

**NA Group Information on the results
for the 1st half-year of the fiscal year 2002/03
(October 2002 to March 2003)**

Positive half-year results, but weak raw material and product markets adversely impact NA

Hamburg, 14 May 2003 – Norddeutsche Affinerie AG (NA) could hold up relatively well in the very difficult economic environment as well as in the continued weak raw material and product markets. Hüttenwerke Kayser AG (HK) was, however, especially affected by the decline of the copper scrap markets. The reaction to this was an operative reorientation and focusing on the meanwhile further optimised modern recycling facility Kayser Recycling System (KRS).

The consolidated pre-tax profit in the 1st half-year totalled 8 €m (previous year 19 €m). This has been particularly impacted by losses shown at HK resulting from historically low refining charges for copper scrap.

On 29 April 2003 HK's Executive and Supervisory Boards decided on far-reaching measures for the company. The aim is to secure HK's future potential and to enhance its key role within the NA Group in the German and international recycling business.

At 507,000 tonnes (previous year 474,000 tonnes) the concentrate throughput in Hamburg was maintained at a high level. The available annual capacity for concentrate processing of 1 million tonnes was thus fully utilised.

The NA Group's output of copper cathodes at the Hamburg and Lünen sites totalled 272,000 tonnes (previous year 278,000 tonnes).

In the Copper Processing segment the development of the business unit Copper Products was stable. With an output of 105,000 tonnes the production of continuous cast shapes was higher than in the previous year (98,000 tonnes); the output of wire rod totalling 164,000 tonnes was a clear improvement (144,000 tonnes). At Schwermetall and Prymetall production could be maintained at the previous year's level.

Consolidated key figures		Fiscal year 2001/02 12 months	1 st half-year 2001/02 6 months	1 st half-year 2002/03 6 months
Turnover	€m	1,920	850	867
Gross profit	€m	390	177	175
Personnel expenses	€m	191	92	93
Depreciation	€m	54	25	29
Earnings before taxes	€m	38	19	8
EBITDA	€m	103	48	42
EBIT	€m	50	23	13
DVFA/SG cash flow *	€m	72	35	32
Earnings per share	€	0.58	0.26	0.01
Capital expenditure	€m	45	24	12
Copper and copper alloys	1,000 t	726	337	387
Copper price (average)	US\$/t	1,525	1,488	1,607
Number of employees (average)		3,612	3,520	3,491

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

Group turnover and profit

The NA Group turnover rose in the 1st half-year 2002/03 due to increased sales of copper products, but also as a result of the additional turnovers of Prymetall and Schwermetall which were only included to one quarter in the comparable period of the previous year. A decline for precious metals as well as the loss of the turnovers of the sold subsidiaries MicroMet GmbH Pulvertechnologie and Spiess-Urania Chemicals GmbH reduced the Group turnover. The Group turnover totalled 867 €m (previous year 850 €m).

The consolidated pre-tax profit amounted to 8 €m (previous year 19€m). This result is unsatisfactory compared with the previous years. It was above all caused by the bad economic environment and the scrap market related losses shown at HK.

Already some time ago HK had reacted to the very tight situation on the copper scrap markets by targeted measures to reduce costs. However, since a sustained recovery of the copper price and the refining charges did not become apparent, it has been necessary to implement far-reaching measures to overcome the structurally caused loss situation in order to secure HK's future potential. Details of these were given in our Company Information dated 29 April 2003.

NA AG made a good contribution to earnings. However, on account of the declining treatment and refining charges (TC/RCs), in particular for copper scrap, this did not reach the level of the previous year.

The EBITDA (earnings before interest, taxes, depreciation and amortisation) totalling 42 €m (previous year 48 €m) remained at a high level.

At 13 €m the EBIT (earnings before interest and taxes) did not reach the previous year's level (23 €m).

The DVFA/SG cash flow was adversely impacted by the lower after-tax profit. Nevertheless, at 32 €m (previous year 35 €m) a good cash flow was achieved again.

Capital expenditure in fixed assets at 12€m decreased compared with the previous year (24€m). In the previous fiscal year considerable capital expenditure was directed into the KRS.

