

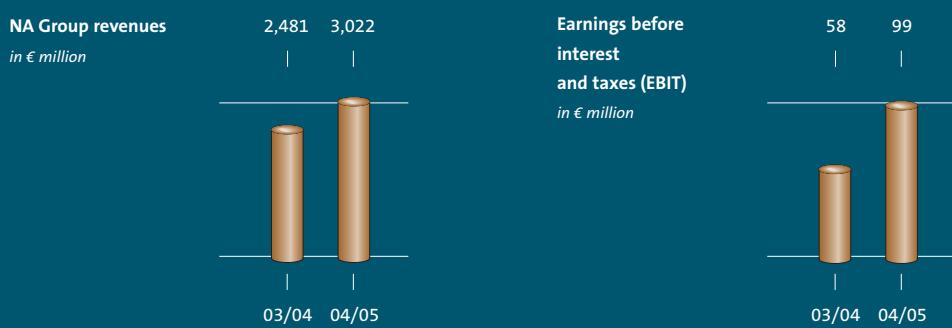
Europe's leading integrated copper group

Annual Report 2004/05



Norddeutsche Affinerie, with a market share of 22%, is one of the two largest copper producers in Europe and the leading copper recycler worldwide.

We also hold a leading market position in the copper processing segment.



In fiscal year 2004/05 we benefited from the momentum on the booming copper market, which, supported by our continuous measures to enhance performance, resulted in strong profit dynamics and dividend yield.

>> **2** Foreword

>> **6** NA Profile

*The copper market ... 8, Business model ... 12, Strategy ... 16,
Highlights 2004/05 ... 20, The fiscal year in review ... 24*

>> **26** Sustainable Development

Human resources, environmental protection, social commitment

>> **28** NA Shares & Corporate Governance

Share price + 40%

*NA shares ... 28, Corporate Governance Report ... 32,
Supervisory Board Report ... 37, Supervisory Board & Executive Board ... 40*

>> **42** Group Management Report

Dividend + 54%

*Economic outline conditions and trends in business ... 44, Segments ... 54,
Financial position and profitability ... 64, Central services ... 68, Human resources and
labour relations ... 71, Research & development ... 74, Environmental protection ... 75,
Risk management report ... 76, Outlook ... 80*

>> **81** Consolidated Financial Statements

Cash flow + 16%

*Consolidated income statement ... 81, Consolidated balance sheet ... 82,
Consolidated cash flow statement ... 84, Consolidated statement of changes
in equity ... 85, Changes in fixed assets of the Group ... 86,
Notes to the financial statements ... 88, Auditor's report ... 116*

>> **117** Other Information

*Main shareholdings ... 117, Glossary ... 118,
Notes to the key figures ... 120, Key figures, Financial calendar*

Dear Shareholders, dear friends of Norddeutsche Affinerie,

Fiscal year 2004/05 was the best year since Norddeutsche Affinerie's IPO in 1998. NA shares are becoming more and more popular and are inspiring great confidence on the part of private and institutional investors at home and abroad, as reflected in the rising share price. We are keeping our word and continuing our attractive dividend policy of transferring 70 percent of the annual net income to NA's shareholders. For the first time NA will distribute a dividend of one euro per share.

NA shares are sometimes jokingly referred to as fixed-interest securities. We regard that as a mark of confidence and incentive for our work. NA's good performance in fiscal 2004/05 can, unfortunately, also make the one or other of us forget that money does not grow on trees. Copper and NA were in a very positive international environment. The only weak point was the flat economy in Germany. NA's profit is, however, also the result of the untiring efforts of all NA staff to prevail in tough international competition. This is not made easy for NA in its production location of Germany.

In the never-ending discussion about tax burdens and the non-wage labour costs in Germany, it is overlooked how the tangle of laws and directives is still eagerly growing. But it is just this swamp of state regulations that proves in practice to be more and more of a hindrance to long-term investment.

The four power generators and grid operators in Germany and the two market-controlling gas utilities talk a lot these days about the challenges of globalisation and try in this way to gloss over their price increases. But, for NA, globalisation is not a negative term. For NA globalisation is both: challenge and opportunity. Because NA must face up to the challenges of global competition every day – and that since its formation 140 years ago by Hamburg merchants and industrialists.

NA has been committed to international competition since 1866. But it must be fair. Although many nations signed the principles of fair competition and the protection of intellectual property when they joined the WTO, they unfortunately did not all make them the yardstick of their own actions. On closer scrutiny, it becomes clear that a subsidy is being camouflaged here and a non-tariff trade barrier erected there. The recent WTO conference in Hong Kong was also a bitter disappointment for the copper industry: neither China nor India curtailed their government subsidies and aid to their own industry. Trade with copper raw materials and copper products is only really free in the European Union.

When the EU Commission and the new German government emphatically and repeatedly advocate global competition, they should not only verbally demand fairness in competition from China, India and other protectionist countries, but also take suitable measures to ensure that companies and employees are no longer at a disadvantage in global trade.



Dr Werner Marnette (centre, right) began his career at NA in 1978. He became a member of the Executive Board in 1990 and was appointed Chief Executive Officer in 1994. In 2002 he was elected Vice President of the Hamburg Chamber of Commerce.

Dr Bernd Drouven (left) has been with the NA Group since 2001. He was the Managing Director of Spiess-Urania Chemicals GmbH until its sale in 2003. In January 2004 he took over the position of director of the Strategic Planning/International Relations sector. He took over as Chief Financial Officer on NA's Executive Board on 1 January 2006.

Dr Bernd Langner (centre, left) has worked for NA since 1982 and became a full member of the Executive Board on 1 January 2003. He is responsible for the Copper Processing Segment. Since January 2002 he has been the Managing Director of Prymetall in Stolberg.

Dr Michael Landau (right) has been employed at Nord-deutsche Affinerie since 1981. In March 1998 he was appointed a deputy member of the Executive Board and has been a full member since 1999. He is responsible for the Copper Production Segment.

One thing is sure: NA must grow internationally more quickly than before in this and in the next fiscal year. In doing so, NA will open up additional markets overseas.

NA shareholders frequently ask me why NA is not already represented in Asia – there, where the economy is booming and an unprecedented corporate catching-up process is underway? I reply that we have been there for some time. We know the international copper market and the industrial enterprises trading in it better than most. But we are also very aware where the stumbling blocks are.

We endeavour to maintain the highest level of frankness with our shareholders and the investment analysts and try to keep them familiar with our deliberations. This was the reason why NA received the investor relations award for the third time this year.

If NA invests in other European countries or overseas, it must not be half-hearted, but must be intelligent in every respect right from the outset. NA's investment must be right. NA has the necessary means to achieve this, the technical and commercial know how.

It would, however, be a fatal mistake if we were to pay less attention to our European home market. The EU still has a huge demand for copper which is only surpassed by that in Asia. If we are not completely deceived, the German economy is gradually waking up again. NA must be prepared for the day when the economic trend in the European copper semis industry starts buzzing again. Thus, NA will do its utmost, as in previous years, to continue expanding the capacity of its concentrate processing facilities in Hamburg.

Standstill means a step backwards. This is why NA is also on the offensive in Germany. This is demonstrated not only in Lünen where, with our intelligent technology, we are now able to treat new recycling raw materials, such as copper-bearing industrial slimes or electronic scrap, but also in Hamburg, where the prototype of the plant, which will later mass-produce CIS solar cells, will be tested in the autumn of this year. It is not an exaggeration to say that NA's CIS cells have the prerequisites to make the production of solar energy globally popular.

All innovations are, however, doomed to failure if the outline conditions deteriorate instead of improve in Germany as a location for business and investment. The politicians and German people have meanwhile comprehended that electricity and gas are indispensable raw materials for German industry. From NA's viewpoint, everything must be done to stop the forcing up of prices of electricity and gas. Otherwise, hundreds of thousands of jobs in energy-intensive industry in Germany will be destroyed, similar to the end of aluminium production in Hamburg and Stade.

NA will not stop campaigning to the effect that foreign power generators receive a real chance to provide competition as regards electricity prices on the hitherto hermetically closed island of Germany. Because German industry and the German people will only enjoy reasonable electricity prices if there is fair international competition.

And thus we have come full circle. Globalisation can only function if the principles of free competition are also observed and realised on our home market.

Werner Marnette

A handwritten signature in black ink, appearing to read "Werner Marnette".

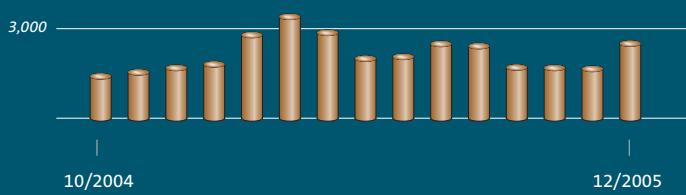
NA Shares & Corporate Governance

The good trend on the German stock markets is reflected in the rise of the DAX and MDAX. NA shares again performed very well in fiscal year 2004/05. By the end of the fiscal year NA shares had achieved 40% growth in value.

Performance of NA shares compared with DAX and MDAX in %



Monthly trading volume of NA shares in thousand shares (XETRA)



NA shares on an uninterrupted uptrend:

+ 40% by fiscal year-end

NA shares started the fiscal year on 1 October 2004 quoted at € 13.12 and then eased down at the beginning of November 2004 to an annual low of € 11.70. Until mid December the NA share price moved sideways. From mid December onwards the price rose again – combined with an increase in trading volume. The closing price for the calendar year ending 30 December 2004 amounted to € 14.15. This positive trend was supported by the announcement of the preliminary results for fiscal year 2003/04 with a recommended dividend of € 0.65 per share on 16 December 2004. On 1 March 2005 NA shares reached a periodic high with a closing price of € 18.40. In the following consolidation phase the price meanwhile weakened, on 2 May 2005 the shares were quoted at € 14.50. Driven by positive announcements about NA's current and future economic situation, the share price recovered again by the end of the fiscal year and closed on 30 September 2005 at € 18.48, just under the annual high of € 18.73 on 21 September 2005.

NA's market capitalisation has substantially increased,

primarily due to the rise in the value of NA shares.

In addition, the number of NA shares increased from 33.4 million to 33.8 million as a result of the last tranche of the stock option plan. Both developments substantially strengthened the position of NA shares in the MDAX.

Many reasons speak in favour of NA shares:

- Long-term growth of the copper market
- Strong position in the value added chain
- High performing, well qualified employees
- Innovative technology
- Continuous improvement and growth
- Healthy finances and profitability
- High net asset value with attractive dividend yield

Strong performance of NA shares in comparison with DAX and MDAX

The German share indices DAX and MDAX showed an uptrend as in the previous year. The NA share price rose by 40% in the fiscal year, which was equal to the MDAX, and outperformed the DAX, which gained 30%.

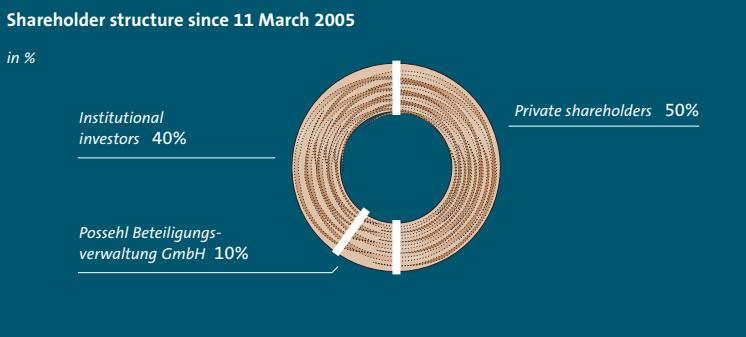
90% of NA shares in free float

On 11 March 2005 HSH Nordbank AG, Hamburg/Kiel, sold its 10% holding in NA to a number of foreign investors. This increased the free float to 90%, which further strengthened the position of NA shares in the MDAX and resulted in an even more balanced relationship between institutional and private investors. The stock held by institutional investors rose from 30 to 40% while the percentage of German private shareholders still amounts to some 50% of the capital. The 10% stake held by our main shareholder, the Possehl Group in Lübeck, has hardly changed.

High dividend

After paying a dividend of € 0.65 in fiscal year 2003/04, our higher dividend recommendation for fiscal year 2004/05 underlines the significance of NA shares as excellent dividend-yielding stock.

At the Annual General Meeting on 30 March 2006, the Executive Board and Supervisory Board will recommend the payment of a dividend in the amount of € 1.00 per share. This equates to a payout ratio of 75%; the dividend yield amounts to 5.4% in relation to the closing price of the fiscal year. The remaining net earnings in the amount of € 22 million will be allocated to revenue reserves to strengthen the company's financial basis.



Successful communication with the capital market and the shareholders

Open, timely dialogue with all capital market participants and shareholders forms the basis of our successful investor relations activities. Both the annual press conference in Hamburg and the subsequent DVFA analysts conference in Frankfurt am Main on 31 January 2005 were as usual very well attended – an indication of the considerable interest in NA.

We have continued the timely and intensive communication with institutional and potential investors. In view of the international character of these group we have given presentations on NA's current position and future development as part of roadshows, not only in Germany, but also in the European financial centres and the U.S.A. A growing number of interested parties visited NA in Hamburg to see our company's high technical standards for themselves.

We were particularly pleased that NA won the Investor Relations Award in 2005 for the third time. After 2000 (SDAX) and 2001, NA again took first place in the MDAX category in the investor relations competition run by the business journal "Capital" and the Society of Investment Professionals in Germany (DVFA). NA will also continue its investor relations work in future with the same intensity.

The great interest shown by investors was demonstrated by the numerous analyses and ratings conducted by bank and fund analysts, who without exception came to a positive assessment of NA shares' future performance. The very encouraging trend in the NA share price was reflected in the analysts' recommendation to buy. The Commerzbank, Dresdner Kleinwort Wasserstein and West LB published analyst reports on NA for the first time.

We encourage dialogue with our private shareholders within the framework of our open days „Dialogue with the shareholders“. At each of the two events in summer 2005, about 500 private shareholders took advantage of the possibility to experience their NA at first hand.

Annual General Meeting again well attended

On 31 March 2005 the seventh public Annual General Meeting was held at the Hamburg Congress Centrum (CCH). Some 2,700 shareholders attended and were brought up-to-date on NA's performance. The report given by the Chief Executive Officer, Dr Marnette, on fiscal year 2003/04 and NA's future prospects was received with great interest and met with long applause. The Chief Executive Officer answered the shareholders' subsequent questions in detail.

Key figures of NA shares		2000/01	2001/02	2002/03	2003/04	2004/05
<i>Closing price in Frankfurt as at fiscal year-end</i>	<i>in €</i>	12.25	10.80	8.82	12.93	18.48
<i>Year high (close)</i>	<i>in €</i>	15.00	15.50	11.97	12.93	18.73
<i>Year low (close)</i>	<i>in €</i>	10.50	10.50	8.40	8.94	11.70
<i>Market capitalisation at fiscal year-end</i>	<i>in €m</i>	396	353	291	432	622
<i>Number of shares</i>	<i>in thousand units</i>	32,353	32,703	33,044	33,409.2	33,813.4
<i>Dividend or recommended dividend</i>	<i>in €</i>	0.75	0.65	—	0.65	1.00
<i>Payout ratio</i>	<i>in %</i>	61	68	—	76	75
<i>Earnings per share*</i>	<i>in €</i>	1.26	0.63	0.10	0.76	1.77
<i>Price/earnings ratio as at fiscal year-end</i>		9.80	17.2	89.8	17.1	10.5

*in accordance with IFRS, 2000/01 as per HGB (German Commercial Code)

Security Identification No.: 676650
International Securities Identification Number (ISIN): DE 0006766504
Stock market segment: MDAX
Stock exchanges: Frankfurt, Hamburg
Issue price: € 12.78
Average daily trading volume: 100,854 shares in XETRA trading
142,038 at all German stock exchanges

Analyst coverage 2005

Bankhaus Lampe
Berenberg Bank
BW Bank
Cazenove
Commerzbank
Deutsche Bank
Dresdner Kleinwort Wasserstein
DZ Bank
HSBC Trinkaus & Burkhardt
M.M. Warburg
Norddeutsche Landesbank
Vara Research
West LB

Stock market codes

Deutsche Börse	NDA
Reuters	NAFG
Bloomberg	NDA GR

Report issued by the Executive Board and Supervisory Board on the Company's corporate governance

Norddeutsche Affinerie AG has committed itself to responsible, transparent corporate management, oriented to increasing enterprise value, and complies with the recommendations of the German Corporate Governance Code with three well-founded exceptions.

The Company also complies with the Code's voluntary proposals as far as possible. Only the possibility of following the Annual General Meeting simultaneously via the internet is not yet being offered (*deviation from Code Section 2.3.4.*) and the performance-related remuneration of the Supervisory Board members does not include any components related to the Company's long-term success (*deviation from Code Section 5.4.7 para. 2 sentence 2*). The Code's principles have been implemented not only throughout the Company, but also the Group companies by amendments and additions to the Advisory Council's directives and instructions for the respective management.

Annual General Meeting

To assist shareholders in exercising their rights and in their preparations for the Annual General Meeting, the relevant reports and documents will be made available at the website of Norddeutsche Affinerie AG (www.na-ag.com) and sent to shareholders on request. Inasmuch as shareholders are unable to exercise their voting rights themselves, they have the possibility of appointing a Company employee to exercise their voting rights in accordance with their instructions. This representative will also be reachable during the AGM.

Close cooperation between the Executive Board and the Supervisory Board

The Executive Board and Supervisory Board work together closely for the good of the Company. The Executive Board keeps the Supervisory Board regularly, promptly and comprehensively informed about all issues pursuant to the Company's planning, business development, risk situation and risk management. Deviations from the plans and targets are discussed in depth. The Company's strategic orientation is agreed with the Supervisory Board. For transactions of fundamental importance, the rules of procedure of the Supervisory Board specify provisions requiring the approval of the Supervisory Board.

The Company has a Supervisory Board pursuant to the Law on Co-determination. Representatives of the shareholders and the employees prepare the Supervisory Board's meeting separately with members of the Executive Board.

No former members of the Company's Executive Board are on the Supervisory Board.

The Company has taken out a D&O insurance policy (pecuniary loss/third party indemnity) for the Executive Board and the Supervisory Board as well as for the Management of the subsidiaries with suitable deductibles.

Remuneration of the Executive Board and Supervisory Board

The total remuneration of the Executive Board members is made up of fixed and variable components. The variable components include one-time as well as annually payable components linked to business performance and components with long-term incentive and risk elements.

The Chairman of the Supervisory Board informed the Annual General Meeting on 31 March 2005 about the principles of the remuneration system and its changes. The Supervisory Board discussed and examined the structure of the Executive Board's remuneration system, particularly in connection with the new stock option plan.

Since 1998 the Executive Board and senior staff of the NA Group have participated in a stock option plan. It was divided into five tranches and was funded by issuing new shares. Fixed interest bearing convertible bonds were issued which entitled the holder to buy new shares if NA shares outperformed the CDAX over a period of three years. The last tranche of this stock option plan finished in April 2005 and was successful again.

The payable purchase price, which was less than the prevailing NA share price, was determined by the performance coefficient. The reference share price at which the stock options could be exercised in the last fiscal year was set at € 11.51 the day after the AGM. The NA share price had outperformed the CDAX during the reference period by 42%. The conversion period ran from 4 April 2005 to 22 April 2005. During this time the NA share price fluctuated between € 15.07 (18 April 2005) and € 16.20 (14 April 2005), so that the share options were at a good

price during the entire period when they could be exercised. This stock option plan expired on conclusion of the conversion period on 22 April 2005.

New incentive plan

The Company's Supervisory Board approved a new incentive plan for the Executive Board and senior staff on 8 December 2004 which replaces the former stock option plan.

The plan consists of two components:

Part A

The hurdle component takes NA shares' performance in the reference period (usually three years) into account and is only successful if the share price has risen by a percentage set at the beginning of the term (usually exercise hurdle of 10%). The difference between the share price when exercising the option and the price at the beginning of the term multiplied with the number of options is paid out.

Part B

The performance component considers the performance of NA shares in relation to the CDAX performance and is successful if NA shares have outperformed the CDAX over a period of three years.

Cap

The profit per option is limited to the NA share price at the beginning of the term.

The plan is not financed by a capital increase but under personnel expenses (phantom stocks) in the income statement.

The prerequisite for participation in the incentive plan is the continued ownership of a certain number of NA shares. One acquired share is entitled to five options each from plan part A and part B. The profit per option is limited to the NA share price at the beginning of the respective term.

