

**NA Group Information on the results
for the months October 2002 to June 2003
of fiscal year 2002/03**

NA responds to decline in earnings by implementing Group-wide cost-cutting programme

Hamburg, 14 August 2003 – In a very difficult economic environment with persistently weak raw material and product markets Norddeutsche Affinerie AG (NA) recorded reduced earnings for the 3rd quarter. The pre-tax profit declined to 1 €m as at 30 June 2003.

Due to the ongoing tight market situation the NA Group is expecting to achieve a break-even result for the fiscal year as a whole. The Executive Board and the Supervisory Board recently responded to this trend in earnings, which is also essentially due to the economic situation, by approving a Group-wide performance enhancement and cost-cutting programme representing an annual improvement potential of 80 €m.

In Hamburg the copper concentrate throughput totalling 767,000 tonnes reached the targeted level and thus clearly exceeded the previous year (725,000 tonnes).

The output of copper cathodes in the NA Group, but particularly at the Lünen production site, declined on account of the situation on the raw material markets and totalled 407,000 tonnes (previous year 418,000 tonnes).

Demand for copper products in the Copper Processing segment varied. The output of continuous cast wire rod could be increased to 261,000 tonnes (previous year 221,000 tonnes); continuous cast shapes totalling 148,000 tonnes were slightly down on the previous year (152,000 tonnes). At Schwermetall and Prymetall the improvement in the sales situation which was expected in the spring did not materialise.

The squeeze-out resolved at the Annual General Meeting of Hüttenwerke Kayser AG (HK) on 3 April 2003 was entered in the Commercial Register on 4 August 2003. As a result NA now holds 100% of HK's subscribed capital.

Consolidated key figures		Fiscal year 2001/02 12 months	Fiscal year 2001/02 9 months	Fiscal year 2002/03 9 months
Turnover	€m	1,920	1,364	1,321
Gross profit	€m	390	282	253
Personnel expenses	€m	191	144	143
Depreciation	€m	54	39	43
Earnings before taxes	€m	38	28	1
EBITDA	€m	103	75	51
EBIT	€m	50	36	9
DVFA/SG cash flow*	€m	72	55	39
Earnings per share	€m	0.58	0.42	(0.19)
Capital expenditure	€m	45	33	18
Copper and copper alloys	1,000 t	726	530	588
Copper price (average)	US\$/t	1,525	1,528	1,618
Number of employees (average)		3,612	3,581	3,469

* as per the German Society of Investment analysis and Asset Management/Schmalenbach Gesellschaft

NA Group turnover and earnings

The NA Group turnover declined slightly to 1,321 €m (previous year 1,364 €m).

The decrease compared with the previous year was largely due to the absence of the turnovers of the subsidiaries which were sold last year and lower turnovers for continuous cast shapes. The additional turnovers of Prymetall and Schwermetall, which were included in the same period last year as of 1 January 2002, as well as increased sales of wire rod and precious metals could not compensate for the decline in turnover.

The pre-tax profit for the NA Group amounted to an unsatisfactory 1 €m (previous year 28 €m).

NA AG made a positive contribution to earnings which was, however, adversely impacted by reduced treatment and refining charges for copper concentrates and copper scrap.

The decline in earnings is mainly attributable to the continued losses at our subsidiaries Hüttenwerke Kayser AG (HK) and Prymetall due to the structurally changed copper scrap market as well as the decline in sales of copper semi-finished products caused by the weak economic environment.

HK has responded to the strained situation by applying extensive measures to cut costs. The personnel reductions currently being implemented have weighed on results further due to the respective severance payments.

At Prymetall and Schwermetall performance enhancement and cost-cutting programmes have also been implemented.

EBITDA (earnings before interest, taxes, depreciation and amortisation) declined to 51 €m (previous year 75 €m).

EBIT (earnings before interest and taxes) amounted to 9 €m (previous year 36 €m).

DVFA/SG cash flow was affected by the negative trend in earnings and amounted to 39 €m (previous year 55 €m).

At 18 €m investment in property, plant and equipment as well as in intangible assets was at a relatively low level compared with the previous year (33 €m) when the figure still included capital expenditure on the Kayser Recycling System (KRS).

At –0.19 € earnings per share were negative (previous year 0.42 €). This is attributable to tax payments resulting from non-deductible losses at HK.