Earnings per share declined from 0.26 € to 0.01 €. Apart from the decline in profits the decrease is attributable to a high tax rate in the NA Group due to the non-deductible losses at HK. The impact of the HK losses becomes even clearer since the pre-tax earnings per share amounted to 0.20 €.

Copper market

In the 2nd quarter of the fiscal year 2002/03 there was no sustained upturn on the global copper market. Copper demand in the U.S.A. and Europe remained weak, whilst Asia showed a better picture.

The cathode stocks in the warehouses of the metal exchanges LME and COMEX have declined since the beginning of the calendar year by about 73,000 tonnes. In view of their volume which still amounts to 1.15 million tonnes this reduction is however marginal and may be regarded as a sign of the continued weakness of the international copper markets.

The LME copper price, which was quoted at 1,545 US\$/t at the beginning of January, fluctuated strongly in the following months and passed the 1,700 US\$/t mark several times. In the second half of March it dropped continuously and ended the quarter at 1,588 US\$/t. For the first six months of the fiscal year 2002/03 the copper quotation averaged 1,607 US\$/t, which corresponds to 1,551 €/t.

Due to the devaluation of the US dollar in relation to the Euro the copper price only amounted to 1,456 €/t at the end of the quarter.

Copper demand worldwide, which in 2002 at 15 million tonnes had only been fractionally more than in the previous year, is being forecast by market analysts at 15.8 million tonnes for the current year 2003. This would correspond to an increase of 5.7 %, which is almost totally due to the demand in the Asian region.

After declining in 2002 European copper demand is expected to rise in 2003 by 4.4 % to 4.25 million tonnes. This would, however, again still not reach the good level of demand of the years 2000 (4.38 million tonnes) and 2001 (4.30 million tonnes).

Copper Production segment

Raw material markets

The situation on the raw material markets which are important for NA – the copper concentrate market and the copper scrap market – has not improved to date.

The market for copper concentrates still reflects the production cutbacks of major copper mines and aggressive demand from India and China.

The short supply on the concentrate spot market has let the obtainable treatment and refining charges (TC/RCs) remain at an extremely low level. This has also affected the TC/RCs under long-term agreements with which we mainly secure our concentrate supplies.

The situation on the international copper scrap markets likewise remains strained. In the last few months the copper scrap availability and the refining charges have hardly reacted for structural reasons, even when the copper prices rose at times. These structural changes are due to very high export duties in Russia (50 %) and export bans in the Ukraine for copper scrap. In addition, this situation is aggravated by the ruinous behaviour of Asian, above all Chinese, traders on the European and U.S. markets.

Complex recycling materials are in contrast readily available. Thus sufficient supplies for our new KRS in Lünen are assured.

Copper cathodes and metals

In the first half-year of the new fiscal year just under 507,000 tonnes of concentrates were processed. The throughput was therefore about 33,000 tonnes more than in the comparable period of the previous year. Work on further optimisation possibilities in the concentrate processing facilities is running to schedule.

At just under 188,000 tonnes (previous year 189,000 tonnes) our output of copper cathodes in Hamburg was as planned.

Due to the developments on the copper scrap market the number of cathodes produced in the HK tankhouse in Lünen totalling about 85,000 tonnes was slightly less than in the corresponding half-year of the previous year (89,000 tonnes).

Altogether 272,000 tonnes of cathodes (previous year 278,000 tonnes) were produced in the NA Group.

The operation of the KRS in Lünen was successfully continued. The range of feed materials was extended, in particular by electro and electronic scrap. After a scheduled two-week plant overhaul in February, the highest material throughput to date in the KRS was achieved in March.

The KRS made a positive contribution to HK's earnings but was unable to compensate for the losses in the scrap processing sector.

The plants for precious metal production in Hamburg continued operation at a high level. The silver output rose to 376 tonnes (previous year 360 tonnes). The gold production declined to 12 tonnes (previous year 15 tonnes) due to reduced raw materials. The work to modernise the precious metal sector is still running to schedule.

At about 500,000 tonnes (previous year 465,000 tonnes) our output of sulphuric acid was at a high level corresponding to the good concentrate throughput. Market developments continue to show a positive tendency for us. We are also expecting increasing revenues for our sulphuric acid in the next few months.