The principles of the remuneration system as well as the actual organisation of the current stock option plan are published on the company's homepage.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is laid down in the Articles of Association of Norddeutsche Affinerie AG. Each member of the Supervisory Board receives a fixed sum of € 10,000 per fiscal year in addition to the expenses incurred in performing his office. The Chairman of the Supervisory Board receives twice this sum, his deputy one and a half times this sum. Members of the Supervisory Board, who belong to a Supervisory Board committee, receive an additional € 2,500 per fiscal year per committee, however, at the most a total of € 5,000 per fiscal year. Supervisory Board members, who are Chairmen of a Supervisory Board committee, receive an additional € 5,000 per fiscal year per chairmanship in a committee, however at the most € 10,000 per fiscal year.

Apart from fixed remuneration, the Supervisory Board members receive performance-related remuneration of € 200 per cent of the dividend per share paid to the shareholders in excess of 20 cents for the respective fiscal year.

Committees

The Supervisory Board has formed a Personnel Committee consisting of six of its members with equal representation. In fiscal year 2004/05 the Committee's main concern was the appointment of a new Chief Financial Officer as well as the extension of an existing Board member's contract and the structure and level of the remuneration for the Executive Board as a whole.

The Supervisory Board has an Audit Committee consisting of four of its members with equal representation. The Chairman of the Supervisory Board is a member of the Committee, but not its Chairman. The Chairman of the Audit Committee has significant expertise and experience in the application of accounting principles and internal control techniques.

The Audit Committee has concerned itself in particular with the financial statements of NA AG and the consolidated financial statements of the last fiscal year, aspects of the accountancy system and risk management, the required independence of the auditor, the awarding of the audit assignment to the auditor, the focus of the audit and the agreement on fees.

The Committee Chairmen report regularly to the Supervisory Board on the respective Committee's work.

Examination of efficacy

The Supervisory Board has constantly and, in particular at its meeting on 15 September 2005, again examined the efficacy of its activities and debated on possibilities for optimising this.

Independence

The Supervisory Board should consist of a – in its opinion – sufficient number of independent members. The Supervisory Board examined this question at the ordinary Supervisory Board meeting on 15 September 2005 and reached the conclusion that, in its opinion, it has a sufficient number of independent members.

Transparency

The requirement to present all target groups with the same information in both the German and English languages at the same time is attributed great importance in our corporate communications. Private investors can keep up-to-date on current developments in the Group via the internet. Norddeutsche Affinerie's ad-hoc announcements are disclosed to the shareholders via the company's website. The Declaration of Conformity and all no longer current Declarations of Conformity on the Corporate Governance Code are accessible at the company's website.

In accordance with Section 15a of the German Securities Trade Act, the members of the Executive and Supervisory Boards must report the acquisition and sale of company shares. In the fiscal year the members of the Executive Board, Dr Werner Marnette, Dr Michael Landau and Dr Bernd Langner, as well as the former Executive Board member Dr Toralf Haag and Supervisory Board member Günter Kroll transacted notifiable business by the conversion and sale within the framework of the stock option plan of Norddeutsche Affinerie AG in the period from 4 April 2005 to 22 April 2005 and afterwards, by acquiring a total of 61,010 shares in the company and selling 44,800 shares. The company has reported this to the Federal Authority for Financial Services Supervision (BAFin) and has published this information.

Responsible handling of risks

Good corporate governance includes the company's responsible handling of risks. Within the framework of our value-oriented Group management, our risk management ensures that risks are identified and the risk positions optimised.

Reporting and audit of the financial statements

The consolidated financial statements of Norddeutsche Affinerie AG and its subsidiaries as well as the interim reports are prepared pursuant to International Financial Reporting Standards (IFRS) in accordance with the current stipulations of the International Accounting Standards Board.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin und Frankfurt am Main, was elected as the auditors for fiscal year 2004/05 at the Annual General Meeting 2004.

Before submitting a proposal for the election of the auditors of the financial statements, the Audit Committee demanded a declaration from the auditors about any relationship between the auditors and their senior staff on the one hand and the Company and the members of its executive bodies on the other hand that could cast doubt on the auditors' independence. Furthermore, the auditors were also obligated to advise if such circumstances should arise during the audit and have to be removed without delay.

It was agreed with the auditors that they would advise the Supervisory Board and make a note in the auditors' report if facts came to light during the audit which result in the Executive and Supervisory Boards' declaration in accordance with the Corporate Governance Code being incorrect.

The auditors attended the Supervisory Board's consultations about the financial statements and consolidated financial statements and reported about the main results of the audit.

The auditors did not determine any incorrectness in the submitted declaration for the Corporate Governance Code.

Declaration of Conformity in accordance with Section 161 Companies Act

The Executive and Supervisory Boards of Norddeutsche Affinerie declare that in the period from 1 October 2004 to 20 July 2005 the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the official part of the electronic Federal Bulletin in the version dated 21 May 2003 have been applied with the following exceptions and subsequently the recommendations of the German Corporate Governance Code published on 20 July 2005 in the version dated 2 June 2005 was and will be applied with the following exceptions respectively:

- The Company's fiscal year ends on 30 September of each year. By adhering to the 90 day time limit, publication of the consolidated financial statements would take place during the public holiday period at the end of the calendar year and would receive insufficient attention (e.g. through the annual press conference and analysts' conference). Publication will therefore continue to take place within 120 days after the end of the fiscal year (*deviation from Code Section 7.1.2 sentence 2*). The interim reports are publicly accessible within 45 days of the end of the respective period under review, as recommended in Code Section 7.1.2.

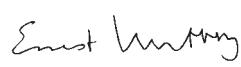
- The Company will not show the individual remuneration of members of the Executive Board in the notes to the consolidated financial statements (*deviation from Code Section 4.2.4 sentence 2*).
- The Company will not show the individual remuneration of members of the Supervisory Board in the Corporate Governance Report (*deviation from Code Section 5.4.7 para. 3, sentence 1*). In the view of the Company's Executive Board and Supervisory Board, individualised details the remuneration received by the Executive Board and Supervisory Board at Norddeutsche Affinerie AG would have no significant additional information value over the total amounts given in the notes to the consolidated financial statements. Despite this view, the Company will show the individual remuneration of the members of the Executive and Supervisory Boards at the latest by the time the law requiring listed German companies to disclose the Boards' remuneration becomes effective.

Hamburg, 25 January 2006

The Executive Board


Dr Werner Marnette
(Chairman)

The Supervisory Board


Dr Ernst J. Wortberg
(Chairman)


Dr Michael Landau
(Member of the Board)

Supervisory Board Report

Dear Shareholders,

The company performed well in fiscal year 2004/05. The strategies pursued proved their worth and the strict cost and performance management took effect. The Supervisory Board was again in constant communication with the Executive Board during the last fiscal year and followed and monitored the major business transactions. The Supervisory Board supports the strategic orientation and the business management of the Executive Board. All credit goes to the Executive Board, senior staff and employees in all sectors for their contributions, which have resulted in the excellent operating result.

In the fiscal year the Supervisory Board performed the duties incumbent on it by law and the Articles of Association. The Supervisory Board regularly advised and constantly monitored the Executive Board in the management of the Company. The Executive Board and Supervisory Board work closely together. The Supervisory Board was included in all decisions of fundamental importance for the Company.

The Executive Board informed the Supervisory Board at regular intervals, promptly and in depth, in written and oral reports, about the intended business policy, all the fundamental aspects of corporate planning, including financial, investment and personnel planning, and further strategic development. In addition, the Executive Board advised about the Company's profitability, the course of business, the Group's position including the risk situation as well as about risk management and the performance enhancement programmes.



Dr. Ernst J. Wortberg, Chairman of the Supervisory Board

The Executive Board agreed the Company's strategic orientation with the Supervisory Board and at regular intervals discussed the status in implementing the strategy. The Company's strategy was discussed at length in an extraordinary meeting of the Supervisory Board on 29 June 2005. Deviations in the actual business development from the prepared budgets and reported targets were depicted and explained with reasons given. After receiving detailed reports from the Executive Board, all the important business transactions were debated in depth at the Supervisory Board meetings and by the responsible committees. Necessary documents for decision-making, in particular the financial statements, consolidated financial statements and the auditor's report, were sent to the members of the Supervisory Board in good time before the meetings. The Supervisory Board gave its consent to important business requiring its approval.

The Chairman of the Supervisory Board was in regular contact with the Executive Board apart from the Supervisory Board meetings and was kept constantly informed about the current trend in business and significant business issues.

In fiscal year 2004/05 four regular Supervisory Board meetings and one extraordinary strategy meeting were held. The Supervisory Board was also kept well-informed between the meetings about projects and plans which were of particular significance for the Company.

Work on the Committees

In addition to the Committee required by law in accordance with Section 27 para. 3 Codetermination Law, the Supervisory Board again formed a Preparatory Committee, a Personnel Committee and an Audit Committee. The Committees each consist equally of representatives of the shareholders and employees. With the exception of the Audit Committee, the Chairman of the Supervisory Board is also the Chairman of the Committees. The Personnel Committee convened five times in the fiscal year, the Audit Committee three times. The Preparatory Committee did not meet in the year under review. The Personnel Committee focused on the appointment of a new Chief Financial Officer after the resignation of Dr Haag as well as on reviewing the structure and level of remuneration for the whole Executive Board. The Audit Committee was concerned with awarding the audit assignment to the auditors, determining the focal points of the audit and agreeing on fees. Furthermore, it monitored the auditors' independence. The Audit Committee examined matters regarding the financial statements and the Company's risk management including the tasks of the internal audit. It discussed significant risks with the Executive Board.

After the meetings the respective Chairmen of the Committees reported to the Supervisory Board on the Committees' work.

Focal points of the Supervisory Board consultations

The regular consultations in the meetings covered the developments on the metal and exchange markets as well as the raw material and product markets. The resultant impacts on the business performance of the Company and the individual segments including the subsidiaries were discussed. At each meeting, the Supervisory Board examined the current measures taken to enhance Group performance and increase enterprise value. The strategic orientation of Norddeutsche Affinerie was discussed in detail at an extraordinary Supervisory Board meeting.

Corporate Governance

The Supervisory Board consulted about the structure of the remuneration system for the Executive Board and will review this at regular intervals. The Supervisory Board approved the new virtual incentive plan for the Executive Board and senior staff at the ordinary meeting on 8 December 2004. The Supervisory Board examined the efficacy of its activities at several meetings. In particular, at the meeting on 15 September 2005, the Supervisory Board reviewed the efficacy of its activities and discussed possibilities for improvement.

At its meeting on 15 September 2005 the Supervisory Board examined the question of its independence and ascertained that, in its opinion, it has a sufficient number of independent members.

There are no former members of the Executive Board on the Supervisory Board.

On 25 January 2006 the Executive Board and Supervisory Board again submitted a Declaration of Conformity in accordance with Section 161 Companies

Act to the effect that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated 21 May 2003 would be complied with, with the exception of three well-founded deviations, and the recommendations announced by the Government Commission on the German Corporate Governance Code on 20 July 2005 in the version dated 2 June 2005 were and will be applied respectively with the same three well-founded exceptions. The Declaration of Conformity can be accessed at www.na-ag.com.

Annual audit

The financial statements for the Company issued by the Executive Board in accordance with the German Commercial Code (HGB) and the consolidated financial statements prepared pursuant to IFRS – International Financial Reporting Standards for the fiscal year from 1 October 2004 to 30 September 2005 as well as the management report for the Company and its Group have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Berlin und Frankfurt a. M., in accordance with the resolution passed at NA's Annual General Meeting held on 31 March 2005. The auditor has issued an unqualified report. All the members of the Supervisory Board received copies of the financial statements and the audit reports as well as the Executive Board's recommendation for the appropriation of the net earnings. These documents were discussed in detail at the meetings of the Supervisory Board on 25 and 31 January 2006. During these meetings the auditor reported on the main results of the audit and was available to give the Supervisory Board further information. The Supervisory Board agreed with the findings of the audit performed by the auditor on the basis of its own examination of the financial statements, the consolidated financial statements, the combined management report and the recom-

mination for the appropriation of the net earnings and at their meeting on 31 January 2006 ascertained that, after the conclusion of its examination, it had no objections to raise. The Supervisory Board approved the financial statements, which are thus adopted, as well as the consolidated financial statements. The Supervisory Board concurred with the Executive Board's recommendation for the appropriation of the net earnings.

Change in the Executive Board

With effect from 31 July 2005 Dr Toralf Haag resigned from the Executive Board at his own request to take up other assignments. We regret Dr Haag's departure and thank him for his valued contribution to the Group.

On 14 December 2005 the Supervisory Board appointed Dr Bernd Drouven as the new Chief Financial Officer with effect from 1 January 2006. Dr Drouven has been employed in the NA Group since 2001. He was the Managing Director of the former subsidiary Spiess-Urania Chemical GmbH from 2001 until it was sold in 2003. Since January 2004 Dr Drouven has been a director at NA, responsible for Strategic Planning/International Relations.

The Supervisory Board thanks the Executive Board, the company management as well as all NA staff and the employees' representatives for their responsible, dedicated contributions and hard work during the year under review.

Hamburg, 31 January 2006

The Supervisory Board

Ernst Wortberg

Dr Ernst J. Wortberg
(Chairman)

SUPERVISORY BOARD

Dr Ing. Ernst J. Wortberg, Dortmund

Chairman

Former Chairman of the Executive
Board of L. Possehl & Co. mbH, Lübeck

Hans-Jürgen Grundmann, Seevetal*

Deputy Chairman

Shop mechanic

Chairman of the Works' Council of
Norddeutsche Affinerie AG

Gottlieb Förster, Itzstedt*

Union Secretary of the Industrial Union:

Mining, Chemistry, Energy, Hanover

– Bayer Industry Services Geschäftsführung
GmbH, Leverkusen

Member of the Supervisory Board

– Gerresheimer Glas GmbH, Düsseldorf

Member of the Supervisory Board

– Chemie Pensionsfonds AG, Munich

Member of the Supervisory Board

Dr Peter von Foerster, Hamburg

– Holcim (Deutschland) AG, Hamburg

Chairman of the Supervisory Board

– Hamburger Hafen- und Lagerhaus AG, Hamburg

Chairman of the Supervisory Board

– Unilever Deutschland GmbH, Hamburg

Member of the Supervisory Board

– Hemmoor Zement AG i.L., Hamburg

Member of the Supervisory Board

– Desitin Arzneimittel GmbH, Hamburg

Deputy Chairman of the Advisory Board

– Bernhard Schulte KG, Hamburg

Member of the Advisory Council

Ulf Gänger, Hamburg

Former member of the Executive Board of
Hamburgische Landesbank, Hamburg
(now HSH Nordbank AG, Hamburg and Kiel)

– mobilcom AG, Büdelsdorf

Member of the Supervisory Board
(until 31 May 2005)

– NAVIS Schifffahrts- und Speditions-
Aktiengesellschaft, Hamburg

Chairman of the Supervisory Board

– VON ESSEN KG BANKGESELLSCHAFT, Essen
Chairman of the Advisory Board

– Peter Cremer Holding GmbH & Co., Hamburg
Chairman of the Advisory Council

– Gewürzwerk Hermann Laue (GmbH & Co.),
Ahrensburg

Deputy Chairman of the Advisory Council

Rainer Grohe, Otterstadt

Executive Director of Galileo Joint Undertaking,
Brussels, Belgium

– Ball Packaging Europe GmbH, Ratingen
Chairman of the Supervisory Board

– K+S Aktiengesellschaft, Kassel
Member of the Supervisory Board

Prof. Dr Ing. Jürgen Haßelt, Germersheim

Head of the Institute for Material Research III of
Forschungszentrums Karlsruhe GmbH, Karlsruhe

– Chair for Material Process Technology,
Institut für Mikrosystemtechnik,
Albert-Ludwigs-Universität, Freiburg i. Br.

Gerd Körner, Hamburg*

Employee in the Accounts Department
of Norddeutsche Affinerie AG

Member of the Works' Council of
Norddeutsche Affinerie AG

Günter Kroll, Hamburg*

Graduate engineer

Head of the Vocational Training Department
of Norddeutsche Affinerie AG

EXECUTIVE BOARD

Rolf Schwertz, Datteln*

Bricklayer and boiler operator
Member of the Works Council of Norddeutsche
Affinerie AG, Hüttenwerke Kayser

Prof. Dr Fritz Vahrenholt, Hamburg

Chairman of the Executive Board of REpower
Systems AG, Hamburg
– Ersol Solar Energy, Erfurt
Member of the Supervisory Board
– ThyssenKrupp Technologies AG, Essen
Member of the Supervisory Board

Helmut Wirtz, Stolberg*

Managing Director of IG Metall, Stolberg

Dr Werner Marnette, Hollenstedt

born: 27 September 1945
Chairman of the Executive Board and Director
of Labour Affairs appointed until 31 March 2010
– Leoni AG, Nuremberg
Member of the Supervisory Board
– L. Possehl & Co. mbH, Lübeck
Member of the Advisory Council

Dr Michael Landau, Mölln

born: 26 July 1950
Member of the Executive Board
appointed until 31 May 2007

Dr Toralf A. Haag, Hamburg

born: 29 March 1966
Member of the Executive Board until 31 July 2005

Dr Bernd E. Langner, Winsen/Luhe

born: 30 January 1949
Member of the Executive Board
appointed until 31 December 2008
– Prymetall GmbH & Co. KG, Stolberg
Spokesman of the Management Board

Dr Bernd Drouven, Hamburg

born: 19 September 1955
Member of the Board since 1 January 2006
appointed until 31 December 2008

SUPERVISORY BOARD COMMITTEES

Conciliation Committee in accordance with Section 27 § 3 Law on Co-determination

Dr Ernst J. Wortberg (Chairman)
Hans-Jürgen Grundmann (Deputy Chairman)
Dr Peter von Foerster
Gerd Körner

Audit Committee

Ulf Gänger (Chairman)
Gottlieb Förster
Hans-Jürgen Grundmann
Dr Ernst J. Wortberg

Personnel Committee

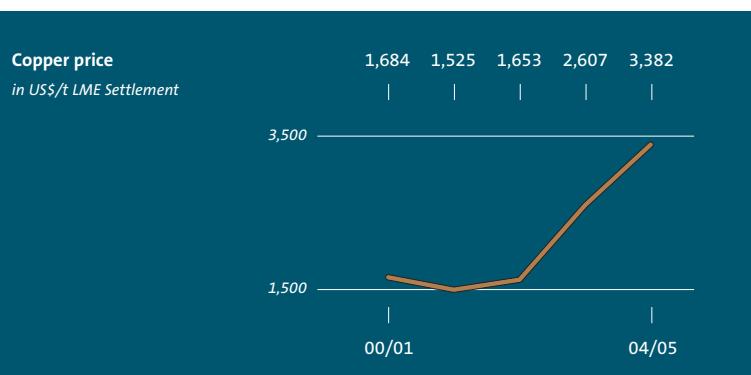
Dr Ernst J. Wortberg (Chairman)
Dr Peter von Foerster
Hans-Jürgen Grundmann
Gerd Körner
Günter Kroll
Prof. Dr Fritz Vahrenholt

Preparatory Committee

Dr Ernst J. Wortberg (Chairman)
Dr Peter von Foerster
Hans-Jürgen Grundmann
Günter Kroll

NA generates higher earnings and increases dividend

- Increased revenues from treatment and refining charges resulted in higher earnings in the Copper Production Segment
- Production and sales of continuous cast wire rod and shapes as well as pre-rolled strip at a high level
- Earnings at the subsidiaries Prymetall (100%) and Schwermetall Halbzeugwerk (50%) improved
- Price effect of copper market could be utilised
- Payment of a dividend of € 1 per share (€ 0.65 in the previous year) recommended due to very good results for the year



+ 30%

Continuing copper shortage and strong demand cause copper price to rise to historic high

+ 22%

Stable product sales and sharp increase in metal prices result in significantly higher revenues

Consolidated revenues

*in € million
in accordance with IFRS,
00/01 as per HGB (German
Commercial Code)*

2,010 1,842 1,816 2,481 3,022

00/01 04/05



+ 71%

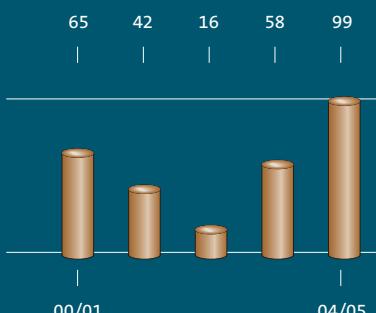
Earnings almost doubled due to good business performance and strict cost management

**Earnings before interest
and taxes (EBIT)**

*in € million
in accordance with IFRS,
00/01 as per HGB (German
Commercial Code)*

65 42 16 58 99

00/01 04/05



+ 16%

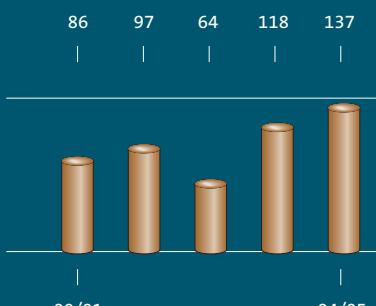
Higher consolidated net income for the year made significant contribution to rise in gross cash flow

Gross cash flow

*in € million
in accordance with IFRS,
00/01 as per HGB (German
Commercial Code)*

86 97 64 118 137

00/01 04/05



Economic outline conditions and the trend in business

During fiscal year 2004/05 the global raw material boom focused not only on crude oil and gas but also on industrial metals. The copper price rose to heights never seen before. The rise was caused by strong growth in copper demand and the resultant low availability of copper cathodes. Demand impulses emanated, above all, from the fast-growing Chinese economy. In addition, standstills at various copper smelters and the subsequent production losses in respect of copper products determined the performance of the copper price. As a consequence, the copper inventories at the warehouses of the metal exchanges dropped to new lows.