Copper market

The global copper market picked up slightly in the 2nd quarter and continued this trend in the 3rd quarter of the fiscal year. From the end of March to the end of June 2003 the copper price rose by 3.5 % from 1,588 US\$/t to 1,644 US\$/t. However, in the same period the U.S. dollar depreciated against the Euro by 4.6 % with the result that the copper price dropped in Euro/t by 1 % to 1,435 €/t.

In the course of the 3rd quarter cathode stocks in the warehouses of the metal exchanges fell by almost 200,000 tonnes to 1.04 million tonnes. This occurred mainly in the U.S; cathode inventories in Europe have already been at a very low level for some time. Nevertheless, the level of the total stocks is still twice as high as those in the winter of 2000/01, even after the fourth successive drop at the end of a quarter.

The current copper statistics of ICSG (International Copper Study Group) show a production deficit on the global market of 151,000 tonnes until April 2003, which was caused by a 5.3 % increase in copper demand and a 1.7 % decrease in the production of refined copper. The production decline includes cutbacks in America (-6.4 %) and in Europe (-2.7 %), which are faced with a rise in Asia (+3.8 %).

It is clear that Asia in particular is responsible for the recovery on the sales markets for refined copper, where an increase of 14 % was recorded whilst copper demand in the EU continues to stagnate at a low level and in North America has weakened by 3.7 %. Worldwide, copper demand is expected to increase by 4.9 % to 15.7 million tonnes in the year 2003.

Copper Production Segment

Raw material markets

The situation on the raw material markets deteriorated further in the 3rd quarter 2002/03. This development is without precedent.

The production cutbacks at major mining enterprises continue to affect the market for copper concentrates. As a result supplies on the spot market declined to such an extent that many smelters suffered supply shortages and consequently had to partly reduce their cathode production. The treatment and refining charges obtainable on the market have dropped to an historically low level. The purchasing terms for the long-term contracts relevant for NA have likewise deteriorated, although to a lesser extent.

Since treatment and refining charges are quoted in US\$, NA's earnings are relatively strongly dependent on the US\$/€ exchange rate. We have minimised this to a great extent by hedging the US\$ with the result that the exchange rate ratio is of practically no significance in this and the next fiscal year.

NA was able to maintain its concentrate processing at a high level. The recent announcement made by a major international mining company that it intends resuming production at its Peruvian copper mine with an annual output of 90,000 tonnes copper content can be seen as a sign of a positive trend on the concentrate market.

The factors adversely impacting the copper scrap markets continue to an undiminished extent. The deficits on the market are above all attributable to distortions in competition in international copper trading caused by China, India, Russia and the Ukraine. The poor availability on account of the economic trend combined with structural market impacts has resulted in extremely short supplies for European smelters. Refining charges for copper scrap have reached an all-time low. In view of the insufficient availability of copper scrap it has been necessary to make production adjustments at HK in its smelter operations and the tankhouse.

The market for residues and other recycling materials has not been adversely affected to a comparable extent even though supplies have also declined meanwhile. However, sufficient supplies have been secured for the KRS in Lünen, which processes these materials and is meanwhile achieving the target throughput.

Copper cathodes and metals

In Hamburg 767,000 tonnes of copper concentrates were processed by the end of June 2003. This is an increase of 6 % compared with the same period of the previous year (725,000 tonnes).

In Lünen about 100,000 tonnes of secondary raw materials were treated in the KRS up to the end of June 2003. The material throughput could be increased once again in the last quarter. As a result the KRS copper output has increased as a monthly average by 17 % compared with the first half-year.

At 281,000 tonnes the output of copper cathodes in Hamburg was slightly less than in the previous year (284,000 tonnes).

On account of the unsatisfactory situation on the copper scrap market there was a reduced output at the tankhouse in Lünen totalling almost 126,000 tonnes (previous year 134,000 tonnes).

A total of 407,000 tonnes of cathodes was therefore produced in the Group (previous year 418,000 tonnes).

Our output of precious metals in Hamburg increased once again. At 585 tonnes, the production of silver exceeded the output in the same period of the previous year (539 tonnes) by about 12 %. The gold output amounted to 18.9 tonnes (previous year 20.5 tonnes). The new top blown rotary converter for the treatment of various precious metal-bearing materials was successfully commissioned.

At 744,000 tonnes the output of sulphuric acid clearly exceeded the level in the previous year (713,000 tonnes).