Copper Processing segment

Product markets

Despite signs of an improvement, it is still too early to talk about a sustained reversal of the trend. There is still no indication of a far-reaching upswing in the economic trend in the semi-finished product sector. The business climate has rather deteriorated further due to the Iraq war.

In the cable and wire industries the power cable sector has picked up for seasonal reasons. There is also robust demand in the cable sector for the automotive industries whilst momentum in the telecommunications sector is not apparent.

Significant price reductions in some instances were the outcome of the drop in demand and the resultant overcapacities in many product sectors due to the economic situation.

Continuous cast wire rod and shapes, flat products

In the 1st half-year the NA Group produced 387,000 tonnes of copper and copper alloys (previous year 337,000 tonnes). Inter-company supplies between Group companies are not included.

In Europe, our core market, high-grade copper cathodes are currently in short supply. Our own cathode basis in the NA Group strengthens our position with the customers in the semis, cable and wire industries.

During the 2nd quarter in a stagnating economic environment we could gain market shares, especially for continuous cast wire rod. Thus, the output of wire rod totalling 164,000 tonnes was a positive increase compared with the previous year (144,000 tonnes).

With 105,000 tonnes the production of shapes also exceeded the previous year (98,000 tonnes).

The production at Prymetall still reflects the very weak economic environment. However, in the 2nd quarter it was possible to achieve some improvement compared with the previous months, especially in the wire product sector.

At Prymetall the Top-Plus programme to reduce costs and enhance performance has been carried out since September 2002. Significant measures in the production sectors have meanwhile been implemented. The staff reduction is running to schedule. All the measures will be realised by the end of 2004.

At about 76,300 tonnes (NA's share) the output at Schwermetall was more than in the previous year. This increase was in particular the result of a major customer's additional demand for a limited period. Also at Schwermetall it was possible in March to complete the cost reduction and performance enhancement programme which was started in November 2002. Similar to Prymetall it will take until the end of 2004 to implement all the measures.

Human resources

The NA Group had on average 3,491 employees (previous year 3,520). As at 31 March 2003 the number of employees amounted to 3,467.

At HK far-reaching personnel adjustments have become necessary due to the structurally caused loss situation. Thus, as part of a social compensation plan, the number of staff of 603 (excluding apprentices) will be initially reduced to 443 employees by January 2004 and then successively to about 400 by the year 2006. The cost savings resulting from the reduced personnel are expected to amount to about 7 €m annually. The compensatory measures in the current fiscal year at HK will incur additional expenditure of about 3.9 €m.

Even in the current difficult economic environment NA is committed to its obligation to contribute to the training of young people.

Despite the necessary personnel adjustments the number of apprentices at HK will remain at about 23. This corresponds to more than 5 % of the workforce. At NA AG in Hamburg the percentage is even higher, at more than 6 %.

At the beginning of April 2003, since NA shares had clearly outperformed the CDAX the third tranche of the current share option plan for the management was converted. The convertible bonds, which the senior staff acquired in the year 2000, were exchanged into 341,000 new shares.

Corporate Governance

Since 24 March 2003 NA has been a member of the Deutsche Börse's new Prime Standard segment and is listed in the MDAX which has been reduced to 50 companies. The new MDAX includes companies in classic industries which are required to meet higher demands for transparency compared with the capital market.

The Annual General Meeting of Norddeutsche Affinerie AG took place on 26 March 2003. More than 2,600 shareholders and visitors attended.

At the AGM it was resolved to pay a dividend in the amount of 0.65 € per share.

Furthermore, for the period 2003 to 2008 the members of the Supervisory Board were elected and confirmed respectively.

Dr Peter von Foerster, Prof. Dr Jürgen Haußelt, Prof. Dr Fritz Vahrenholt and Dr Ernst J. Wortberg were confirmed in their offices as the shareholders' representatives on the Supervisory Board. Mr Ulf Gänger, member of the Executive Board of Hamburgische Landesbank, Hamburg, and Mr Rainer Grohe, former member of the Executive Board of VIAG Aktiengesellschaft, Munich, were newly elected to the company's Supervisory Board.