ECONOMIC OUTLINE CONDITIONS

Global economic upswing continues

In the calendar year 2005 the global economy grew by a good 4%. Neither the rise in the oil price nor in the price of industrial raw materials managed to curb this growth. The main reasons for the stable global economic expansion were: the continuing vigorous growth in China, the robust economy in the U.S.A. and the low interest level in the developed countries. In contrast to the oil price crises in the '70s and '80s, the prices were not determined by strategic shortages of supplies, but by high demand and many years of neglected investment in the expansion and new construction of U.S. oil refineries. Since the price rise took almost two years, and the oil intensity of industrial production has declined long-term since the '70s, the price increases for the raw materials, oil and gas, have not as yet had severe consequences for the global economy.

Robust upswing in the U.S.A., strong growth in China

Of the developed countries, the U.S.A. showed the highest economic dynamics. Gross domestic product rose by 3.6% in 2005. Consumer spending, high national expenditure and capital investment supported the U.S. economy on a wide basis. In Japan, above all, expenditure on corporate plant and equipment and the slowly recovering consumer spending revived the economy. The second largest economy in the world grew by a good 2%.

Growth in threshold countries was significantly higher. The upcoming economies in East Asia and South America reached an average growth rate of almost 6% in 2005. The group was once again led by China. All the efforts of the Central Government in Peking to suppress growth to some degree were to no avail. On the contrary, China's economy grew by about 10%.

Low dynamics in Europe

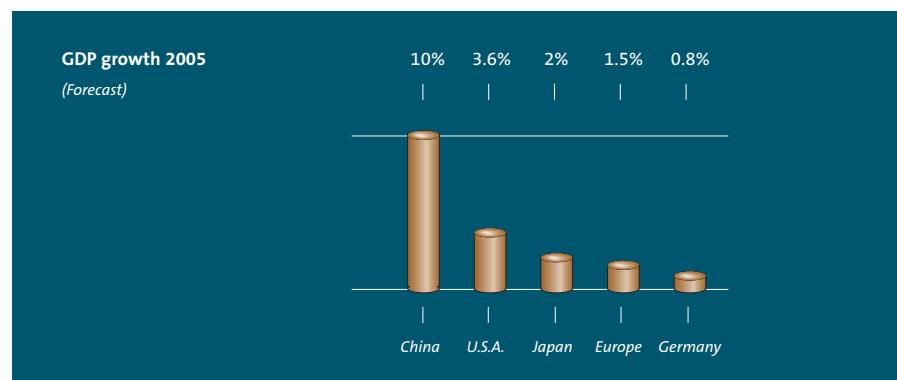
The European economy showed disparate trends in 2005 and no real drive – overall the growth rate amounted to 1.5%. Only the new EU member states in Central and Eastern Europe showed strong growth averaging 4%. While Spain and France benefited from their strong construction sector, Italy moved to the edge of recession. The monetary policy of the European Central Bank was oriented to expansion, long-term interest rates declined again from their already low level.

German economy without drive

The German economy was divided between the export and domestic economy in 2005. The ongoing export dynamics remained the main pillar of the German economy. While expenditures on plant and equipment picked up slightly, consumer spending declined year-on-year. The number of employed and the available income stagnated despite tax relief at the beginning of the year. Overall the German economy appeared to have no drive. However, since early summer the industrial economic trend has noticeably brightened up as a result of higher foreign demand for capital goods from Germany.

Weak U.S. dollar

The fiscal year was impacted by a weak U.S. dollar. From US\$ 1.24/€ in October, the exchange rate fell until the end of December 2004 to US\$ 1.36/€, thus the weakest rate since the introduction of the Euro. The U.S. currency subsequently recovered by September 2005 to a value of US\$ 1.21/€. On average in the fiscal year the U.S. dollar was quoted at US\$ 1.27/€.



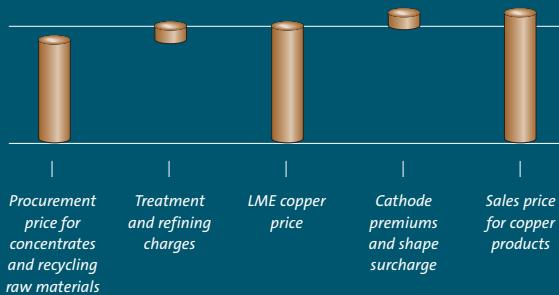
TRENDS IN THE INDUSTRY

Situation in the industry

Copper is a classic commodity. The copper prices are mainly formed on the international metal exchanges, first and foremost the London Metal Exchange (LME), which is organised as a futures market. The London prices function as an indicator worldwide. Copper cathodes are traded which must correspond exactly to the set specifications and quality criteria. The exchange business covers both physical transactions and pure forward trading which can be concluded to hedge prices or as an investment.

The copper cathodes of Norddeutsche Affinerie (NA) are registered as a trade mark on the LME due to their excellent quality. The two LME functions – price formation and hedging – are of elementary significance for NA's copper business. This applies equally to raw material procurement and to product sales.

Price formation along the value added chain



Funds use the LME on the other hand increasingly for speculative investments in metal raw materials. Thus, commodities have established themselves as a class unto themselves in the investment portfolios: billions are meanwhile invested in raw material baskets, index-oriented investments and direct in futures.

The trend in the copper price is nevertheless still mainly based on direct fundamental market factors, including mining and smelter output, trends in stock levels in the warehouses of the metal exchanges and copper demand. Microeconomic outline conditions and developments on the exchange markets additionally dictate the direction. For NA - which as a so-called custom smelter does not have its own mines and must buy its raw materials on the world market – the copper price is a transitory item. It is paid in the raw materials by NA and passed on in the products to the customers.

NA therefore does not live directly off the copper price. However, the copper price has an impact on the raw material and product business. Rising copper prices usually result in improved conditions on the raw material markets and benefit NA's profit margin (treatment and refining charges – TC/RCs). On the other hand, a rising copper price reflects good copper demand and thus benefits the profit margins for copper cathodes and copper products (cathode premiums and shape surcharges).

Economic trends in the industry

Foundations for copper price rise were laid early on

The physical supply of copper could not keep pace with the rapidly growing demand from China and other strongly expanding threshold countries. The fact that the mines have for some time followed a policy of very weak investment activity and have suffered from labour disputes combined with wild strikes added to this situation.

The insufficient copper output gave the decisive impulse for the copper price rise. After copper production had stagnated in 2002 and 2003 at about 15.3 million tonnes, only slightly more copper was produced in 2004 with an output of 15.9 million tonnes.

This quasi stagnation collided with the enormous economic dynamics in China and India: carried along by huge infrastructure investment, rapidly growing private entrepreneurial activity and higher living standards in large sections of the population, China's copper demand has grown in 2004 alone by 18% to 3.6 million tonnes. The most highly populated country in the world has, in the meantime, become the biggest customer of copper in the world.

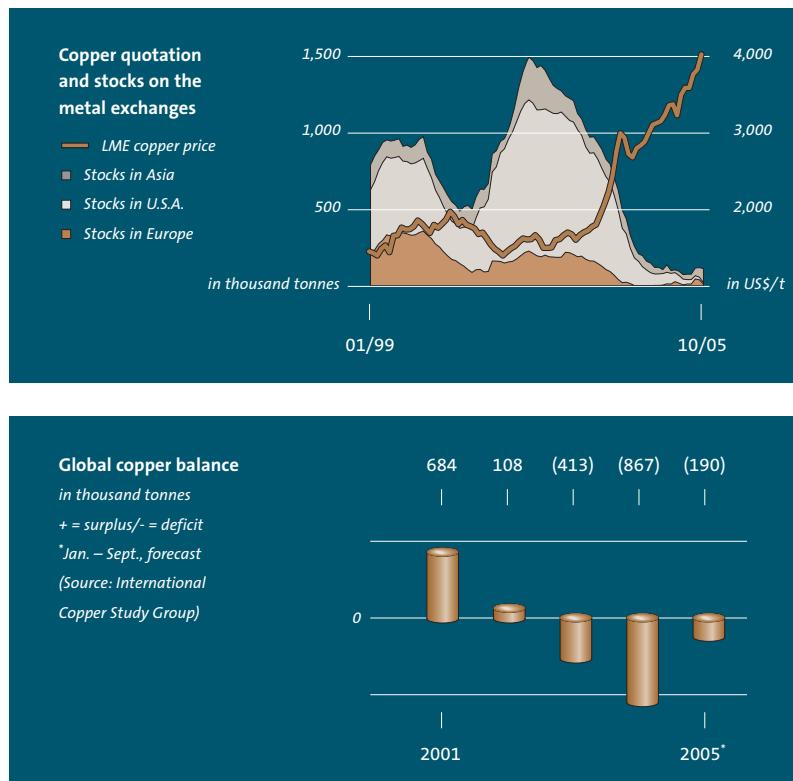
Against this background the imbalance grows between copper supply and demand on the global market. According to the International Copper Study Group, the global production deficit rose from 413,000 tonnes in 2003 to 867,000 tonnes in 2004. As a result, stocks in the warehouses of the metal exchanges were already reduced to lows in 2004.

Trend on the copper market better than expected

NA's fiscal year 2004/05 began with copper prices at US\$ 3,110 per tonne (settlement) and US\$ 2,979 per tonne (3-month price). At that time copper was already quoted at 90% higher – in relation to the price level at the beginning of the boom mid 2003. For 2005 market estimates predicted that the incipient production increase in 2004 would accelerate, demand would decline and the copper market would be statistically balanced again by the middle of the year. Instead, the market was surprised by a series of record prices: the highest price (settlement) quoted on the LME in the fiscal year was reached mid September 2005 at US\$ 3,978 per tonne. At that time backwardation, i.e. the amount by which the cash price exceeds the three-month price, amounted to US\$ 184.50 per tonne. The average copper price of the fiscal year totalling US\$ 3,382 per tonne was 30% up on the previous year's figure.

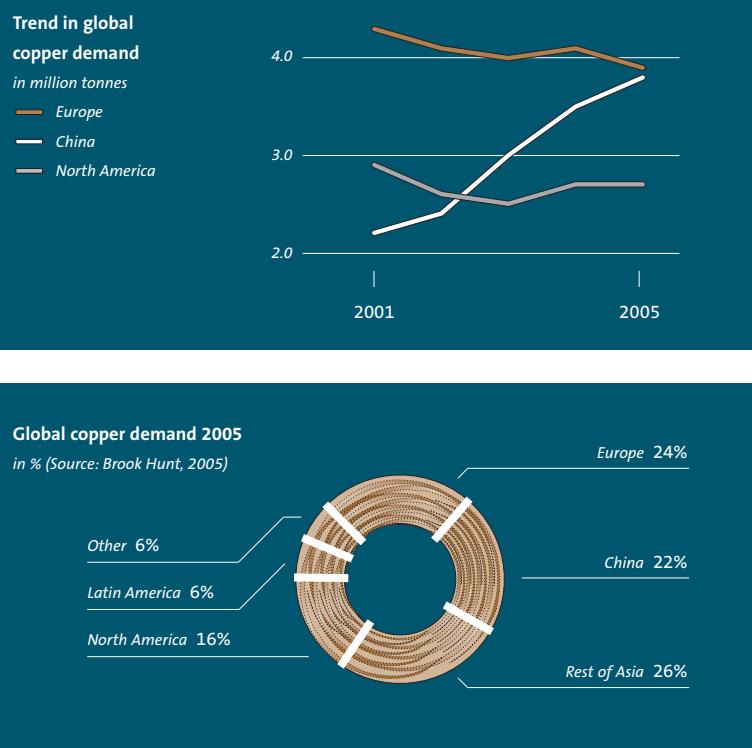
Global copper shortage continues

The copper mines have expanded their capacities worldwide, however, on the next smelter stage this did not occur to the same degree. Thus, there were production bottlenecks at the smelters. On top of this, many copper smelters carried out their periodic maintenance standstills in the first half of 2005



resulting in significant production losses. The situation was aggravated by strikes. Utilisation of global production capacities for refined copper dropped in this environment from 88% in 2001 to 82% in 2004. In total, 17 million tonnes of copper cathodes were produced in 2005.

The copper stocks in the warehouses of the international metal exchanges declined further and in summer 2005 reached a low of 70,000 tonnes. The processors' cathode stocks were also substantially down.



High copper demand from China and India compensates declining demand on traditional markets

Only few impulses emanated from the traditionally important copper sales markets of Europe and North America. While, according to the latest statistics, copper demand in North America fell in 2005 by some 3%, Europe registered a slight decline of 2%. In contrast, demand in the Asian region rose strongly, in particular in China. As a result, the global production deficit for refined copper remained unchanged. Today, the copper market's growth centre is clearly China where economic dynamics support copper demand, and growth of about 9% was achieved in 2005.

Different impact on earnings for copper enterprises

The effect of the price boom on the copper market showed very disparate trends for companies in the copper industry, depending on the respective value added stage. The biggest improvement in earnings was achieved by companies in copper mining and integrated mining/smelter companies, which benefited from the high copper price. Custom smelters, such as NA, which must procure copper concentrates or obtain supplies from the international raw material markets, are in contrast dependent on the concentrate supplies on the world market and the obtainable treatment and refining charges (TC/RCs). Above all, TC/RCs for copper concentrates rose substantially in spot business for copper concentrates with a corresponding impact on earnings. The conditions also improved in the longer term concentrate business.

The markets for copper scrap remained tight as regards raw material availability and the refining charges obtainable. Premiums for copper cathodes, i.e. surcharges on the exchange price, increased due to the short supply. The copper industry was generally confronted with high capital costs for its inventories (working capital). This hit above all the copper processing industry with its small and medium-sized companies. In some sectors, copper was even substituted by other materials due to the high copper price.

As is the case for other primary materials (steel, aluminium, etc.), all the steps along the value added chain of copper face tough global competition and have their metal price forming reference point in the international metal exchanges. At the same time, all the steps along the value added chains of the primary materials, including copper, are energy-

intensive and energy costs belong to the most important cost factors. The copper industry throughout the world has been weighed down by the generally rising energy prices, in particular the German copper industry by the dramatic increase in German electricity and gas prices, which is caused by the lack of competition on the German energy markets. It is not possible to pass on these energy price rises to suppliers and customers in the raw material and product markets due to the tough international competition.

NA GROUP

Systematic expansion of production since 1866
NA's development into Europe's leading copper producer is in line with the constantly increasing demand for copper worldwide in all sectors of modern life. This trend is a reflection of the increasing use of copper in the electrical engineering, electronics, mechanical engineering, automotive and construction industries. After being established as a joint stock corporation in Hamburg on 28 April 1866 for the production of copper, gold and silver, NA soon started concentrating on copper as the company's core activity. The systematic expansion of this production base threads through NA's company history. Today, 140 years after establishing the company's core, the NA Group is well placed along the value added chain of copper and integrates the Copper Production and Copper Processing Segments. At the same time NA has developed into one of the most important producers of precious metals.

The integration of these value added steps into one entity and the use of the resultant synergies represent NA's special economic strengths.

NA Segments: Copper Production and Copper Processing

The Copper Production Segment includes the melting and refining activities at the Hamburg and Lünen production sites as well as smaller subsidiaries and affiliates in the raw material trading and raw material preparation business. At the main production site in Hamburg, marketable copper cathodes are produced largely from copper concentrates, while in the NA recycling centre in Lünen a variety of copper-bearing secondary raw materials is likewise processed into copper cathodes. Precious metals, sulphuric acid and iron silicate products are also produced from the raw materials in addition to the copper cathodes and marketed in the Segment.

The Copper Processing Segment continues copper's value added. In the first processing stage NA produces continuous cast wire rod (NA Hamburg/Deutsche Giessdraht Emmerich) and shapes (NA Hamburg) from cathodes. The continuous cast shapes produced in Hamburg and Stolberg are then processed in the second stage into pre-rolled strip, strips and shaped wires at our affiliate, Schwermetall Halbzeugwerk (50% NA), and subsidiary Prymetall in Stolberg (100% NA).

Excellently positioned

Highly motivated and well qualified employees, constant innovation, consistent market orientation and close communication with suppliers and customers form the foundation of NA's business success and profitability. NA has gradually enhanced its position on the raw material and sales markets over the past years. With a processing capacity of more than one million tonnes of copper concentrates annually, NA is now one of the largest copper smelters in the world and is even ranked first in copper recycling. NA also holds internationally leading positions in the production of copper products. This applies particularly to continuous cast wire rod and shapes. With this solid footing in the European core market, NA is now pursuing steps towards achieving international expansion.

GROUP STRATEGY

Operative measures to increase enterprise value

Projects have been implemented in the NA Group in the last two years to enhance performance with a potential of some € 80 million. All the measures have taken effect and have contributed to the positive trend in NA's earnings.

We will also in future counter external cost factors and growing international competition by taking further steps towards enhancing productivity and performance and developing the strategic orientation.

The current price explosions on the German energy markets likewise represent a growing threat for NA as regards production costs, since we cannot pass the energy price rises on to our customers.

Together with industrial federations and other German industrial companies, NA is therefore campaigning in public and on a political level against the trend in energy prices in Germany.

On the operating side we are working with urgency on further measures to reduce energy consumption and increase energy efficiency. As the most important step towards reducing energy costs, we are planning together with a partner to erect a 100 MW power plant within our own works precincts in Hamburg. From fiscal year 2008/09 onwards, the power plant should supply the Hamburg works with electricity at a price which is significantly less than the current price on the Leipzig Energy Exchange.

Strategic measures

Strategically NA is concentrating on further growth in the production and processing of copper. NA pursues the target of being the technological leader in all operational fields and will emerge even more strongly on the raw material and product markets as a high-performing, customer-oriented service provider. The forward integration begun in Germany in the copper flat product sector must be further adapted to market developments and customer requirements.

There are limits to possible growth in the copper raw material and product markets in Germany and in the other European countries, even if copper demand does rise in Europe to 4.3 million tonnes by 2010. We will therefore vigorously pursue steps towards making our business more international with our sights set on regions with strong growth.

China is one of the regions for NA's international growth. Chinese private investors intend, together with NA, to build a copper smelter with integrated power plant and a rod plant in Shandong Province. To help lead the preliminary discussions which were started in May 2005 into a concrete phase, NA signed a Letter of Intent (LOI) with the Chinese partners in December 2005. Essential aspects of the project should be clarified during the forthcoming discussions in 2006. These include the financing side, the smelter's long-term supply of copper concentrates as well as the inclusion of the power plant in the copper project.

Copper production in Hamburg will be expanded step by step. The technologies and processes for the treatment of copper concentrates will continue to be developed further. In doing so, NA will target brownfield expansions of the smelting and refining facilities which have been repeatedly performed in the past and proved to be economically very successful. At the same time, international growth opportunities will be pursued by cooperation and integration with international partners.

NA stands for excellence in recycling and this position will be strengthened further, also on an international level. NA's high technological standard, combined with a leading position in environmental protection, opens up these raw material markets of the future.

In the markets for continuous cast wire rod and shapes, NA will primarily concentrate on the consolidation and enhancement of its current market position in Europe. The logistics and metal-related service sectors, in particular, offer very good starting points. NA is striving to make its business more international in these product sectors as well, based on its excellent know how. There are also very good opportunities for this outside Asia.