Copper Processing Segment

Product markets

The slight improvement in the sales situation, of which there were first indications in the spring, has unfortunately not materialised. On the contrary, demand in some sectors declined even more due to further reductions in stocks. The production of flat products in Europe is being hit especially hard. A major cause of the customers' caution is the strong Euro since it impacts the export-oriented European semis industry particularly severely.

In the first half of the year 2003 demand from the cable and wire industry remained very weak. In contrast sales of energy cable and enamelled wire improved slightly compared with last year. There are also currently signs of a very slight upturn in the telecommunications industry.

Continuous cast wire rod and shapes, flat products

In this difficult environment the Copper Processing Segment has succeeded in consolidating its market shares and even to enhance them in some sectors.

By the end of June the NA Group produced 588,000 tonnes of copper and copper alloys (previous year 530,000 tonnes). Inter-company supplies between Group companies are not included.

In view of the continued shortage of copper cathodes in the European market, NA's cathode production, for which we have a secure raw material supply, has had a positive impact on our sales.

The output of wire rod remains at a high level. At 261,000 tonnes it clearly exceeded the previous year's level (221,000 tonnes).

After a very good first six months the situation with continuous cast products is meanwhile the reverse. This especially reflects the present poor sales situation for flat products. Although, at 148,000 tonnes (previous year 152,000 tonnes), production is still at a satisfactory level, it clearly declined in the 3rd quarter.

Prymetall and Schwermetall are especially strongly affected by the decline in demand. A substantial drop in sales has made itself felt in the last 3 months. However, it was possible to gain market shares in some product sectors. At Prymetall about 49,000 tonnes of strip and wire products were produced.

By the end of June Schwermetall produced a total of 111,000 tonnes of pre-rolled products (NA's share). In June a fire in the hot rolling mill resulted in a standstill lasting about one week.

Overall, it is not expected that business in the Copper Processing segment will gain in momentum in the summer months since in Italy and France, our main export countries, many customers close down their works for the summer vacations.

Human resources

The NA Group had on average 3,469 employees (previous year 3,581). As at 30 June 2003 there were 3,414 employees (previous year 3,689). Apart from changes in the circle of consolidated companies (acquisition of Prymetall and Schwermetall and the sale of participations), this reduction is due to personnel adjustments at HK and Prymetall.

The improvement programmes being implemented throughout the Group will lead to a significantly reduced number of personnel in the NA Group. This will also affect NA AG, for which the measures to enhance performance and cut costs are currently being concretised.

At HK the personnel adjustments from about 600 (excluding apprentices) to about 400 active employees are being carried out on schedule by 31 March 2004. This number corresponds to HK's target as regards plant operation and process technology.

The measures currently being taken at Prymetall include reducing staff to about 350 employees as at 30 September 2005. Thus, the workforce will have been cut by 100 employees since the company was acquired by NA. As a measure to cut costs further at Prymetall, the working hours for all employees are being reduced to a 32 hour week with effect from 1 July 2003 but limited to 31 December 2003. As a result the employees' monthly income will be reduced by 8.5 % during this period.

Despite the difficult economic situation NA has committed itself to providing further education and training. In line with planned future requirements 41 apprentices and 2 trainees will start their training at NA AG on 15 August. Consequently, NA AG continues to offer the most extensive training programme in North Germany's chemical industry. In total there are 161 apprentices in the NA Group as at 30 June 2003.

Corporate Governance

At the Annual General Meeting 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 exchange for monetary compensation.

On 4 August 2003 the AGM resolution was entered in the Commercial Register. NA AG therefore holds 100 % of HK's subscribed capital.

This has achieved the preconditions for integrating HK even more strongly in the NA Group.

As of 30 September 2003 NA will prepare the consolidated financial statements on the basis of International Financial Reporting Standards (IFRS). The work involved in the changeover is running to schedule. Differences from the present accounting standards in accordance with the German Commercial Code are expected but will not become fully apparent until the annual financial statements are finalised.

Strategie Vision NA 2000 Plus

After the internal and external steps to achieve growth in the last 3 years the NA Group is very well positioned in the value added chain of copper. This has resulted in significant potential for earnings, which however at present cannot or only to a limited extent be used due to the structurally and economically changed situation on the raw material and products markets.

NA is responding to the structural market changes by reviewing and adjusting the company's strategy up to now. In so doing, the question of how to make the business more international in character is being given special significance. In addition, NA is exploiting all the short-term and medium-term opportunities for optimisation and restructuring throughout the Group.

