)
Result of ordinary activities	2.598	9.027
Taxes on income	(1.479)	(5.737)
Profit for the financial year	1.119	3.290
Profits attributable to minority interests	(173)	735
Unappropriated profit	946	4.025

## Consolidated Cash Flow Statement

(in thousand €)

	1 <sup>st</sup> quarter 2002/03	1 <sup>st</sup> quarter 2001/02
1. Net profit	1.119	3.290
2. Depreciation on fixed assets	14.338	10.477
3. Changes in long-term provisions	970	1.311
4. Other expenses and income not affecting cash flow	-23	-648
<b>5. DVFA/SG cash flow</b>	<b>16.404</b>	<b>14.430</b>
6. Changes in short-term provisions	-7.158	-3.792
7. Cash flow movements due to investments associated companies	0	-274
8. Profits and losses from the disposal of fixed assets	-2.575	-14
9. Changes in inventories	-36.220	-14.109
10. Changes in trade accounts receivable and sundry assets	17.127	51.065
11. Changes in trade accounts payable and sundry liabilities	-12.910	-48.757
<b>12. Cash inflow from current operating activities</b>	<b>-25.332</b>	<b>-1.451</b>
13. Disposal of fixed assets	48	61
14. Additions to fixed assets	-6.306	-11.205
15. Proceeds from the sale of consolidated companies	4.846	0
16. Payments for the acquisition of consolidated companies	-57	0
<b>17. Cash outflow from investing activities</b>	<b>-1.469</b>	<b>-11.144</b>
18. Proceeds from the convertible bond issue and the raising of bank loans	30.464	29.464
19. Payments for the redemption of bonds and bank loans	-5.048	-7.236
<b>20. Cash inflow for financing activities</b>	<b>25.416</b>	<b>22.228</b>
21. Changes in financial resources affecting cash flow	-1.385	9.633
22. Financial resources at beginning of period	7.471	6.409
<b>23. Financial resources at end of period</b>	<b>6.086</b>	<b>16.042</b>