NA's forward integration in the copper flat product sector started in 2002 has up to now only partly fulfilled the targets as regards growth and earnings, but was strategically very important for the expansion of our continuous casting business. A declining market in Europe, additional production capacities and the relocation of production facilities to Asia are the essential reasons. These impacts could as yet not be compensated by our successful cost reduction and performance enhancement measures. While positive trends have already been initiated in the pre-rolled strip product sector, the future chances in the end product sector for copper strip and copper alloy strip are rather more limited. We must therefore take steps to strategically reorient ourselves in this sector.

BUSINESS PERFORMANCE: RAW MATERIALS AND PRODUCTS

Surplus supply of copper concentrates enables good availability and significantly improved treatment and refining charges (TC/RCs)

The free international market for copper concentrates worldwide covers a total quantity of some 16 million tonnes (dry) with about 4.8 million tonnes of copper contents (30%). Of this, NA currently procures some 1.1 million tonnes of concentrates with a copper content of about 330,000 tonnes.

Global concentrate output will increase by 2008 by almost 1 million tonnes of copper content p.a. due to the expansion of existing, and the opening of new mines. NA will participate in this increased output and potentially rising treatment and refining charges.

The trend on the market for copper concentrates was very positive for NA. The mines' production was maintained at a high level on account of the higher copper prices so that output rose by almost 5% in 2005 compared with 2004. At the same time the scheduled standstills at copper smelters for maintenance accumulated in the first half of 2005 causing the demand for concentrates to decline. As a result the supply of concentrates substantially exceeded the available processing capacities in the smelters.

Treatment and refining charges (TC/RCs) for concentrates rose on the spot market at times to historic highs and also picked up significantly for long-term agreements. However, the previously reached peak TC/RCs of US\$ 200/t and cents 20/lb for spot business on the copper concentrate market were initially followed by a countermovement in summer 2005. Strikes impacted production at the mines and China's demand for concentrates increased. At the beginning of the autumn TC/RCs on the spot market were between US\$ 150 and 170/t and cents 15 and 17/lb. However, the surplus concentrate supplies on the market rose again in line with higher concentrate mining output and the smelters were kept better supplied. Consequently TC/RCs in spot business picked up again.

NA used the market trend as part of its procurement strategy for copper concentrates and increased its concentrate supplies. It succeeded in increasing the TC/RCs in the renegotiated procurement contracts substantially.

Recycling activities increase in a market with rising demand for copper scrap

Recycling saves natural resources and valuable energy and is therefore an integral part of sustainable development. Copper and precious metals can be recycled as often as required without any loss of quality. The recycling materials of the future, however, are complexly structured composite materials with usually high-value metal contents and a tendency towards increased miniaturisation. This puts completely new demands on logistics and processing technologies. The market for metallic and metal-bearing recycling materials is growing strongly. New structures for the closed loop economy are emerging in Europe on account of state directives. The traditional recycling of copper scrap is in contrast tending to decline, but will stay necessary for the basic supply of smelters and semis fabricators.

After initial shortages, the situation on the European copper scrap market improved when the Chinese buyers were rather more restrained in their actions in the summer months. However, there was a shortage again particularly to the end of the 4th quarter. The stocks in the trade were very low. Although the high copper price ensured good availability, demand was intense and emanated not only from the copper smelters but also from the semis fabricators and brass works. The refining charges for copper scrap were too low in relation to the very high copper prices in the fiscal year, staying on average at the previous year's level. Thanks to our strategy of extensive market penetration, we succeeded in fully securing the copper scrap supplies for the smelters in Lünen and Hamburg mainly from spot business.

The supply of other recycling raw materials was satisfactory throughout. They included materials with, in some instances, very low copper and high precious metal contents, that arise in industrial waste or come from the end-of-life sector. The processing of electric and electronic scrap could be increased substantially at NA.

Copper product markets show weakness

European demand for copper products showed weakness in the fiscal year. The semis fabricators reported reduced order receipts of up to 20%. This was triggered off by low economic growth in Europe and unfavourable trends in industry. Particularly standard products with low margins were hit. The increasingly higher copper price caused our customers to change their manner of ordering – the aim was to minimise stocks, order at short notice and stay flexible. In addition, copper was for the first time substituted by other materials in some sectors, i.e. in the case of copper tubes. In contrast to those in the U.S.A., European semis fabricators were not in a position to charge their customers with the higher energy prices. Increasing competition and weak demand consequently put margins under pressure.

Year-on-year cable and wire fabricators bought only 2% more wire rod worldwide, their demand stagnated on the European markets. At the same time wire rod output in Germany rose due to the reactivation of capacities at MKM Mansfelder Kupfer und Messing GmbH.

Segments

The NA Group's operating activities are combined in the Copper Production and Copper Processing Segments. Business performance in both Segments during the fiscal year was characterised by the high copper price and was altogether very satisfactory. All the business units were strengthened further and the competitive position consolidated and enhanced. This will also be our task in the new fiscal year.

COPPER PRODUCTION SEGMENT

Review of fiscal year 2004/05

In the Copper Production Segment NA made targeted use of the positive trend on the raw material markets – all the production plants were fully utilised. We achieved a very high throughput of copper concentrates and recycling raw materials in the smelters and also recorded an all-time high in the cathode production sector with an output of 557,500 tonnes.

This very good operating performance is reflected in the results of the Copper Production Segment. With revenues in the amount of € 2,276 million, we increased earnings before taxes to € 56.3 million, more than double the previous year's result (€ 22.4 million). The number of employees as at 30 September 2005 totalling 2,060 remained almost constant (2,056 in the previous year).

Marketing Metallurgy

Uptrend on the concentrate market utilised

The market for copper concentrates had a very positive trend for NA over the course of the fiscal year. Treatment and refining charges (TC/RCs) for spot business reached all-time highs and the purchasing conditions also improved significantly for long-term agreements. In close collaboration with our suppliers, we could partly reduce the quantities procured under long-term agreements and were thus able to buy additional tonnages at the advantageous conditions of the spot market. At the same time we used the good level of TC/RCs for settlements for future deliveries.

The ongoing copper backwardation resulted in additional earnings. However, the weaker U.S. dollar compared with the previous year had an adverse impact on our revenues in Euro.

Copper Production Segment

in € million

	2003/04	2004/05
Revenues	1,572	2,276
EBT	22.4	56.3
EBIT	27.1	59.8
Capital expenditure	20.5	23.5
Depreciation and amortisation	43.1	42.7
Number of employees (30 Sept.)	2,056	2,060
Business units:	Marketing Metallurgy Marketing Recycling Primary Copper Production Secondary Copper Production/Precious Metals	

Marketing Recycling

Improved market position in the recycling sector

Developments on the recycling markets have been satisfactory overall due to the high copper price. Our strategy of focusing broadly on the international markets and maintaining a strong presence in those markets has again proved to be a success.

Copper scrap was in short supply. However, our good relationships with suppliers ensured that we had a continuous supply despite the huge demand from China. NA managed to achieve almost the same level of refining charges as in the previous year. The availability of supplies of other recycling materials was better.

NA has openly exposed trade practices distorting competition to political bodies – not only in Germany and Europe, but also in China itself. These distortions increasingly affect other metal raw materials as well and emanate primarily from China, India and Russia. NA is of the view that political solutions must be urgently found to address them.

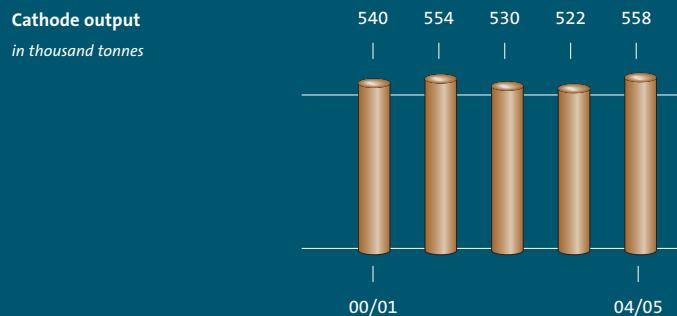
Input of recycling materials further

increased and diversified

The extension of the range of feed materials has diversified our recycling activities further. A significant part is covered by business with industrial collection points and materials from the end-of-life sector. Electric and electronic scrap represents the greatest increase in feed materials. NA assumes that the quantities arising will increase further as a result of the future enforcing of the legislation on waste electric and electronic equipment in Europe.



NA is very flexible by being able to accept and process different types of recycling materials. This is a major part of our comprehensive service package as the biggest copper recycler worldwide. At the beginning of September 2005 a new material preparation facility was commissioned in Lünen. Thus, our Lünen works is now in a position to treat materials which were formerly only suitable for direct furnace charge to a limited extent due to their lumpiness or physical/chemical composition.



Primary copper production

Concentrate processing significantly exceeds previous year's throughput

The primary copper production facilities are the heart of our copper production activities in Hamburg. They consist of the primary smelter, which produces copper anodes from concentrates, and the copper tankhouse, which produces copper cathodes from the copper anodes. The SO₂ bearing process off-gases in the primary smelter are processed in the contact acid plant into high-purity sulphuric acid. It is essential for the economic success of our primary copper production that all three plants cooperate optimally together.

The very good concentrate supply enabled the facilities in primary copper production to be fully utilised. With a throughput of 1.09 million tonnes, concentrate processing was 7% up on the previous year's performance (1.02 million tonnes).

In total, 466,000 tonnes of copper anodes (444,000 tonnes in the previous year) were produced. Of these 430,000 tonnes were used for cathode production in the Hamburg tankhouse, the rest for cathode production in the Lünen tankhouse.

NA's exposure to international competition is stronger in primary copper production than in any other production sector. The continually increased throughput, the plant availability and productivity therefore form the basis for the ongoing deliberations on optimising performance. If possible, these improvements are carried out while the respective plant remains in operation. Major steps usually require a short production stoppage.

Such measures to enhance performance and compulsory repair and maintenance work in the primary smelter were scheduled for summer 2006. They could be moved forward to the first quarter of fiscal year 2005/06. Consequently, it was therefore necessary to discontinue production temporarily in the concentrate processing facilities. This will, however, subsequently enable us to increase throughput which, with high treatment and refining charges, will have an overall positive impact in the new fiscal year.

The Hamburg copper tankhouse produced a total of 375,000 tonnes of copper cathodes in the fiscal year (354,000 tonnes in the previous year) – mainly for processing further in the Copper Processing Segment. In January 2005 the five millionth tonne of copper cathodes was produced since commissioning the plant in 1998. In addition to achieving high production rates, the focus was on enhancing performance to reduce costs further.

Sulphuric acid output likewise increased

The sulphur contained in copper concentrates is extracted in the form of sulphuric acid as part of the treatment processes in our contact acid plant. The increased concentrate throughput also resulted in a higher sulphuric acid output. At 1.07 million tonnes

it was 8% up on the previous year (0.99 million tonnes). Since sulphuric acid stayed in relatively short supply, we could significantly increase our revenues due to both higher unit sales and prices. However, while the sales situation in Europe, our core market, remained stable, we observed the first signs of the market weakening in other regions from spring 2005 onwards, particularly in spot business. We were, however, only affected slightly thanks to our long-term contract structures.

Secondary copper production/precious metals

Apart from primary copper production, NA operates plants for secondary copper production at the Hamburg and Lünen production sites and additionally a plant for precious metal production in Hamburg. Copper-bearing and precious metal-bearing secondary raw materials/recycling materials as well as intermediates from primary copper production are processed in secondary copper production, while fine gold and fine silver are produced in the precious metal facilities. The combination of primary and secondary copper production including the precious metal facilities makes NA unique when compared internationally; it enables NA to differentiate significantly compared with its competitors in the production of metals, above all precious metals.

Secondary smelter in Hamburg fully utilised

The secondary smelter in Hamburg processes feed materials containing copper, lead and precious metals, including intermediates from primary copper production. It was fully utilised during the fiscal year. At 15,400 tonnes, lead output was just under the previous year's level (16,000 tonnes). Main sales outlets were the battery and cable industries as well as plant construction.



Modernisation of precious metal facilities completed

The precious metals from NA's raw materials and additionally bought materials are processed in the precious metal refining facilities. In January 2005 we commissioned our new silver electrolysis and thus completed the modernisation of our precious metal facilities. As a result we have a modern, efficient precious metal production plant as a basis for further growth steps in the concentrate and recycling business. It enabled NA to increase the precious metal contents in its raw material mix in primary and secondary copper production. Silver output rose by 15% to 880 tonnes year-on-year (759 tonnes in the previous year). Gold production at 29 tonnes was also significantly up on the previous year's output of 21 tonnes.

Lünen recycling centre increases throughput and output

In the Group's recycling centre in Lünen, the good supply of recycling materials likewise ensured that the processing capacities were fully utilised. The central plant is the Kayser Recycling System (KRS). It is totally integrated in the traditional operations in Lünen and complements the conventional recycling of copper scrap with the processing of metal-bearing industrial waste and copper-bearing and precious metal-bearing fractions of end-of-life products. The throughput of the KRS was increased again year-on-year by about 9% to 184,000 tonnes. At the same time, there was a greater percentage of modern recycling materials, such as electric and electronic scrap, in the feed materials.

Anode output in Lünen was 8% up year-on-year due to the good supply of copper scrap. Together with the deliveries of copper anodes from the Hamburg primary smelter, it was possible to utilise the tank-house capacity to the full. At 182,000 tonnes, cathode output in Lünen reached a new all-time high – 9% up on the previous year (168,000 tonnes).

Cable dismantling throughput increases

Our subsidiary CABLO Metall-Recycling & Handels GmbH (CABLO), Fehrbellin, the specialist for the separation of metals and plastics as well as the recycling of cable production waste and cable scrap, operates on the mechanical preliminary stage for the secondary copper production in Hamburg and Lünen. CABLO acquires its raw materials at cable works, system suppliers for the automotive industry, power supply companies and telecommunication suppliers. A total of 22,000 tonnes of cable was processed in the fiscal year, some 7% up on the previous year.

By-products and special products from copper production

Iron silicate arises in NA's smelting process. It is produced in different sizes or as granules and is distributed by the NA subsidiary, Peute Baustoff GmbH (PBG), Hamburg. Lumpy iron silicate is mainly processed into water construction materials and mineral substances for modern road construction and for the cement industry. The granules are primarily sold as an abrasive for mechanical surface treatment.

PBG succeeded in enhancing its market position in the fiscal year and with an output totalling 744,000 tonnes in selling 9% more iron silicate products than in the previous year (681,000 tonnes), since public spending in the hydraulic engineering sector has increased slightly. Sales of additives in the heavy concrete market segment were also advanced.

Our subsidiary Retorte Ulrich Scharrer GmbH (Retorte) in Röthenbach (Bavaria) is active in the selenium specialty product sector. The company produces all the main selenium chemicals, selenium metal and high-purity selenium from the crude selenium, which is also extracted as a by-product at NA and additionally supplied from all over the world. Retorte distributes these products internationally for a variety of applications, e.g. the photocopying industry, pigment and glass industry as well as the animal feed and food processing industries.

Retorte's business has developed well. The selenium price has increased significantly due to strong global demand. Here again, substantial impulses emanated from China's growing demand. Retorte produced 660 tonnes of selenium products (600 tonnes in the previous year) of which about 75% were exported.

COPPER PROCESSING SEGMENT

Review of fiscal year 2004/05

NA succeeded in holding up very well overall as regards its copper products (continuous cast wire rod and shapes as well as flat products), particularly since the European core market showed weakness and was impacted by significantly tougher competition.

Revenues in the Segment amount to € 2,244 million, 14% up on the previous year. The rise in the metal prices is mainly responsible for this increase in revenues.

Earnings before taxes were generated in the Segment in the amount of € 38.3 million (€ 20.3 million in the previous year), a very positive result. The business unit Copper Products (continuous cast wire rod and shapes) made the biggest contribution to earnings. Prymetall and Schwermetall Halbzeugwerk also generated a positive result despite a weak trend in business. The measures taken to reduce costs and enhance performance had a very positive impact at both companies in an overall difficult situation in the European semis industry.

Regrettably the Prymetall sub-group is still not achieving our return-on-equity target. We have therefore recorded a goodwill write-down for Prymetall as a precaution in the amount of € 8.2 million.

On 30 September 2005 the Copper Processing Segment had 1,124 employees (1,129 in the previous year).

Business Unit Copper Products

The Business Unit Copper Products combines the production and marketing of continuous cast wire rod and shapes. The pertinent production sites are in Hamburg and Emmerich (Deutsche Giessdraht GmbH – DG). DG is a joint venture of NA (60%) and Codelco (40%).

The business unit is mainly supplied with copper cathodes produced in the NA Group, additionally bought copper cathodes as well as other copper raw materials that do not require prior treatment before processing.

The business unit Copper Products has a production capacity of some 700,000 tonnes.

Copper Processing Segment

in € million

	2003/04	2004/05
<i>Revenues</i>	1,967	2,244
<i>EBT</i>	20.3	38.3
<i>EBIT</i>	27.2	44.2
<i>Capital expenditure</i>	7.4	9.8
<i>Depreciation</i>	27.1	20.8
<i>Number of employees (30 Sept.)</i>	1,129	1,124
<i>Business units:</i>	<i>Copper Products</i> <i>Prymetall</i> <i>Schwermetall Halbzeugwerk</i>	

The core market of the business unit consists of the European semis, cable and wire industries. About 54% of revenues are generated in Germany, while about 46% is achieved in other European and non-European countries. NA is very customer-oriented, also in this sector. Our consistent orientation to the customers' wishes and needs enabled us to conclude further single sourcing agreements in the last fiscal year. An important decision-making factor for our customers, apart from reliability in delivery and dependability, is NA's commercial service, which includes the possibility of price hedging via our E-Business Portal CopperOnline. Intensive customer focus in all aspects of our copper products completes NA's services.

*Satisfactory trend in business
in weakened product markets*

The demand for wire rod and shapes from the European capital goods industry, power generation and distribution as well as motive power engineering was stable. In contrast, demand from the construction industry and the refrigeration and air conditioning sectors did not match expectations. A further adverse impact also resulted from our customers' more exact management of their stocks due to their increased financing requirements on account of the high copper price. The danger of copper being substituted in some applications also grew. This, however, did not apply for copper as a conductive material for electricity and heat since copper cannot be economically substituted for another material in such applications.

We held up well in the course of the fiscal year in an overall weak market for wire rod. While demand, in particular, from the enamelled wire fabrication sector suffered from economic impacts, demand was more stable in the energy cable and telecommunications cable sectors. We have maintained our market share and even enhanced it in some sectors despite stagnating Central European sales markets and partial relocations of cable manufacture for the automotive industry to Eastern Europe.

Our high-value continuous cast shapes are used not only in the telecommunications industry but also in electrical engineering and the electronics industry and were in great demand. Our export-oriented customers in this sector succeeded in increasing sales due to the weakening Euro against the U.S. dollar.

Demand for shapes declined in the construction sector as well as in the refrigeration and air conditioning sectors. Thus, our product group, copper billets, was also affected by the weak copper tube market since, apart from the weak construction industry, sales were affected by the start of the substitution of copper tubes by plastic tubes in some sectors.

Demand for new products, such as high-purity copper shapes in special sizes for applications in medical and measurement technology, was stronger in contrast.

Production of continuous cast wire rod

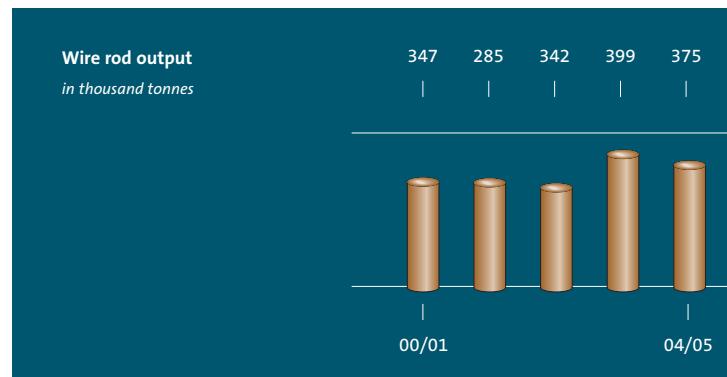
stays at a high level

Wire rod is the starting product for the production of copper cable and wire. We produce wire rod in different diameters from 8 to 21 mm. Wire rod is delivered in the form of so-called coils with weights of 3 to 6 tonnes, in some instances direct to our customers' drawing machines. Optimal logistics, reliability in delivery and quality are therefore among the essential customer demands.

NA produces wire rod in the rod plants in Hamburg and Emmerich. Both plants use the same technology and stay in close communication comparing benchmarks and sharing experiences. This ensures top product quality and a leading cost position. In the Hamburg plant we have optimised the existing process for treating the wire rod surface by using a new active fluid medium. This achieved not only further improved wire rod quality but also made the former time-consuming surface treatment unnecessary. As a result productivity has risen once again.