In accordance with the law on co-determination Messrs Hans-Jürgen Grundmann, Gerd Körner, Günter Kroll and Gottlieb Förster were confirmed by the employees in their offices as the employees' representatives on the Supervisory Board. Mr Rolf Schwertz, bricklayer and boiler operator at Hüttenwerke Kayser AG and Mr Helmut Wirtz, Manager of the Metal Workers' Union, Stolberg, were newly elected to the Supervisory Board.

At the AGM authorisation was given to the company to buy back its own shares until 31st August 2004.

At the AGM of Hüttenwerke Kayser AG on 3 April 2003 a resolution was passed covering the exclusion of minority shareholders (=1.73 % of the subscribed capital) in return for monetary compensation. Application has been made for the resolution to be recorded in the Commercial Register. The squeeze-out offers the opportunity to react more flexibly and promptly to structural changes on the scrap and recycling markets.

Strategy Vision NA 2000 Plus

In the difficult economic situation we are very intensively examining NA's future development and the chances of improving NA's position even further. We are therefore currently reviewing our Strategy Vision NA 2000 Plus.

The NA Group's particular strengths continue to lie in the combination of copper production and copper processing. In this we differ considerably from our competitors. By consolidation and performance enhancement steps throughout the entire Group we will further enhance these strengths and, to achieve this, have meanwhile implemented the Project dyNAmic throughout the whole Group.

With dyNAmic we have already been able to work out significant value added potential at NA AG which we will use in the short and medium term. The Group-wide subprojects are already being processed or implemented.

In the Copper Production segment we are noted for our especially competitive and environmentally friendly processing of copper raw materials.

Thus, we will optimise and enhance our primary copper business and, in so doing, the further processing of copper concentrates. At the same time we will significantly reduce our dependence on the structurally changed scrap markets and concentrate on the production of copper and precious metals from modern recycling raw materials. We will combine the recycling activities in the recycling business division. After the restructuring HK will take over a central role in this with its main recycling plant KRS.

The KRS is an especially efficient and environmentally friendly process for processing modern recycling raw materials, such as electronic scrap.

In the reorientation of the recycling business the closer collaboration with the Copper Processing plays an important role. Today, in the residues arising during the processing of copper and copper products there are already important recycling raw materials for the NA Group. This is where we can put our competence as an integrated copper producer to good use in order to close material cycles and offer suitable recycling package deals. Apart from the customers of our copper products, we are focusing on the automotive sector and the electrical engineering and electronic industries here.

In parallel with the expansion of the copper production we are also improving our position in the production of precious metals from precious metal bearing raw materials and intermediary products, in particular by optimising our plant in Hamburg. This step also strengthens the competitiveness of the primary copper processing.

The emphasis in the Copper Processing segment continues to be on the optimised integration of the companies Prymetall/Schwermetall in the NA Group and to improve their position in the commodity and non-commodity markets.

At Prymetall significant potential for improving efficiency and results could be identified with the Project Euro-Copper and concrete measures were implemented. We will develop Prymetall strategically into a leading niche producer of profile and flat products.

A performance enhancement programme has also been started at Schwermetall which has likewise identified substantial potential for improvement.

We have completed the first development stage of our “thin strip casting” development project within two years. We are now in a position to produce qualitatively good copper strip in long-term tests for processing further. There is, however, a long way to go before we have an industrial-scale process which will also involve corresponding capital investment. To develop this project further, we have therefore decided to look for a strategic partner from the copper semis industry.

We are in a similar position with the development of flexible CIS solar cells. We have also reached our target here but have still considerable ground to cover before we have a saleable product.

Outlook

The outlook on the future economic trend is currently burdened by great uncertainties.

If and when the economy will gather momentum again is dependent in particular on global and European developments. If the situation stabilises in the next few months, there are chances that the global economy will overcome its present weak phase. But even with this assumption, the economic prospects for Germany will initially stay subdued.

In this difficult economic environment in Germany and Europe the NA Group has set the course for the future with the concentration on its core business of copper and is generating positive results despite the current loss situation at HK. This should not be taken for granted in these difficult times.

Copper is the metal of the future: an economic upswing will therefore result in an increased copper demand. NA wants to participate in this immediately.

In the Copper Production segment our aim is still to utilise our plants well and maintain our cathode production at a high level. As in the previous year this ensures the profitability of the NA Group.