For this reason, in July 2003 the Executive Board and Supervisory Board have agreed on a Group-wide performance enhancement and cost-cutting programme. The programme represents an improvement potential of 80 €m annually. Potential savings of more than 50 €m have already been opened up by concrete steps and can be implemented as quickly as possible. Further measures with a total potential of 30 €m are still at the design stage. The programme will affect results as from fiscal year 2003/04.

Outlook

NA is currently completely subject to the German and international economy and the associated weakness on the raw material and product markets for copper.

The situation on the raw material side is aggravated by distortions in international competition, in particular from Asia, on the European and international markets. Sales of NA's products suffer from the effects of the economic downturn whilst exports suffer increasingly from the strong Euro.

It is generally expected that the economy will pick up. This will also result in an increase in copper demand since copper demand follows economic growth. NA will participate in this at once.

Regrettably, the preconditions for a quick economic upswing are still very weak. NA will therefore probably only manage to break even for the current fiscal year.

The NA Group however had considerable potential for improvement which must be exploited in the short and medium term as the response to the deterioration in earnings. NA is therefore being particularly active in implementing internal measures and has agreed on a Group-wide performance enhancement and cost-cutting programme. The target is that, even if the economic downturn continues, the NA Group should again generate positive results in fiscal year 2003/04 and resume its dividend policy.

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 – 3 quarters 2002/2003	1 – 3 quarters 2001/2002
Turnover	1,321,055	1,364,284
Variations in inventories of finished goods and work in process	9,388	(2,345)
Own work capitalised	2,171	1,544
Other operating income	17,194	20,536
Cost of material and supplies	(1,096,608)	(1,102,446)
Gross profit	253,200	281,573
Personnel expenses	(143,089)	(143,627)
Depreciation and amortisation	(42,783)	(39,399)
Other operating expenses	(59,703)	(62,803)
Income from investments	1,055	160
Net interest	(8,164)	(7,505)
Result of ordinary activities	516	28,399
Taxes on income	(6,095)	(13,350)
Profit/loss for the period	(5,579)	15,049
Profits/losses attributable to minority interests	(702)	(1,432)
Consolidated profit/loss	(6,281)	13,617

Consolidated Cash Flow Statement

(in thousand €)

	1 – 3 quarter 2002/03	1 – 3 quarter 2001/02
1. Consolidated net loss/profit	(5,579)	15,049
2. Depreciation on fixed assets	42,783	39,530
3. Changes in long-term provisions	2,086	2,798
4. Other expenses and income not affecting cash flow	(105)	(1,976)
5. DVFA/SG cash flow	39,185	55,401
6. Changes in short-term provisions	(5,402)	(2,463)
7. Cash flow movements due to investments in associated companies	0	484
8. Profits and losses from the disposal of fixed assets and consolidated companies	(2,537)	(74)
9. Changes in inventories	(64,449)	(28,407)
10. Changes in trade accounts receivable and sundry assets	724	(15,897)
11. Changes in trade accounts payable and sundry liabilities	3,774	4,810
12. Cash outflow/inflow from current operating activities	(28,705)	13,854
13. Disposal of fixed assets	931	324
14. Additions to fixed assets	(18,300)	(32,999)
15. Proceeds from the sale of consolidated companies	4,730	0
16. Payments for the acquisition of consolidated companies	0	(77,196)
17. Cash outflow from investing activities	(12,639)	(109,871)
18. Proceeds from capital increases	928	2,636
19. Proceeds from the convertible bond issue and the raising of bank loans	83,638	139,146
20. Payments for the redemption of bonds and bank loans	(15,735)	(21,622)
21. Dividend payments of NA AG	(21,257)	(24,265)
22. Dividend payments from subsidiaries to third parties	(1,040)	(1,531)
23. Cash inflow for financing activities	46,534	94,364
24. Changes in financial resources affecting cash flow	5,190	(1,653)
25. Financial resources at beginning of period	7,471	6,409
26. Financial resources at end of period	12,661	4,756

Breakdown of turnover by product groups

(in €m)

	1 st - 3 rd quarters 2002/2003	1 st - 3 rd quarters 2001/2002
Copper cathodes	158	170
Continuous cast wire rod	455	423
Continuous cast shapes	236	258
Pre-rolled strip, strips and profiles	145	112
Precious metals	260	244
Chemicals	15	67
Metal powders	0	8
Intermediary and other products	52	82
	1,321	1,364