At the same time we have changed the whole of the wire rod production line over to a new process control system. This will also achieve higher productivity. In addition, the energy sources, natural gas and electricity, can be more efficiently utilised.

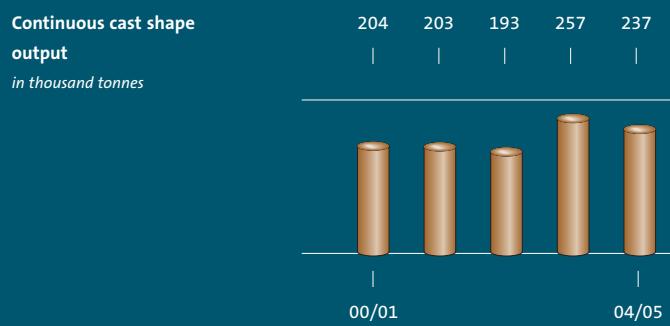
In Emmerich numerous measures taken to optimise the casting sector have likewise improved performance.



The Hamburg plant is supplied with cathodes directly from the Hamburg copper tankhouse. The Emmerich plant receives much of its supplies from the copper tankhouse in Lünen, which is only about 110 km away.

In the fiscal year wire rod output in the NA Group was again at a high level. A total of 258,000 tonnes was produced at the Hamburg site. This includes 7,000 tonnes of the oxygen-free TOP ROD quality which we produce for special applications in the electronics industry. NA's share of the wire rod output in Emmerich amounted to 117,000 tonnes. As a result, although with a total production of 375,000 tonnes we produced 6% less than in the previous year (399,000 tonnes), we still achieved the second highest wire rod output in our company history.

In Europe NA is ranked second in the market for wire rod.



Output of continuous cast shapes again reaches peak figure

Continuous cast shapes are the starting products for copper tubes and copper flat products. Billets and cakes are the two main product groups. While wire rod is an essentially standardised product, shapes are produced to customers' specifications as regards geometry, weight and composition of the copper material. NA has specialised, above all, in high-value products for applications in electrical engineering and the electronics industry.

NA is the European leader in the production of continuous cast shapes with a market share of about 49% of the free market.

NA's customers are national and international companies in the semis industry, which have outsourced the first step of their own value added partly or wholly to NA. Consequently, NA is under a great obligation as regards quality and supplier reliability.

A part of the cakes, which are used for the production of strips and foils, is processed by the NA Group at the 50% subsidiary Schwermetall Halbzeugwerk and at Prymetall.

NA operates a total of four completely separate casting plants, of which one plant is not in continuous operation and is reserved for specialty copper materials. NA normally provides all the pure copper materials which must have high electrical and thermal conductivity as well as very good mechanical properties.

A total of 237,000 tonnes (257,000 tonnes in the previous year) of continuous cast shapes was produced, corresponding to the second highest output in NA's history. Of this total, 111,000 tonnes were processed further at Schwermetall Halbzeugwerk on its own account or on behalf of its customers.

In summer 2005 the oldest of the four casting plants was modernised and expanded which has resulted in a productivity and capacity increase of about 10%.

We installed state-of-the-art process control systems in all the plants during the fiscal year and have thus succeeded in raising productivity and performance yet again.

Schwermetall Halbzeugwerk (pre-rolled strip)

Schwermetall Halbzeugwerk is a joint venture of Wieland-Werke AG (50%) and NA (50%). The company supplies its shareholder companies as well as third parties with pre-rolled strip made of copper and copper alloys. With a capacity of more than 300,000 tonnes, Schwermetall Halbzeugwerk is the biggest copper hot rolling mill in the world. The company also has an excellent quality and cost position, when compared internationally.

In addition to its hot rolling mill, Schwermetall Halbzeugwerk owns its own foundry for shapes, made primarily of brass and other copper alloys.

Schwermetall Halbzeugwerk's trend in earnings has significantly improved in an overall difficult market environment. Organisational measures taken as well as improvements implemented in all production sectors contributed to this.

In the fiscal year Schwermetall Halbzeugwerk produced some 160,000 tonnes of its own shapes (166,000 in the previous year). The output of pre-rolled strip totalled 232,000 tonnes, 4.9% down on the previous year (244,000 tonnes). 61,900 tonnes of the pre-rolled strip were delivered to Prymetall (76,800 tonnes in the previous year).

The lower unit sales to Prymetall were offset by a relatively stable business with Wieland Werke AG and third parties. We increasingly sold high-value special alloys for the automotive and communications sectors and achieved a slight improvement in average revenues. Exports did, however, suffer from the mostly weak U.S. dollar and high freight costs.

Prymetall (Strip and wire products)

Prymetall produces strip and wire products in Stolberg. The raw materials for the strip products are procured from Schwermetall Halbzeugwerk. Continuous cast shapes are used for the production of brass wire products which are produced in the company's own foundry.

Since acquiring EIP Metals Ltd., Smethwick (UK), Prymetall owns a slitting centre for strip products in the United Kingdom, which focuses on the unchanged interesting Anglo-Saxon market. The slitting centre meanwhile has 33 employees after relocating the workshops and the completion of extensive restructuring.

Prymetall's sales suffered from the weak German economy and high copper price. The loss of contracts in the export business due to the unfavourable ratio of the EUR:US\$ rate also had an adverse impact on unit sales.

In the fiscal year 61,800 tonnes of strip and wire were produced at Prymetall. This is about 19% down on the previous fiscal year.

Mass products with weak margins accounted for the decline in sales almost exclusively. New markets could be opened up for special pure copper products. In the shaped wire sector, a slight decline had to be absorbed for the first time after years of constant product sales.

Prymetall made a small positive contribution to earnings in the NA Group. This is, in particular, thanks to the successfully completed cost reduction programme. Since it is not expected that the market situation will fundamentally change in the medium term, more far-reaching steps will have to be taken in Prymetall's strategic reorientation.

Financial position and profitability

The NA Group performed well in fiscal year 2004/05, almost doubling earnings before taxes to € 90 million compared with the previous year (€ 47 million). Net income also increased significantly from € 27 million to € 61 million. With stable product sales, consolidated revenues rose to € 3,022 million, in particular due to the considerably higher metal prices. The strong trend in earnings received decisive momentum from increased treatment and refining charges and the high production and unit sales of copper products.

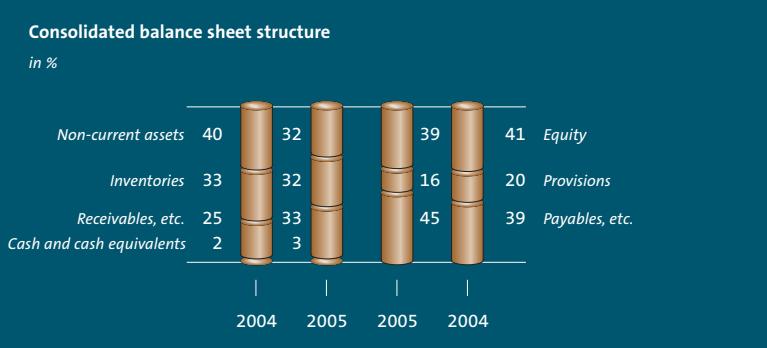
For fiscal year 2004/05, the NA Group is reporting as in the previous years in accordance with International Financial Reporting Standards (IFRS).

Of the changes in IFRS, which were made by the International Accounting Standards Board (IASB) as part of the Improvement Project, only IFRS 3 was obligatory for fiscal year 2004/05. However, NA has applied the revised standards IAS 1, IAS 27, IAS 32 and IAS 39 as well as the newly published IFRS 2 ahead of time. Apart from dispensing with systematic amortisation on goodwill, the changes compared with the previous year therefore affect the presentation of financial statements, the recognition, measurement and presentation of financial instruments as well as the recognition of share-based remuneration systems.

In addition, the group of consolidated companies has changed slightly year-on-year. EIP Metals Ltd., Smethwick (UK), a subsidiary of Prymetall GmbH & Co. KG, Stolberg, was fully consolidated for the first time. The likewise newly established CIS Solar-technik GmbH & Co. KG, Bremerhaven, in which Norddeutsche Affinerie holds a 50% share, was included proportionately.

Balance sheet structure

In fiscal year 2004/05 the total assets of the NA Group rose by € 138 million to € 1,128 million. This was due, in particular, to the € 40 million higher inventories amounting to € 366 million on account of the rise in metal prices and quantities. On the other hand, trade accounts receivable also increased at the same time to € 365 million (€ 249 million in the previous year). With a volume of € 37 million, less receivables than in the previous year were sold without recourse as part of a factoring agreement (€ 48 million in the previous year) as at 30 September 2005. Apart from the € 36 million rise in trade accounts receivable, the change was also caused by higher other assets resulting from the recognition of metal exchange future contracts.



Fixed assets were down from € 396 million in the previous year to € 366 million as at 30 September 2005 and account for 32% of total assets (40% in the previous year).

The structure of equity and liabilities continued to be in equilibrium. The significantly higher net income for the year of € 61 million (€ 27 million in the previous year) as well as the issuance of new shares as part of the stock option plan resulted in an increase of € 32 million in equity. This was partly compensated by changes in accumulated other comprehensive income due to the recognition of metal exchange future contracts. Equity including the minority interest amounted to € 442 million at the end of the fiscal year and accounted for 39% of the balance sheet total (41% in the previous year). The slightly reduced equity ratio compared with the previous year is due to the higher balance sheet total. Fixed assets are still fully covered by equity.

The Group's strong operating cash flow enabled financial liabilities to be reduced by € 45 million to € 125 million. After deducting cash and cash equivalents, net financial liabilities as at 30 September 2005 amounted to € 95 million, down from € 154 million as at 30 September 2004.

As a result, gearing, i.e. the ratio of net financial liabilities to equity, decreased significantly to 21.6% from 37.6% in the previous year. The ratio of net financial liabilities to earnings before interest, taxes, depreciation and amortisation (EBITDA) as well as the ratio of EBITDA to net interest expense have also improved substantially year-on-year. The ratio of net financial liabilities to EBITDA has halved from 1.2 to 0.6 compared with the previous year. The factor by which net interest expense is covered by EBITDA rose in contrast from 11 to 17.2. All the key Group financial ratios are therefore at a very high level.

Key group financial ratios

	30.09.2004	30.09.2005
<i>Gearing</i> = $\frac{\text{net financial liabilities}}{\text{equity}}$	37.6%	21.6%
$\frac{\text{Net financial liabilities}}{\text{EBITDA}}$	1.2	0.6
<i>EBITDA interest coverage</i> = $\frac{\text{EBITDA}}{\text{net interest expense}}$	11.0	17.2

Earnings

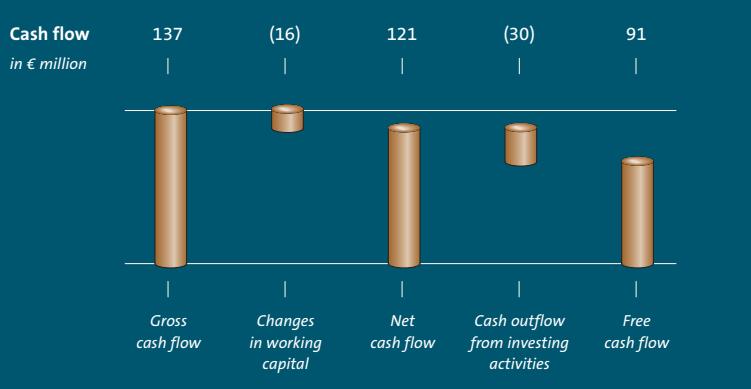
Earnings before taxes were up € 43 million to € 90 million due to the combination of the successful Group-wide performance enhancement and cost reduction programmes, the good operating performance and favourable market conditions. Earnings before interest and taxes (EBIT) were generated in the amount of € 99 million (€ 58 million in the previous year). The reduction in financial liabilities resulted at the same time in a slight decline in the average capital employed.

Return on capital employed (ROCE)

in € thousand

	30.09.2004	30.09.2005
<i>Equity including minority interest</i>	409,133	441,535
<i>Provisions for pensions</i>	49,797	51,060
<i>Financial liabilities</i>	169,662	125,116
<i>Less cash and cash equivalents</i>	(15,824)	(29,678)
Capital employed as at balance sheet date	612,768	588,033
Average capital employed	607,921	600,401
<i>Result from ordinary activities</i>	46,651	89,850
<i>Net interest</i>	11,716	9,475
Earnings before interest and taxes (EBIT)	58,367	99,325
Return on capital employed (ROCE)	9.6%	16.5%

$$ROCE = \frac{\text{Earnings before interest and taxes (EBIT)}}{\text{Capital employed}}$$



Capital employed amounted to € 600 million for fiscal year 2004/05 (€ 608 million in the previous year). As a result, the return on capital employed (ROCE) increased significantly to 16.5%, up from 9.6% in the previous year. It is an indication of the profitability of the invested capital, and is calculated as shown in the table on the left.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) also increased significantly year-on-year by € 34 million to € 163 million in fiscal year 2004/05.

Cash flow

Gross cash flow in the fiscal year amounted to € 137 million (€ 118 million in the previous year). After taking changes in the working capital into account, cash inflow from operating activities (net cash flow) amounted to € 121 million (€ 47 million in the previous year). This was used inter alia to fund the investing activities in the Group in the amount of € 33 million in intangible assets and property, plant and equipment. After deduction of the cash outflow for investing activities, the free cash flow amounted to € 91 million which was available for dividend and interest payments as well as the redemption of financial liabilities. In the previous year the free cash flow amounted to € 24 million.

Value added statement

The value added statement presents the NA Group's economic performance after deduction of all materials and services, and depreciation and amortisation. The NA Group's value added for fiscal year 2004/05 amounted to € 293 million, up from € 242 million in the previous year.

The value added statement shows how entitled groups participate in the wealth created by NA. In fiscal year 2004/05, the largest proportion in the amount of € 189 million, i.e. 64% of net value added, was used for the Group's employees. The public sector and banks received together 15%. The shareholders' dividend accounted for 12%, so that 9% of value added or € 27 million remained for other shareholders and to strengthen the business internally.

Capital expenditure

Capital expenditure on intangible assets and property, plant and equipment in the NA Group increased in fiscal year 2004/05 to € 33 million (€ 28 million in the previous year). The Copper Production Segment accounted for € 23.6 million and the Copper Processing Segment for € 9.8 million of this amount. Our investing activities mainly focused on a number of projects to reduce costs and enhance performance. One of the main projects was the modernisation of the precious metal processing facilities. The new silver electrolysis was commissioned in January 2005, achieving almost 20% higher productivity than the old plant. Another central investment project was the material preparation facility for recycling materials in Lünen. The plant, in which materials are prepared for processing in the smelter, was commissioned on schedule in September 2005 and has significantly enhanced our processing possibilities in the new recycling material sector. Another major investment project was the improvement in environmental protection in the Hamburg secondary smelter, which yet again substantially reduced fugitive emissions and thus improved the ambient air quality in the vicinity.

Value added statement

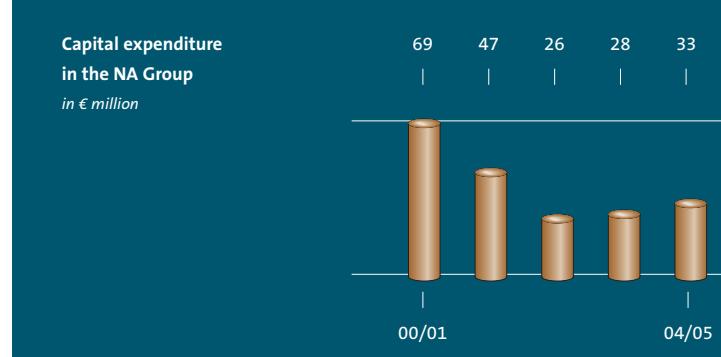
in € thousand

	2003/04	2004/05	
Origin			
<i>Group economic performance</i>	2,521,076	3,051,494	100%
<i>Less materials and services</i>	(2,208,531)	(2,694,561)	(88%)
Gross value added	312,545	356,933	12%
<i>Less depreciation and amortisation</i>	(70,454)	(63,647)	(2%)
Net value added	242,091	293,286	10%

Use of value added

<i>Employees</i>	180,326	189,487	64%
<i>Shareholders</i>	21,716	37,154	13%
<i>Public sector</i>	20,054	29,076	10%
<i>Banks</i>	15,114	13,949	5%
<i>NA Group and minority interests</i>	4,881	23,620	8%

Capital expenditure
in the NA Group
in € million



Central services

Services and functions throughout the Group are combined in the Central Services sector. From the organisational viewpoint, it combines material procurement, the design office, energy management, maintenance and process engineering, Group logistics, the analytical laboratories as well as general administration/works security.

Successful procurement activities

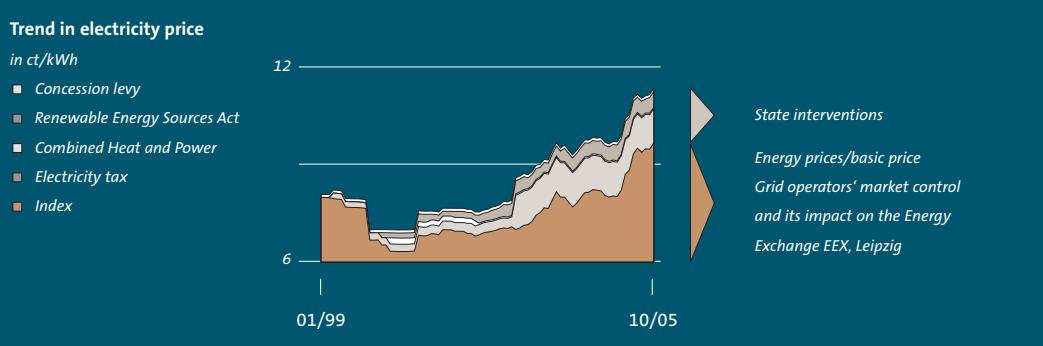
NA's procurement activities were made more difficult in the last fiscal year due to continually tighter markets. At the beginning of the year the delivery terms had already been lengthened for steel, cast products and many minerals that are used in NA's production. In the 2nd quarter there were noticeable delivery bottlenecks. Data processing and telecommunications showed another picture due to the ongoing tough competition. NA Procurement was able to exploit opportunities here and improve agreements in NA's favour.

Difficult conditions as regards electricity and gas

For energy-intensive companies in primary industry like NA, the supply of electricity and gas at competitive prices is of enormous significance for the company's continued existence.

The NA Group consumes about 900 million kWh of electricity each year in its energy-intensive production processes. We succeeded in concluding supply agreements in good time for the main production sites in Hamburg and Lünen, which are more favourable for us compared with the price level on the Energy Exchange today. They do, however, have an expiry date.

Apart from electricity, natural gas is the second most important pillar of the NA Group's energy supply. In total, 680 million kWh gas are consumed each year of which the Hamburg site accounts for about two thirds.



A new contract was concluded in the last fiscal year for the Hamburg gas supply. It was possible to negotiate an advantageous price formula compared with the market level which was fixed for the duration of five years. NA has also concluded a gas supply agreement on a firm price basis for the Lünen site for 2006. Thus, the risks of rising oil prices are avoided, particularly since it cannot be foreseen when the gas price will stop being pegged to the oil price in Germany.

Disregarding public criticism, the electricity prices on the Leipzig Energy Exchange (EEX) have reached new highs. If at the beginning of the year base-load electricity still cost € 34.70 per megawatt hour, at the end of the year € 44.41 per MWh had to be paid. This dramatic price rise has continued to over € 50/MWh.

The increasing electricity prices on the EEX weigh, above all, on energy-intensive industry since its electricity costs are essentially determined by the exchange price and are dependent to a lesser extent than small and medium-sized companies on grid fees and state intervention.

The Monopoly Commission of the Federal Ministry of Trade and Industry already criticised the situation on the energy market in summer 2004. There was a lack of competition, particularly for electricity, due to the market-dominating position of the four major grid operators. This documents *inter alia* the total inclusion of CO₂ certificate prices, which the grid operators received free of charge, in the electricity price on the EEX since the beginning of the EU emissions trading in January 2005.



The financial burdens for industrial enterprises resulting from the Renewable Energy Sources Act have also risen again – the rate without the benefit of the hardship clause meanwhile amounts to more than € 7/MWh, which in NA's case would mean annual costs of € 6.5 million. The hardship clause enabled NA to reduce the costs incurred under the Renewable Energy Sources Act to € 2.2 million.