In the raw material processing sector work is continuing on the capacity expansion for especially attractive raw materials with good profit margins. The target is to utilise the concentrate processing capacity in Hamburg at a high level and make still better use of the advantages of the KRS.

The measures introduced in April at HK will have been fully implemented by 31 December 2003. It is therefore our goal – even with the continuation of the bad copper and raw material markets – to achieve at least a break-even result at HK at the beginning of the calendar year 2004.

In the Copper Processing segment we are expecting different developments depending on the product group:

Sales of our continuous cast wire rod are mainly spread around Germany and our European neighbours and are therefore dependent on the economic trend prevailing there. The most important customer industry is the cable industry, whose forecasts – with the exception of power cable - give no indication of a growth spurt. From today's viewpoint we are nevertheless assuming that we can increase sales from our plants in Hamburg and Emmerich to a level above that of the previous year.

The production of shapes and pre-rolled strip is at the previous year's level. It will pick up correspondingly in the event of an economic upturn. Our specialty products such as oxygen-free copper will profit from this to a great extent.

Against the background of the current economic environment it is practically impossible to make a forecast for this year's annual results for NA. We must therefore assume that no fundamental improvements will transpire in the short term, however that the trough has been reached. Therefore despite successful counteraction through cost reductions and performance enhancement, we must prepare for a clear decline in earnings compared with the previous year. Nevertheless we consider ourselves committed to earning a reasonable dividend for NA's shareholders, also in the fiscal year 2002/03.

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 st half-year 2002/2003	1 st half-year 2001/2002
Turnover	867,210	850,305
Variations in inventories of finished goods and work in process	27,356	8,277
Own work capitalised	1,473	1,090
Other operating income	11,169	9,671
Cost of material and supplies	(732,277)	(692,748)
Gross profit	174,931	176,595
Personnel expenses	(92,759)	(91,733)
Depreciation and amortisation	(28,618)	(24,675)
Other operating expenses	(41,551)	(37,492)
Income from investments	1,054	180
Net interest	(5,503)	(4,334)
Result of ordinary activities	7,554	18,541
Taxes on income	(6,669)	(9,599)
Profit for the period	885	8,942
Profits attributable to minority interests	(449)	(481)
Consolidated profit	436	8,461

Consolidated Cash Flow Statement (in thousand €)

	1 st half-year 2002/03	1 st half-year 2001/02
1. Net profit	885	8,942
2. Depreciation on fixed assets	28,618	24,764
3. Changes in long-term provisions	2,107	2,606
4. Other expenses and income not affecting cash flow	-99	-1,294
5. DVFA/SG cash flow	31,511	35,018
6. Changes in short-term provisions	-3,713	-6,117
7. Cash flow movements due to investments in associated companies	0	87
8. Profits and losses from the disposal of fixed assets and consolidated companies	-2,165	-46
9. Changes in inventories	-25,841	-43,003
10. Changes in trade accounts receivable and sundry assets	-2,652	8,840
11. Changes in trade accounts payable and sundry liabilities	7,844	25,966
12. Cash inflow from current operating activities	4,984	20,745
13. Disposal of fixed assets	76	272
14. Additions to fixed assets	-12,149	-23,975
15. Proceeds from the sale of consolidated companies	4,730	0
16. Payments for the acquisition of consolidated companies	0	-77,058
17. Cash outflow from investing activities	-7,343	-100,761
18. Proceeds from capital increases	738	0
19. Proceeds from the convertible bond issue and the raising of bank loans	35,648	104,114
20. Payments for the redemption of bonds and bank loans	-13,847	-17,443
21. Dividend payments of NA AG	-21,257	0
22. Dividend payments from subsidiaries to third parties	0	-1,480
23. Cash inflow for financing activities	1,282	85,191
24. Changes in financial resources affecting cash flow	-1,077	5,175
25. Financial resources at beginning of period	7,471	6,409
26. Financial resources at end of period	6,394	11,584

Breakdown of turnover by product groups

(in million €)

	1 st half-year 2002/2003	1 st half-year 2001/2002
Copper cathodes	93	93
Continuous cast wire rod	300	274
Continuous cast shapes	171	157
Pre-rolled strip, strips and profiles	98	51
Precious metals	147	167
Chemicals	8	42
Metal powders	0	8
Intermediary and other products	50	58
	867	850