The prospects of a fundamental change in the energy scenario in Germany, i.e. the abolition of the oligopoly, creation of transparency on the Leipzig Energy Exchange, removal of duplicated levies by state intervention, extension of the lifetimes of the nuclear power plants, etc., are hardly positive. This will generally result in further closures and relocations of production works in Germany.

NA has therefore actively responded and has sought new solutions. As the most important step towards reducing energy costs, we plan, together with a partner, to erect a 100 MW power plant within our own works precincts in Hamburg. The power plant should supply the Hamburg works with electricity from fiscal year 2008/09 at a price which is substantially less than the current exchange price.

Further savings potential realised

In addition to the construction of the planned substitute fuel power plant, NA is constantly working on increasing its energy efficiency. In view of the permanently rising energy prices, the optimisation of energy management in the NA Group was attributed special significance in the fiscal year. We installed an energy control room, which was commissioned in autumn 2005, to record energy flows in the Hamburg works better and achieve more targeted control of energy consumption. In addition, we worked on using the exothermic production processes at NA, during which heat is generated, to produce our own energy by setting up a combined energy concept. Implementation was started in the fiscal year. A newly installed turbine produces 18 million kWh p.a. of electricity from waste heat and a new waste heat boiler reduces NA's natural gas consumption by 23 million kWh p.a.

Logistics

In May 2005 NA decided to reorganise its logistics for supplies of copper concentrates. From January 2007 onwards the concentrates imported from overseas will be discharged in the Elbe port of Brunsbüttel, stored there in a large storage facility according to type and then transported by barge to the Peute works. The private company Hafengesellschaft Brunsbüttel will invest a total of some € 37 million in Brunsbüttel and Hamburg for the new concentrate logistics.

The transport of our sulphuric acid will be changed as of the beginning of 2006. NA is no longer going to use its two special ships, which were chartered by a transport company and have been in operation up to now. In future, the sulphuric acid logistics will be taken over by the Bremer Reederei Dettmer, a company which has considerable experience in the handling and transport of liquid hazardous substances of all types. This will result in significant cost savings apart from increased safety in transport.

Human resources and labour relations

The NA Group has a staff of about 3,200, working with competence and a sense of responsibility for the long-term increase in enterprise value. Each individual performance contributes to the success of the Group as a whole. We therefore motivate our employees with a variety of measures stretching from extensive training programmes to profit-sharing and share ownership programmes.

Constant number of employees

The number of employees in the NA Group was almost unchanged as at the balance sheet totalling 3,187 (3,185 in the previous year). This included 33 employees from the subsidiary EIP Metals Ltd, Smethwick (UK), and 4 employees from CIS Solar-technik (50%), which were consolidated for the first time. At fiscal year-end a total of 180 employees were participating in the early retirement scheme, which corresponds to 5.6% of the workforce.

NA AG had 2,424 employees at the end of the fiscal year, of which 1,976 were in Hamburg (2,000 in the previous year) and 448 in Lünen (456 in the previous year).

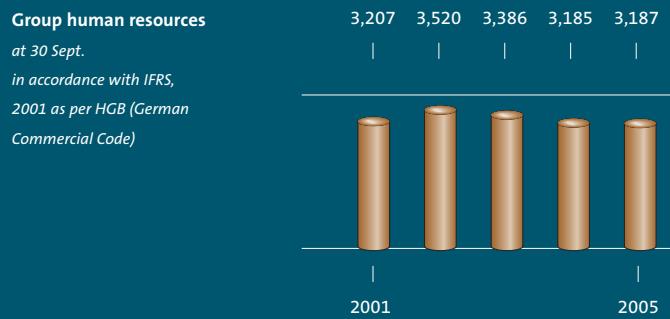
Almost two thirds of NA employees are blue collar workers. Some 24% of the white collar employees are university graduates; 13% are foremen in the operating Segments and in the Central Services sector. Female employees, who are primarily employed in administration, account for 8% of the workforce.

Good qualifications as a competitive advantage

In order to stay fit for the future in international competition, NA needs to employ eminently qualified young people – NA therefore invests long-term in the Group-wide vocational training of its employees.

On 30 September 2005 a total of 220 young people were in apprenticeships at NA – this amounts to 6.9% of the Group's workforce. In the new apprenticeship year, we have again offered apprenticeships in sixteen trades and professions. 63 girls and boys could start their training at NA after completing their schooling. They were welcomed at the Hamburg site together with their parents by the Mayor of Hamburg, Mr Ole von Beust.

We have increased the vocational training of our employees. About 1,300 employees from all sectors participated in the respective courses and seminars. In this way it was possible to fill senior positions first and foremost with qualified employees from within our own ranks. We will also in future attribute great importance to the systematic qualification programmes in our personnel development.



When the German president Horst Köhler demands that employees should participate more strongly in profit-sharing, our performance and success-related remuneration system already fulfils this request in an exemplary way. It enables the employees to participate in the company's respective trend in earnings. Profit-sharing helps to reduce or remove any divide which might possibly exist between employees on the one side and the employers or shareholders on the other.

Suggestion scheme Group Ideas 3000 started off very well

NA has had a company suggestion scheme for some time, which is considered very important throughout the Group, because NA staff's wealth of ideas is our potential in our quest to enhance productivity and cost-effectiveness. A special scheme was started with the Group Ideas 3000 project in April 2005. Each employee was requested to make at least one suggestion for improvement in order to generate a total of 3,000 suggestions for improvement in one year. The interest in the scheme was considerable. It was clear early on that we will achieve our goal.

Employees' profit-sharing creates high motivation

Variable remuneration components

Performance and success-oriented remuneration components, such as those introduced at NA AG in fiscal year 2000/01 are elementary parts of our payroll system. Individual performance is rated just as the performance of the team, department or production sector. The third variable component is the company's performance. This system creates high performance incentives and increases staff motivation.

Stock option plan

In spring 2005 the lifetime of the fifth and last tranche of our stock option plan, which was introduced after NA's IPO in 1998, came to an end. Since NA shares again outperformed the CDAX, the participants could exercise their stock options and acquired a total of 404,200 shares in the period from 4 – 22 April 2005.

In December 2004 the Supervisory Board approved a new incentive programme in the form of a virtual stock option plan as part of capital market oriented remuneration for the Executive Board, senior staff and above-tariff paid employees. This again offers a remuneration element which can result in participation in the company's success, if NA shares perform well and previously stipulated benchmarks are fulfilled.

A prerequisite for participation is that the senior staff must own a certain number of NA shares. The first tranche of the new programme was issued in December 2004 and the second in April 2005.

Employee share ownership

NA also encourages its employees to acquire NA shares. All tariff-paid employees in the Group were therefore given the opportunity to acquire shares at a discount. 1,017 employees took advantage of this offer and acquired a total of 21,279 shares. NA considers it very important that as many employees as possible have a share in the company. The employees are better able to understand the shareholders' justified concerns if they hold a stake in the company's equity. As shareholders, the employees experience for themselves how NA's performance impacts the capital market. They experience that in the end employees, employers and shareholders are all in the same boat.

Occupational safety further improved

Occupational safety and health protection are given top priority throughout the NA Group. Our measures to increase occupational safety and reduce accidents are successful. In the fiscal year, they focused on intensive practical training and the holding of behaviour-oriented safety inspections during which senior staff examine safety precautions in discussions with employees on site and work out further improvements.

There were considerably less accidents at NA AG in Hamburg last fiscal year. With 6.1 notifiable accidents per one million hours worked, we achieved an historical low which is significantly less than the average of the Employers' Liability Insurance Association of the chemical industry. This number clearly gives credit to the success of the numerous initiatives to improve occupational safety. The other Group companies likewise show a declining trend in accidents, but cannot as yet equal the very good result in Hamburg. Occupational safety is, however, regarded as a Group assignment, and we are therefore sure that the Group-wide efforts will lead to a further drop in the number of accidents at all Group companies.

Many employees commended for length of service

Our employees' great solidarity with their company is again reflected in the number of anniversaries. During the fiscal year 20 employees in the NA Group celebrated their 40th anniversary and 77 their 25th anniversary. Our thanks go to all of them for their loyalty to NA and dedication.

Thanks from the Executive Board

Fiscal year 2004/05 was extremely successful. Our employees' great commitment and hard work played a decisive role in this. We would like to express our gratitude to them. Our thanks also go to the employees' representatives for the continued very constructive and trusting co-operation.

Research & development (R&D)

Our Research and Development (R&D) sector concentrated on the improvement of process sequences and process technology and worked on the new and further development of copper products. From the organisational viewpoint, NA's R&D sector is situated in Hamburg. 27 employees belong to this sector. They are used for projects throughout the Group. In some of these projects, NA's R&D team also works together with technical universities. R&D expenditure in the fiscal year amounted to about € 5.5 million and is thus at the same level as in the prior year.

Process development to optimise material cycles at NA

NA's aim is to strengthen its position as a service provider in the raw material and recycling markets. R&D supports the Copper Production Segment in the expansion of the concentrate processing facilities and the extraction of additional by-products.

In the recycling sector we are concerned with process-related preparation of recycling materials and the optimisation of metallurgical reactions and process control in the KRS, the central recycling facility.

Good progress in the development of copper products

In the Copper Processing Segment R&D is mainly working on the development of copper products, supported by the Technical University in Aachen. The focus was, above all, on the development of pure copper specialty products. At Prymetall production has been enhanced by the improvement of hot-dipped tinned strips. This development was the starting point for new products, including very thin and mechanically sensitive hot-dipped tinned copper strips.

Strong partner found for the further development of flexible CIS solar cells

The development of flexible solar cells (CIS) based on the use of copper (Cu), Indium (In) and selenium (Se), is meanwhile very advanced. It was possible in the fiscal year to increase the efficiency rate once again in the laboratory process. It is now more than 11%. Their suitability for industrial scale applications could also be confirmed.

The market for solar cells has grown considerably, not only in Germany but also throughout the world. We have therefore set up a joint venture with our partner Cordes & Graefe KG in 2005 in order to press on with the customer-oriented development into a mature product. We are working together on the pilot plant installation in order to be able to launch CIS solar modules on the market by the end of 2007.

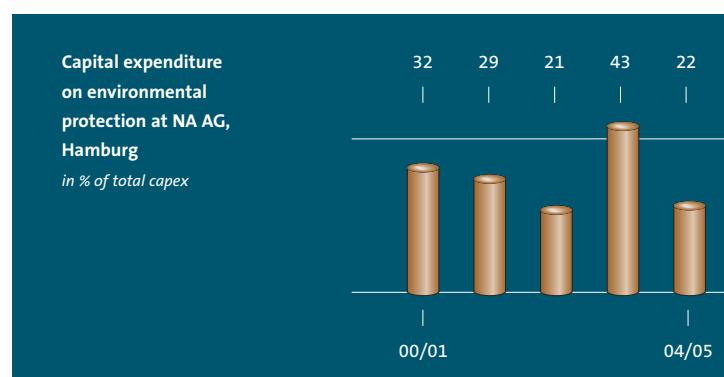
Environmental protection

Long-term environmental protection is one of the main corporate targets in the NA Group and is constantly improved. Since 1980 NA has invested some € 250 million in Hamburg for the prevention of pollution to the air, soil and water. Although we are already leaders in environmental protection, we will enhance this position still further. Accordingly, the very high standard at the Hamburg site is the benchmark for the whole Group.

Environmental protection in the secondary smelter shows success

With one of the biggest environmental protection projects of recent years, NA succeeded in reducing dust emissions in the Hamburg secondary smelter by 70%. The secondary smelter's processes operate in parallel with the concentrate processing facilities. It processes metal-bearing intermediates from our own copper production as well as bought secondary materials from other smelters and recycling materials. The secondary smelter produces crude copper, lead bullion and precious metal-bearing intermediates, which are refined into silver, gold and platinum group metals at NA.

With the exception of some sub-sectors, the secondary smelter was modernised from both the environmental and technical aspects in 1991. These remaining sub-sectors caused fugitive emissions that had an impact on the ambient air quality in NA's vicinity. This has now been solved by enclosing the smelter plant and erecting a hall over the intermediates' storage area. The measures taken at the end of 2004 have been effective: the TA Luft (German Clean Air Code) readings are meanwhile significantly under the permitted limit values. Ambient air quality in NA's vicinity has improved considerably as confirmed by the Hamburg Environmental Authorities in 2005.



Risk management

The entrepreneurial activities of NA's business naturally involve varying degrees of risks and their probability. The development of the relevant risks is being continuously monitored. In doing so, both current and future risks are observed. The focal points in this process are the early detection, evaluation, prevention and control of risks.

The risks are categorised by the respective sectors as regards cause, frequency and possible loss potential in collaboration with risk management and evaluated qualitatively to the greatest possible extent and – as far as possible – quantitatively. Adjustments and additions are made regularly, as required. There have been no significant changes in the risks affecting NA compared with the previous year.

NA and its active subsidiaries have documented the hazards in risk management in a form that can be audited. The development of major risks at the Group companies is monitored centrally as part of integrated risk management. We pursue a prudent risk policy. We only enter new risks after thorough evaluation. Risk management in the NA organisation is regarded as a company management task under the direct authority of the Executive Board.

Risk categories

The inclusion of all corporate sectors forms the basis of NA's well-functioning risk management. Risks are classed according to their significance as risks in core processes – procurement, production and sales – and risks in support processes.

Risks in core processes

Raw material procurement

It is imperative for NA's successful operation that it has a constant supply of suitable raw materials. In particular, the supply of copper concentrates, the most important raw material for our copper production sector, has been mainly secured by long-term supply agreements. By sourcing concentrates from a number of different mines, NA safeguards itself from shortages in supplies resulting from possible delivery problems arising at individual suppliers. 80 to 90% of treatment and refining charges are agreed over a number of years, so that short-term price surcharges in the concentrate market only have a limited impact on NA's earnings.

We procure other raw materials, such as copper scrap and other recycling materials, on the secondary markets. We steadily reduce our dependence on the volatile copper scrap market by expanding our processing possibilities and increasing the input of complex recycling materials.

The production plants for the production of continuous cast wire rod and shapes are primarily supplied with copper cathodes from the tankhouses in Hamburg and Lünen. Additional cathodes are procured from the market, as required.

Production

A major corporate target in the production sector is to maintain our plants' high utilisation and availability. The ability to implement this goal successfully while at the same time enhancing the plants' performance reflects the good interplay between NA's production sectors and the service sectors.

Extensive control plans for the use of warning alarms and for averting dangers exist in order to counter negative impacts from possible problems with production processes. Employees are trained in mock emergency drills and test alarms. Comprehensive fire insurance and cover for business interruption and loss of profits resulting from fire for all the production plants in the NA Group limit potential contingency risks.

Sales

The marketing of our products is characterised by long-term supply relationships. Close contact with our customers enables us to identify trends in the sales markets and future requirements for our products in good time and include them in our planning. Significant additional market expertise was gained thanks to the completed forward integration of the NA Group. Our products' consistently high quality as well as our reliability in delivery have contributed to the high level of acceptance our products enjoy and have singled us out from other producers.

Risks in support processes

Risks from financing activities

Our business includes risks resulting from the trend in exchange rates as well as metal and foreign exchange dealings. NA overcomes risks each day from metal price fluctuations, foreign exchange and interest rate changes by hedging with various financial instruments. Incoming and outgoing metal quantities from basic transactions are charged up against each other each day and remaining positions likewise squared each day by exchange transactions. In doing so, market opportunities are used that arise as a result of forward contract incongruities. Spot and forward contracts are used to hedge metal and foreign currency risks.

Future income in foreign currencies is mainly hedged by futures and options. Shifts in exchange rates, in particular the ratio of the Euro to the U.S. dollar, can however only be hedged for a limited period. The liquidity supply is secured by existing short-term and long-term credit lines with our banks. Fluctuations in the cash flow trend can be compensated.

An autonomous executive committee, on which the Executive Board is represented, examines trends on the metal and foreign currency markets regularly and promptly as well as NA's price and liquidity position. Possible initial margin calls due to exchange transactions are accounted for. We have detailed the open nominal volume of our derivative financial contracts and the fair value of all open contracts in the notes to the financial statements under Section 23 on pages 108 and 109. At the end of December 2005, 80% of the U.S. dollar receipts for fiscal year 2005/06 had already been hedged.

We work together with only first-class partners in metal trading and forward exchange transactions. Significant risks in the metal trading sector or in the foreign exchange and liquidity position cannot be identified at present.

Risks in receivables

The trend in business receivables is examined daily. In addition to instruments customary on the market, such as letters of credit and guarantees, we use in particular trade credit insurance to avoid potential loss of income from bad debts. Receivables are also sold without recourse as part of factoring agreements.

Legal risks

There are no pending or threatened legal proceedings, arbitration proceedings, proceedings before the Patent Court or claims for damages, which have a significant impact on the financial situation of the NA Group. Adequate provisions have been made for legal risks

Other risks

We achieve continuous improvement in environmental protection at the various sites and ensure that laws, requirements and directives are maintained by targeted capital expenditure and constant process optimisation. Occupational safety and health protection are attributed great importance and have reached a high standard.

In the IT and communication technology sectors, we are covered for possible breakdowns in our operating systems by precautions taken by our data processing centre. The current software is continually adapted in good time to fulfil business and legal demands.

Future risks

The trend in energy prices represents a significant risk in Germany. The current EEX price level represents a considerable potential burden. We are actively countering this development. The preparations for the erection of a substitute fuel power plant in NA's works precincts are already well underway. In addition, we have also taken extensive measures to reduce our consumption of external electricity.

The long-term trend in the U.S. dollar, which is not controllable with conventional hedging transactions, has a significant impact on NA's earnings. This can be either positive with a stronger U.S. dollar or negative if the U.S. dollar weakens.

Economic developments have an influence on sales of copper products and the trend in the copper price, not only in Germany but also at an international level. In the long-term trend in global copper demand, we see an opportunity for the sales situation to improve fundamentally since constant growth is expected. We do not regard substitution tendencies as threatening which are triggered off by high copper prices.

Overall risk

The evaluation of current and future risk-relevant factors has shown that there are no risks endangering NA's continued existence. Our still very sound balance sheet structure and high equity ratio safeguard NA from possible economic burdens. The good level of liquidity generated by high cash flow and existing useable credit lines secures ordinary business operations and enables capital expenditure on both internal and external growth.

The Audit Committee formed from NA's Supervisory Board has also concerned itself intensively with matters of risk management in accordance with Section 5.3.2 of the German Corporate Governance Code.

The auditors have assessed the risk management system in accordance with statutory directives. Both the Audit Committee and the auditors have ascertained that the Executive Board has taken the measures required under Section 91 para. 2 Companies Act in an appropriate manner and that the management system fulfils the prerequisites for this.

Outlook

After high global growth of 4.3% in 2005 the economic trend in 2006 will slow down slightly. Although the U.S.A. remains a growth centre of the global economy, it will not be able to continue its current dynamics. Europe and Asia are likewise drivers of the global upswing.

The uptrend in Europe will accelerate in 2006. Asia will continue its function as the pacemaker. The strong demand for copper and copper products will also continue. This applies to the markets in North America and, above all, in Asia. With an overall improved economic climate in the European core markets, particularly in Germany, the demand for copper is also expected to rise. The reason for this increased demand is higher investment activity. At the same time the firmer U.S. dollar against the Euro will assist exports overseas. The copper price could inhibit sales in the commodity sector if it stays at its current level. It would promote copper substitution in the tube and roofing sectors.

Copper cathodes are generally still expected to be in short supply in 2006, as reflected in the continued high annual premiums for copper cathodes in the amount of US\$ 105/t.

NA assumes that the situation on the copper concentrate market will remain good, both as regards the availability of supplies and treatment and refining charges. In contrast, the shortage on the copper scrap market should stay unchanged. The market for other recycling materials, in particular electronic scrap, will improve further due to the new legislation being enforced in 2006 (the waste electric and electronic equipment directive – WEEE).

The market trend for NA's main products (wire rod, shapes and pre-rolled strip) is still positive and will continue in the vein of the previous year, or in some sectors has even improved. The market for thin strip will remain under pressure, however a slight upward trend can also be detected here.

On 31 January 2006 NA made use of the possibility of increasing capital by almost 10% to ensure financial flexibility in the realisation of important projects of the future. This measure strengthens both NA's equity basis and its liquidity position long-term.

We will also make every endeavour in the new fiscal year to improve our cost position and productivity further. An important step towards this was the forward scheduling of the production stoppage in the concentrate smelter for general repairs and maintenance, which will have a very positive impact on overall performance in the fiscal year as a whole.

Altogether NA expects business performance for fiscal year 2005/06 to be good and follow the positive trend of the fiscal year 2004/05.

Consolidated income statement

for the period 1 October to 30 September (IFRS)

in € thousand

	Notes	2004/05	2003/04
Revenues	1	3,022,352	2,480,708
<i>Changes in inventories of finished goods and work in process</i>		26,127	38,410
<i>Own work capitalised</i>		3,015	1,958
<i>Other operating income</i>	2	23,660	27,970
<i>Cost of materials</i>	3	(2,633,600)	(2,160,663)
Gross profit		441,554	388,383
<i>Personnel expenses</i>	4	(189,487)	(180,326)
<i>Depreciation and amortisation</i>	5	(63,647)	(70,454)
<i>Other operating expenses</i>	6	(89,172)	(79,611)
Operational result		99,248	57,992
<i>Result from investments</i>	7	77	375
<i>Net interest income</i>	8	4,474	3,398
<i>Net interest expense</i>	8	(13,949)	(15,114)
Result from ordinary activities		89,850	46,651
<i>Income taxes</i>	9	(29,076)	(20,054)
Consolidated net income		60,774	26,597
<i>Income attributable to minority interests</i>	10	(1,412)	(1,472)
Consolidated net income after minority interests		59,362	25,125
<i>Basic earnings per share</i>	11	1.77	0.76
<i>Diluted earnings per share</i>	11	1.76	0.74

Consolidated balance sheet

as at 30 September (IFRS)

in € thousand

	Notes	30.09.2005	30.09.2004
Assets			
<i>Intangible assets</i>		29,209	38,047
<i>Property, plant and equipment</i>		334,582	356,404
<i>Investment property</i>		128	141
<i>Interests in affiliated companies</i>		273	300
<i>Investments</i>		616	603
<i>Other financial assets</i>		867	908
<i>Financial assets</i>		1,756	1,811
Fixed assets	12	365,675	396,403
<i>Deferred tax assets</i>		1,310	1,204
<i>Receivables and other assets</i>	14	24,859	23,663
Non-current assets		391,844	421,270
<i>Inventories</i>	13	366,178	326,364
<i>Trade accounts receivable</i>		197,233	161,682
<i>Other receivables and assets</i>		142,889	63,784
<i>Receivables and other assets</i>	14	340,122	225,466
<i>Short-term security investments</i>	15	200	967
<i>Cash and cash equivalents</i>	16	29,678	15,824
Current assets		736,178	568,621
Total assets		1,128,022	989,891

	Notes	30.09.2005	30.09.2004
Equity and liabilities			
<i>Subscribed capital</i>		86,562	85,528
<i>Additional paid-in capital</i>		34,731	29,409
<i>Retained earnings</i>		333,655	296,009
<i>Changes in accumulated other comprehensive income</i>		(17,714)	(6,136)
<i>Minority interest</i>		4,301	4,323
Equity	17	441,535	409,133
<i>Pension liabilities</i>	18	51,060	49,797
<i>Deferred tax liabilities</i>	19	33,214	43,027
<i>Other long-term provisions</i>	20	35,205	29,892
<i>Long-term provisions</i>		119,479	122,716
<i>Long-term financial liabilities</i>		104,408	112,273
<i>Other long-term liabilities</i>		340	342
<i>Long-term liabilities</i>	21	104,748	112,615
Non-current provisions and liabilities		224,227	235,331
<i>Other short-term provisions</i>	20	58,331	75,574
<i>Short-term financial liabilities</i>		20,708	57,389
<i>Trade accounts payable</i>		236,070	131,495
<i>Income tax payable</i>		6,860	13,519
<i>Other short-term liabilities</i>		140,291	67,450
<i>Short-term liabilities</i>	21	403,929	269,853
Current provisions and liabilities		462,260	345,427
Liabilities		686,487	580,758
Total equity and liabilities		1,128,022	989,891

Consolidated cash flow statement

in € thousand

	2004/05	2003/04
<i>Result from ordinary activities</i>	89,850	46,651
Depreciation and amortisation	63,647	70,412
Impairment losses on current assets	168	3,592
Change in long-term provisions	6,576	1,924
Gain from disposal of fixed assets	1,169	795
Result from investments	(77)	(375)
Net interest expense	9,475	11,716
Income taxes paid	(34,192)	(16,570)
Gross cash flow	136,616	118,145
Change in receivables and other assets, including short-term security investments	(52,252)	(46,284)
Change in inventories	(38,236)	(66,883)
Change in short-term provisions	(14,801)	12,597
Change in liabilities (excl. financial liabilities)	89,389	28,972
Cash inflow from operating activities (net cash flow)	120,716	46,547
Purchase of fixed assets	(33,355)	(27,986)
Payments for the acquisition of interests in subsidiaries	(1,733)	0
Proceeds from disposal of fixed assets	679	1,280
Interest received	4,474	3,398
Dividends received	77	375
Cash outflow from investing activities	(29,858)	(22,933)
Proceeds from capital increases	4,653	3,243
Proceeds from issuance of bonds and taking up financial liabilities	5,507	31,436
Payments for the redemption of bonds and financial liabilities	(50,065)	(37,163)
Interest paid	(13,949)	(15,114)
Dividends paid	(23,150)	(1,200)
Cash outflow from financing activities	(77,004)	(18,798)
Net change in cash and cash equivalents	13,854	4,816
Cash and cash equivalents at beginning of period	15,824	11,008
Cash and cash equivalents at end of period	29,678	15,824

Further information on the consolidated cash flow statement is given on page 110 of this annual report.

Consolidated statement of changes in equity

in € thousand	Subscribed capital	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income	Minority interest	Total
Balance as at 30.09.2003	84,593	27,101	270,850	3,941	4,051	390,536
Capital increase	935	2,308				3,243
Dividend payments					(1,200)	(1,200)
Consolidated net income			25,125		1,472	26,597
Cash flow hedges				(15,245)		(15,245)
Deferred taxes on cash flow hedges				5,168		5,168
Other changes			34			34
Balance as at 30.09.2004	85,528	29,409	296,009	(6,136)	4,323	409,133
Capital increase	1,034	3,618				4,652
Dividend payments			(21,716)		(1,434)	(23,150)
Consolidated net income			59,362		1,412	60,774
Cash flow hedges				(18,454)		(18,454)
Deferred taxes on cash flow hedges				6,850		6,850
Changes in currency				26		26
Equity additions resulting from joint venture partner		1,704				1,704
Balance as at 30.09.2005	86,562	34,731	333,655	(17,714)	4,301	441,535

Further details of changes in equity are given on page 102 of this report.

Changes in fixed assets of the Group

as at 30 September 2005

in € thousand

	Acquisition or construction cost 01.10.2004	Additions in the fiscal year	Disposals	Transfers
Intangible assets				
1. <i>Licenses, industrial property rights and similar rights and assets, and licenses to such rights and assets</i>	25,134	1,188	1,744	0
2. <i>Goodwill</i>	42,065	1,105	0	0
3. <i>Payments on account</i>	0	329	0	0
	67,199	2,622	1,744	0
Property, plant and equipment				
1. <i>Land and buildings</i>	312,643	5,176	3,049	810
2. <i>Technical equipment and machinery</i>	874,675	16,682	30,747	4,298
3. <i>Other equipment, factory and office equipment</i>	62,753	3,824	3,081	52
4. <i>Leased assets</i>	9,390	171	75	0
5. <i>Payments on account and assets under construction</i>	5,550	6,217	278	(5,160)
	1,265,011	32,070	37,230	0
Investment property	363	0	0	0
Financial assets				
1. <i>Interests in affiliated companies</i>	2,325	0	27	0
2. <i>Loans to affiliated companies</i>	465	0	0	0
3. <i>Investments</i>	1,089	25	12	0
4. <i>Loans to enterprises in which investments are held</i>	625	0	0	0
5. <i>Other loans</i>	443	37	78	0
	4,947	62	117	0
	1,337,520	34,754	39,091	0

There were no intangible assets, apart from goodwill, with infinite useful lives at 30.09.2005.

Currency changes (net)	Depreciation, amortisation and write-downs 30.09.2005	Carrying amount 30.09.2005	Carrying amount 30.09.2004	Systematic depreciation and amortisation in the current fiscal year	Impairment losses in the current fiscal year
0	20,668	3,910	5,982	3,237	14
0	18,200	24,970	32,065	0	8,200
0	0	329	0	0	0
0	38,868	29,209	38,047	3,237	8,214
3	228,952	86,631	87,358	6,663	0
12	639,220	225,700	246,889	40,210	1,128
1	52,035	11,514	11,612	3,403	58
0	5,078	4,408	4,995	721	0
0	0	6,329	5,550	0	0
16	925,285	334,582	356,404	50,997	1,186
0	235	128	141	13	0
0	2,025	273	300	0	0
0	0	465	465	0	0
0	486	616	603	0	0
0	625	0	0	0	0
0	0	402	443	0	0
0	3,136	1,756	1,811	0	0
16	967,524	365,675	396,403	54,247	9,400

Notes to the Financial Statements

AMENDMENT TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS 2004/05

The financial statements of Norddeutsche Affinerie AG as at 30 September 2005 have been changed on the basis of a resolution passed by the Executive Board, with the approval of the Supervisory Board, each dated 31 January 2005. The changes are related to the reduction of the allocations to other revenue reserves by € 3,340,919 to € 18,671,701 and a corresponding increase in the unappropriated earnings to € 37,154,319.

The changes are the result of a resolution passed by the Executive Board with the Supervisory Board's approval on 31 January 2005 to increase the company's subscribed capital on the basis of the authorisation

(authorised unissued capital) given at the Annual General Meeting on 31 March 2005 by up to € 8,552,752.64 by the issuance of up to 3,340,919 new no-par-value shares for a cash contribution. The new shares were placed by Dresdner Bank AG, Dresdner Kleinwort Wasserstein, on 31 January 2006 as part of so-called accelerated bookbuilding. The new no-par-value shares are fully entitled to participate in the profit for fiscal year 2004/05.

The changes to the financial statements of Norddeutsche Affinerie AG were made accordingly to the consolidated financial statements of the Group.

GENERAL REMARKS

The accompanying consolidated financial statements of Norddeutsche Affinerie AG, Hamburg, as at 30 September 2005 have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board, London (IASB), effective at the balance sheet date, giving due regard to the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). No accounting policies were applied in accordance with German Law that do not comply with IFRS.

The provisions of Section 292a of the German Commercial Code (HGB) for the exemption from the preparation of consolidated financial statements under German Generally Accepted Accounting Principles (German GAAP) have been fulfilled. The consolidated financial statements are in compliance with the Directive of the European Union on consolidated accounts (Directive 83/349/EEC).

The consolidated financial statements have been prepared in euros. All amounts with the exception of earnings per share and the proposed appropriation of earnings are shown in currency units of thousand. Current and non-current assets are shown for the first time as

separate categories. The prior year amounts have been adjusted accordingly. Current assets and liabilities are expected to be realised within twelve months of the balance sheet date.

Assets and liabilities have been measured as a general rule at amortised acquisition or construction cost. Derivative financial instruments and available-for-sale financial assets have been stated at fair value. The preparation of financial statements in accordance with IFRS requires the Executive Board to make assumptions and estimates in significant areas that have an impact on the measurement and reported amounts of the assets and liabilities in the balance sheet, as well as on income and expenditures. Assumptions and estimates are primarily applied in the defining of useful lives for fixed assets, the computation of discounted cash flows in conjunction with impairment tests on fixed assets, and the recognition of provisions for pension obligations and for pending losses and environmental protection. Actual amounts could differ from those estimates. Where this had an impact on the measurement, the assumptions and estimates on which measurement was based are disclosed separately under the respective item in these notes.

MAIN DIFFERENCES BETWEEN IFRS AND GERMAN COMMERCIAL CODE

The accompanying consolidated financial statements in accordance with IFRS contain the following significant differences from the German Commercial Code with regard to recognition and measurement:

- Fixed assets are measured using the straight-line depreciation method, in some instances applying longer useful lives. Leased items are capitalised by the lessee where constructive economic ownership exists (finance leases). The resultant lease obligations are recorded as financial liabilities. Major repairs are recognised as an asset and depreciated systematically.
- Receivables, cash and cash equivalents and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date. This can result in the recognition of unrealised gains. General allowances for doubtful accounts are not permitted under IFRS.
- The recognition of deferred taxes is based on the asset-liability approach. In addition, the recognition of deferred tax assets is obligatory, in contrast to the option to recognise them in the separate accounts under German GAAP. Deferred tax assets shall be

recognised for loss carryforwards provided it is expected that they will be realised.

- In accordance with IFRS, pension obligations are computed taking into account future demographic developments, income and pension trends as well as the long-term capital market interest rate used for discounting. Plan assets are netted with the pension obligations.
- The recognition of other provisions is more restrictive under IFRS than under German GAAP. Accruing expenses relating to future periods is not permitted. Provisions for obligations to third parties can only be recognised if it is probable that the particular obligation will occur and the amount can be reliably estimated.
- Derivative financial instruments are measured at market value.
- Due to the first-time adoption of IFRS 3, goodwill is no longer systematically amortised, but tested for impairment annually. Goodwill is still amortised systematically under the German Commercial Code.

SCOPE OF CONSOLIDATION

In addition to the parent company, Norddeutsche Affinerie AG, six further companies, in which Norddeutsche Affinerie AG holds the majority of the voting rights either directly or indirectly and thus has control, were included in the consolidated financial statements as at the balance sheet date. EIP Metals Ltd., Smethwick (UK), which has been active since 1 January 2005, was consolidated for the first time. NA Venture GmbH, Hamburg, which was consolidated in the previous year, was amalgamated with Norddeutsche Affinerie AG in fiscal year 2004/05.

In accordance with IAS 31, Schwermetall Halbzeugwerk GmbH & Co. KG, Stolberg, and, for the first time, the newly established CIS Solartechnik GmbH & Co. KG, Bremerhaven, were consolidated proportionately. A 50% investment is held in each of them. Both companies are managed jointly with other partners (joint ventures). The accounting policies used for fully consolidated subsidiaries were applied here.

Schwermetall Halbzeugwerk's share of the Group's assets and liabilities as at 30 September 2005 amounted to € 54,067 thousand and € 22,714 thousand respectively. This company contributed € 2,669 thousand to the Group's net income in the fiscal year, and € 89,149 thousand to its revenues.

CIS Solartechnik's share of the Group's assets and liabilities as at 30 September 2005 amounted to € 319 thousand and € 18 thousand respectively. This company's contribution to the Group's net income in the fiscal year amounted to € - 273 thousand. No revenues were generated, since the Company has to date only carried out research work.

Dormant subsidiaries or subsidiaries with little business activity, which are immaterial for the fair presentation of the Group's overall financial position, performance and cash flows, are not consolidated. They are recognised at fair value or, if that value cannot be determined, at amortised cost. These companies account for less than one percent of the balance sheet total, revenues and earnings.

CONSOLIDATION POLICIES

The financial statements of companies included in the consolidated financial statements are prepared in accordance with uniform accounting policies applied to the Norddeutsche Affinerie Group. The financial statements of all companies that are either significant or subject to a statutory audit requirement are audited by independent auditors.

Capital consolidation is performed at the time of the acquisition using the purchase method, whereby the acquisition cost of the acquired interest is allocated to the fair values of acquired assets and liabilities of the subsidiary at that time. Any unallocated difference is recognised as goodwill and tested annually for impairment. In accordance with the stipulations of IFRS 3, which apply to Norddeutsche Affinerie for the first time, goodwill was not systematically amortised in fiscal year 2004/05, in contrast to the previous year.

Intercompany payables, receivables and contingent liabilities and intercompany revenues, and other income and expenses are eliminated. Intragroup profits are adjusted unless they are insignificant.

With the exception of one subsidiary, all companies consolidated in the consolidated financial statements are German companies. That subsidiary's financial statements are converted into euros in accordance with the concept of the functional currency. Assets and liabilities are translated at the mid-market rates on the balance sheet date and the income statement at the average rates for the year. Any resultant translation differences are recognised directly in equity.

The same consolidation policies are applied accordingly for proportionally consolidated joint ventures. The consolidation procedures required for transactions between such companies and the remaining Group companies are performed proportionately based on the interest in the joint ventures.

ACCOUNTING POLICIES

Applied standards

The revised standards IAS 1, IAS 27, IAS 32 and IAS 39, as well as the newly published IFRS 2, were voluntarily applied ahead of time in the preparation of the financial statements as at 30 September 2005. IFRS 4 and IFRS 5 as well as the other changes to existing standards within the context of the IASB Improvements Project have not been applied. The new version of IAS 2 will be of particular significance for the Group in the future. The measurement of the metal inventories will change considerably, since the LIFO method can then no longer be applied.

Revenue and expense recognition

Revenues and gains are realised when the services are performed and the risks are transferred to the customer.

Operating expenses are recognised when incurred. Interest income and expense are recognised in the periods to which they relate. If income or expenses arise as a result of profit and loss transfer agreements, they are realised at the end of the fiscal year. Interest expense from leasing agreements is calculated using the effective interest method. Dividends to which Group companies are entitled are recognised as income at the time that the right to receive them arises.

Fixed assets

Acquired intangible assets are recognised at acquisition cost, and internally generated intangible assets that will generate future economic benefit at their creation cost. They are amortised systematically straight-line over their expected useful lives. The consolidated financial statements do not include any intangible assets with infinite useful lives.

Property, plant and equipment used in business operations for more than one year are measured at acquisition or construction cost less systematic depreciation. Construction costs include all direct costs as well as a reasonable share of the construction related overheads. Interest expense is not taken into account. Systematic depreciation is recorded using the straight-line method.

The depreciation periods used correspond to the expected economic useful lives in the Group. The following main useful lives are applied:

<i>Buildings</i>	25 to 40 years
<i>Site installations</i>	10 to 25 years
<i>Technical equipment and machinery</i>	5 to 20 years
<i>Factory and office equipment</i>	3 to 20 years

Leased property, plant and equipment are also recognised within the fixed assets if the criteria of IAS 17 for a finance lease are satisfied. This is the case if all significant risks and rewards of economic ownership are with the respective Group company. Such property, plant and equipment are recognised at fair value or, if lower, at the present value of the minimum lease payments, and depreciated using the straight-line method over the lease term or, if it is expected that ownership will be obtained at the end of the lease term, over the economic useful life. The future lease payment obligations are recognised as a liability at their present value.

Impairment losses on intangible assets and property, plant and equipment are recorded in accordance with IAS 36 if the net selling price or the value in use is less than the carrying amount. The recoverability is tested on the basis of the smallest cash generating unit.

Financial assets were capitalised at cost at the time of acquisition. Long-term or non-interest bearing loans were discounted if they were not immaterial. Held-to-maturity financial assets are measured at amortised costs at the balance sheet date.

Buildings held as investment property are measured at amortised cost less systematic straight-line depreciation in accordance with the aforementioned useful lives for buildings.

Inventories

Inventories are measured at acquisition or production cost. Production cost includes all direct costs as well as a reasonable share of the production-related overheads. Metal inventories are accounted for using the LIFO method. Inventories are started at the balance sheet date at the lower of acquisition or production cost and the net realisable value less estimated costs necessary to make the sale. In general, the net realisable value is based on the net sales price of the finished product.

Receivables and other assets

Receivables and other assets are stated at amortised cost. Any risk in the receivables is provided for by specific allowances for doubtful debts or lump-sum allowances for doubtful debts. Non-interest bearing receivables maturing in over a year are discounted. For receivables maturing within one year it is assumed that the fair value corresponds to the face value. Receivables denominated in foreign currencies are translated at the offer price as of the balance sheet date.

Other current assets

Short-term security investments are recorded as available-for-sale financial assets at fair value based on the stock exchange price as at the balance sheet date. Gains and losses on measurement are recognised in equity, provided they do not result from impairment losses. Accumulated gains or losses are recognised in income or loss on disposal of the security investments.

Cash and cash equivalents are stated at amortised cost. Foreign currency balances are translated at the offer price as of the balance sheet date.

Deferred taxes

In accordance with IAS 12, deferred taxes are recognised on all differences between the tax bases of individual companies and the corresponding carrying amounts under IFRS, if these differences will reverse in the future and result in future taxable or deductible amounts. Deferred tax assets are recognised to the extent that they can be used. Tax loss carryforwards are capitalised if they are realisable within the foreseeable future. Deferred tax assets and deferred tax liabilities are offset if they relate to income taxes levied by the same taxation authority and the current taxes can be set off against each other.

Provisions

Provisions for pension and similar obligations are based on actuarial reports in accordance with the projected unit credit method, as defined in IAS 19. The demographic assumptions as well as the salary and pension trends and the discount rate are determined on the basis of current estimates as of the balance sheet date. Actuarial gains and losses result from deviations in actual parameters compared with the assumptions used for the calculation. In accordance with the corridor method, as described in IAS 19, actuarial gains and losses at the beginning of the fiscal year are amortised if they exceed 10% of the defined benefit obligation or the fair value of plan assets at the beginning of the fiscal year. The amount recognised for the period equals the amount exceeding the corridor divided by the remaining service period of the employees participating in the pension plan. The interest portion included in the pension costs is recorded as net interest expense.

Other provisions are recognised for all other uncertain obligations and risks of the Group, provided an obligation to third parties exists from a past event, a cash outflow is probable and the amount can be reliably estimated. If the interest effect is significant, long-term provisions are stated at their present value.

Liabilities

Financial liabilities are stated at amortised cost. Interest-free or low-interest liabilities maturing in more than a year are discounted if the interest effect is significant. It is assumed for liabilities maturing in less than a year that the fair value corresponds to the settlement amounts. At the inception of the lease, finance lease liabilities are recognised at the present value of the minimum lease payments or, if lower, at the fair value of the leased items. In subsequent periods, the redemption portion included in the minimum lease payments reduces the liability. Liabilities denominated in foreign currencies are measured on initial recognition applying the current exchange rate and, at the balance sheet date, at the bid rate.

Financial instruments

Derivative financial instruments are employed in the NA Group to hedge the risks arising from fluctuations in interest rates and foreign exchange rates as well as to hedge non-ferrous metal price risks.

In accordance with IAS 39, all derivative financial instruments are stated at fair value. Changes in the fair value of those derivatives, which are not a component of a cash flow hedge, are recognised in income. For fair value hedges, gains and losses on changes in the fair values of the hedged items are recognised in income at the same time as the gains and losses on changes in the fair values of the derivatives. For cash flow hedges, on the other hand, gains or losses on the effective part of the derivative are recognised in equity, while gains and losses on the ineffective part of the derivative are recognised in income. The gain or loss is recognised in income when the hedged item affects earnings. Contracts covering the delivery of non-ferrous metals were concluded in fiscal year 2004/05 not only to cover the expected demand for raw materials and the expected sale of finished products but also to exploit price fluctuations between short-term and long-term forward prices. Applying the amended IAS 39.06, price-fixed metal delivery contracts were therefore also recognised for the first time in fiscal year 2004/05 as derivative financial instruments at fair value, recognising gains or losses in income for the period.

The targets and methods of the Group's financial risk management as well as notional and fair values of the derivative financial instruments are described under Note 23 to the financial statements.

The fair values of financial instruments are determined by reference to commensurate market and exchange values or valuation methods. For cash and cash equivalents as well as other non-derivative financial instruments, except for liabilities to banks, the fair values correspond to the carrying amounts on the respective balance sheet dates.

Changes in fair value are recognised in income for certain derivatives in the NA Group, which regardless of their economic hedge effect do not fulfil the criteria of IAS 39 for qualification for hedge accounting.

In fiscal year 2004/05, a reduction in market value in the amount of € 18.5 million was recognised in equity. On the other hand, an adjustment of € 9 million to the fair value, which was recorded in the income statement, had a positive impact on earnings.

Share-based remuneration components

Since fiscal year 2004/05, the Executive Board, senior staff and non-tariff staff in the Group have been able to participate in a share-based remuneration component with cash settlement, for which the recognition and measurement regulations of IFRS 2 were applied ahead of time.

The resultant liability is measured in accordance at the fair value of the issued options. Personnel expenses are recognised pro rata in earnings over the waiting time of the options. This is recalculated for each balance sheet date during the blocking period and until the options are exercised on the basis of an option price model taking into account changes in the measurement parameters. The impact on the balance sheet for fiscal year 2004/05 is shown in Note 4 Personnel expenses.

NOTES TO THE INCOME STATEMENT

1. Revenues

in € thousand	2004/05	2003/04
By product groups		
<i>Copper cathodes</i>	411,850	264,027
<i>Continuous cast wire rod</i>	1,042,586	901,444
<i>Continuous cast shapes</i>	531,936	548,163
<i>Pre-rolled strip, strips and shaped wires</i>	235,025	206,601
<i>Precious metals</i>	616,406	456,661
<i>Chemicals</i>	30,897	37,235
<i>Other</i>	153,652	66,577
	3,022,352	2,480,708

The revenues from continuous cast wire rod and shapes also include revenues from "Wandelkathoden" (copper on account), which have already been sold, but cannot be delivered in the required shapes until receipt of the customer's specification.

Further details of Group revenues are provided in the segment reporting on page 111.

2. Other operating income

in € thousand	2004/05	2003/04
<i>Reversal of provisions</i>		
	2,555	1,108
<i>Net change in usage of provisions</i>	1,793	3,701
<i>Gains on disposal of fixed assets</i>	140	144
<i>Damages and indemnities</i>	564	1,426
<i>Other income</i>	18,608	21,591
– <i>of which rent received on investment property</i>	175	172
	23,660	27,970

Other income includes, in particular, cost reimbursements and services for third parties, lease income, income relating to prior periods and gains on the disposal of current assets.

3. Cost of materials

in € thousand	2004/05	2003/04
<i>Raw materials, supplies and merchandise</i>		
	2,545,075	2,085,357
<i>Cost of purchased services</i>	88,525	75,306
	2,633,600	2,160,663

Cost of materials increased due to higher revenues. Taking the changes in inventories into account, the cost of materials ratio increased slightly to 86.4%. Currency

differences in the amount of € 1.5 million were included in the cost of materials for the first time.

4. Personnel expenses and human resources

in € thousand	2004/05	2003/04
<i>Wages and salaries</i>	154,839	144,917
<i>Social security, pension and other benefit expenses</i>	34,648	35,409
– of which for pensions	4,976	5,355
	189,487	180,326

Expenditure for old-age pensions primarily comprises allocations to the provisions for pensions and to externally funded pension plans.

A share-based remuneration component with cash in lieu has been started for the Executive Board, senior staff and non-tariff staff in the Group. The prerequisite for participation is that the respective senior staff must hold a certain number of NA shares. In fiscal year 2004/05, two tranches were granted with 484,950 and 424,900 options respectively. The options can be exercised after a waiting time of three years, however at the earliest after the third ordinary Annual General Meeting since the beginning of their lifetime. Consequently no options were exercised in the course of fiscal year 2004/05. The right to exercise the options as well as the amount of the bonus to which each participant is entitled when exercising option rights are determined on the basis of

two performance criteria, which depend on the percentage value added of NA shares or NA shares' performance in relation to the reference index. The resultant personnel expenses are recognised pro rata temporis over the waiting time of the options. They are measured at the fair value of the options issued. This is recalculated as at each balance sheet date during the blocking period and until the options are exercised, on the basis of an option price model taking into account changes in the measurement parameters. The fair value per option right amounted as at 30 September 2005 to between € 0.89 and € 6.58, while the provision for this amounted to € 1,075 thousand.

The average number of employees in the Group during the year amounted to:

in € thousand	2004/05	2003/04
<i>Blue collar</i>	2,042	2,088
<i>White collar</i>	932	937
<i>Apprentices</i>	184	181
	3,158	3,206
– thereof number of employees in joint ventures	128	127

5. Depreciation and amortisation

Depreciation and amortisation for the Group totalled € 63,647 thousand (€ 70,454 thousand in the previous year). This comprises depreciation of € 52,183 thousand on property, plant and equipment (€ 53,919 thousand in the previous year), impairment losses of € 8,200 thousand on goodwill (€ 12,826 thousand in the previous year), amortisation of € 3,251 thousand on intangible assets (€ 3,691 thousand in the previous year) and depreciation of € 13 thousand on investment property (€ 18 thousand in the previous year). Depreciation and amortisation also includes impairment losses in the amount of € 1,186 thousand on property, plant and equipment.

In accordance with IFRS 3, no systematic amortisation, which had amounted in the previous year to € 2,826 thousand, was recorded for the first time on goodwill. Impairment losses of € 8,200 thousand were however recognised on the goodwill of the Prymetall subgroup due to the reduced profitability expectations, on the basis of the regular impairment test foreseen by IFRS 3.

The impairment test is based on the measurement of the value in use of the individual cash generating units, applying the discounted cash flow method.

In this process, the projected cash flows forecasted in the Group budget for the next four years are adjusted and discounted as at the balance sheet date without taking into account a further growth rate for future years. The interest rate for this amounted as at 30 September 2005 to 6.5%. In forecasting the cash flows, the Group budget takes into account historical experience, and future market and industry expectations.

Impairment losses on other intangible assets amount to € 14 thousand.

A precise breakdown of depreciation and amortisation on intangible assets, property, plant and equipment and financial assets is provided in the details of changes in fixed assets on pages 86 and 87.

6. Other operating expenses

in € thousand	2004/05	2003/04
<i>Expenses relating to prior periods</i>	2,351	5,746
<i>Allocations to provisions</i>	5,248	2,515
<i>Sundry expenses</i>	21,212	16,391
<i>Administrative expenses</i>	27,856	21,477
<i>Selling expenses</i>	31,631	32,613
<i>Other taxes</i>	874	869
	89,172	79,611

Expenses relating to prior periods include mainly losses on the disposal of fixed assets and, in the previous year, especially allowances for doubtful receivables. Selling expenses mainly include freight costs.

7. Result from investments

in € thousand	2004/05	2003/04
<i>Income from profit and loss transfer agreements</i>	0	0
<i>Income from investments</i>	77	375
	77	375

Income from investments includes dividends from non-consolidated subsidiaries.

8. Net interest expense

in € thousand	2004/05	2003/04
<i>Income from loans</i>	29	26
<i>Interest income</i>	4,445	3,372
<i>Interest expense</i>	(13,949)	(15,114)
	(9,475)	(11,716)

Interest expense includes the interest component of pension costs in the amount of € 3,256 thousand (€ 2,907 thousand in the previous year).

9. Income taxes

Paid or owed income taxes as well as deferred taxes are reported as income taxes. The total income taxes including deferred taxes are as follows:

in € thousand	2004/05	2003/04
<i>Current taxes</i>	32,246	15,570
<i>Deferred taxes</i>	(3,170)	4,484
	29,076	20,054

Current taxes include lower expenditures for deferred taxes in the amount of € 6,905 thousand relating to prior periods that have arisen in connection with the adjustment of supplementary balance sheets. Back payments of taxes of € 962 thousand were shown here in the previous year. Tax refund claims of € 389 thousand, which will be refunded on payment of the recommended dividend, are not included.

In accordance with IAS 12.81, income taxes must be reconciled to the tax charge that would have resulted if the theoretical tax rates were applied to consolidated earnings before taxes.

The total tax rate of 40% used in the reconciliation consists of 25% corporation tax plus a solidarity surcharge of 5.5% on the corporation tax liability, plus an effective trade tax rate of 18.5% determined on the basis of various municipal rates.

<i>in € thousand</i>	2004/05	2003/04
Reconciliation:		
<i>Earnings before taxes</i>		
	89,850	46,651
<i>Theoretical tax charge at 40%</i>	35,940	18,660
<i>Change in theoretical tax charge due to:</i>		
– <i>loss carryforwards</i>	(1,962)	(2,386)
– <i>loss allocations of partnerships and deviating tax rates</i>	659	1,733
– <i>taxes paid for prior years</i>	(6,905)	962
– <i>non-deductible expenses</i>	1,116	972
– <i>non-taxable income</i>	228	55
– <i>other</i>	0	58
Income taxes	29,076	20,054

The following deferred tax assets and liabilities result from recognition and measurement differences in

individual balance sheet items and from tax loss carryforwards:

in € thousand	2004/05		2003/04	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
<i>Intangible assets</i>	8,576	9,855	71	8,780
<i>Property, plant and equipment</i>	750	45,730	772	50,954
<i>Financial assets</i>	15	10	1,010	4
<i>Inventories</i>	0	625	0	0
<i>Receivables and other assets</i>	33,203	61,595	1,039	24,895
<i>Pension liabilities</i>	1,475	0	1,132	0
<i>Other provisions</i>	17,133	991	24,053	1,348
<i>Liabilities</i>	45,533	25,655	13,044	815
<i>Tax loss carryforwards</i>	5,872	0	4,284	0
<i>Offsetting</i>	(111,247)	(111,247)	(43,699)	(43,699)
<i>Consolidation</i>			(502)	(70)
Consolidated balance sheet total	1,310	33,214	1,204	43,027

The difference in asset values compared with the previous year is the result of the adjustment of deferred taxes in supplementary balance sheets for partnerships and a correction of the previous years.

The change in receivables and other assets and liabilities is primarily due to the increase in the fair values of the derivative financial instruments as a consequence of higher metal prices. Insofar as deferred taxes were

included in the measurement of derivative financial instruments as part of a cash flow hedge, these were credited direct to equity in the amount of € 6,850 thousand.

No deferred tax assets were recognised on fiscal loss carryforwards totalling € 1,987 thousand.

10. Income attributable to minority interests

Of the consolidated net income before minority interests of € 60,774 thousand (€ 26,597 thousand in the previous year), € 1,412 thousand is attributable to minority interests for the past fiscal year (€ 1,472 thousand in

the previous year). This relates to the interests of other shareholders in Deutsche Giessdraht GmbH, Emmerich.

11. Earnings per share

Basic earnings per share are calculated by dividing the consolidated net income by the weighted average number of shares outstanding during the fiscal year.

<i>in € thousand</i>	2004/05	2003/04
<i>Consolidated net income</i>	59,362	25,125
<i>Weighted average number of shares (in 1,000)</i>	33,601	33,268
Basic earnings per share in €	1.77	0.76

To determine the diluted earnings per share, the maximum number of shares, which would be issued if all conversion rights on the convertible bonds of Norddeutsche Affinerie AG were exercised, is added to the weighted average of the shares outstanding in the

fiscal year. The consolidated net income is increased accordingly by the interest expense incurred for the convertible bonds less the corresponding taxes.

<i>in € thousand</i>	2004/05	2003/04
<i>Consolidated net income</i>	59,362	25,125
+ <i>Interest expense for convertible bonds</i>	0	49
- <i>Income taxes</i>	0	(19)
<i>Adjusted net income for the period</i>	59,362	25,155
<i>Weighted average number of shares – diluted (in 1,000)</i>	33,813	33,832
Diluted earnings per share in €	1.76	0.74

NOTES TO THE BALANCE SHEET

12. Fixed assets

The breakdown and development of the Group's fixed assets are presented on pages 86 and 87.

Intangible assets include licenses acquired for a consideration and goodwill on consolidation. As a result of the annual impairment test, an impairment loss had to be recognised on the goodwill for the Prymetall subgroup. The carrying amount of the goodwill relates primarily to the Prymetall subgroup (€ 23,761 thousand, € 30,856 thousand in the previous year). A subsequent purchase price adjustment for the acquisition of the Prymetall subgroup resulted in an increase of € 1,105 thousand in goodwill.

Development costs were not capitalised since the recognition criteria in IAS 38 were not completely satisfied.

Rented and leased property, plant and equipment totalled € 4,408 thousand (€ 4,995 thousand in the previous year) and mainly consisted of tanks for storing sulphuric

acid, motorcars and, in the previous year, EDP hardware. Leasing agreements are generally based on fixed rental arrangements. Collateral has not been given for them.

As at 30 September 2005, Group fixed assets with a carrying amount of € 569 thousand were pledged as security for loans (€ 43,345 thousand in the previous year). Purchase commitments for property, plant and equipment amounted at that date to € 10,743 thousand (€ 10,671 thousand in the previous year).

The market value of real estate and buildings under investment property amounted to € 2,273 thousand. As at 30 September 2005, the expected rental income on this amounted to € 773 thousand, of which € 175 thousand is due within a year.

A detailed overview of the interests included in the financial assets of Norddeutsche Affinerie AG is presented on page 115.

13. Inventories

in € thousand	30.09.2005	30.09.2004
<i>Raw materials and supplies</i>	158,715	145,783
<i>Work in process</i>	150,869	123,213
<i>Finished goods, merchandise</i>	56,594	57,127
<i>Payments on account of inventories</i>	0	241
	366,178	326,364

For metal inventories, the difference between the net realisable value as at the balance sheet date and the carrying amount amounted to € 307,868 thousand (€ 168,523 thousand in the previous year). This reflects the significantly higher prices for most of the metals processed in the Group.

Write-downs in the fiscal year amounted to € 4,796 thousand (€ 5,027 thousand in the previous year). The carrying amount of all inventories reported at a lower net realisable value amounted to € 55,588 thousand (€ 33,874 thousand in the previous year). Reversals of write-downs in earlier years amounted in the fiscal year to € 3 thousand (€ 468 thousand in the previous year).

14. Receivables and other assets

in € thousand	Maturing in			Total	
	less than 1 year	1 to 5 years	more than 5 years	30.09.2005	30.09.2004
<i>Trade accounts receivable</i>	197,233	0	0	197,233	161,682
<i>Receivables from related parties</i>	5,505	0	0	5,505	5,504
<i>Other receivables and assets</i>	137,384	0	24,859	162,243	81,943
				364,981	249,129

The increase in trade accounts receivable is, above all, due to the significantly higher revenues in the Group as a result of the metal prices. In addition, a lower amount of receivables in the amount of € 37 million was sold without recourse than in the previous year (€ 48 million) as part of factoring agreements.

Receivables from related parties refer primarily to receivables from Schwermetall Halbzeugwerk GmbH & Co. KG, which is consolidated proportionately, as well as some minor receivables from non-consolidated subsidiaries.

Other receivables and assets include an asset amount from an over-funded pension fund in the amount of € 24,859 thousand as well as positive fair values of € 112,415 thousand from derivative financial instruments. They also include claims for tax refunds from the tax authorities of € 16,143 thousand and deferred income of € 763 thousand. In the previous year, this item also included the 20% interest in Spiess-Urania Chemicals GmbH, which was held for sale as of the previous year's balance sheet date. The sale was completed at the beginning of fiscal year 2004/05.

15. Short-term security investments

This item refers to fixed-interest securities, which are all pledged.

16. Cash and cash equivalents

Cash and cash equivalents include current accounts and time deposits, as well as cash in hand and cheques. Deposits at the banks are mostly euro deposits at various banks.

17. Equity

The subscribed capital of Norddeutsche Affinerie AG amounts to € 86,562,304 as at 30 September 2005. It is divided into 33,813,400 bearer shares. Each share has a calculated par value on the subscribed capital of € 2.56.

Within the framework of the stock option plan for the Executive Board and senior staff, 404,200 new bearer shares were issued in exchange for convertible bonds during the last fiscal year. Their arithmetical share of the subscribed capital amounts to € 1,034,752. The premium of € 8.95 per share from the capital increase totalling € 3,617,590 was allocated to additional paid-in capital.

It was resolved at the Annual General Meeting on 31 March 2005 that new authorised, unissued capital would be created. Accordingly, the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the subscribed capital by 30 March 2010 by up to € 42,763,776 by issuing new shares once or in several instalments by a cash contribution or a contribution in kind.

At the same time, it was resolved at the AGM that the former Conditional Capital II would be adjusted. It now amounts to € 41,500,000 and will be used to grant rights to the holders of warrants and/or convertible bonds that can be issued by 30 March 2010.

Retained earnings include the consolidated net income as well as the revenue reserves of the Group companies, the accumulated retained earnings of the subsidiaries since being consolidated and the accumulated amounts resulting from consolidation adjustments recognised as income or loss for the period. The legal reserve in the amount of € 6,391 thousand, which is not available for dividend payments, is also included here.

The changes in the value of derivative financial instruments as part of cash flow hedges have been recognised directly in equity in the changes in accumulated other comprehensive income in the amount of € - 11,604 thousand.

As a result of the amendments to IAS 27, minority interests are reported for the first time as part of equity. The prior year amount has been adjusted accordingly. This item includes the interests of non-Group shareholders in the equity of fully consolidated companies. As at 30 September 2005 these only exist at Deutsche Giessdraht GmbH.

A detailed statement of changes in equity is presented on page 85 of this Annual Report.

Proposed appropriation of earnings

The separate financial statements of Norddeutsche Affinerie AG were prepared in accordance with German GAAP (HGB – German Commercial Code).

<i>Net income for the year of Norddeutsche Affinerie Aktiengesellschaft</i>	€ 45,047,000.00
<i>Brought forward from the previous year</i>	€ 10,779,020.00
	€ 55,826,020.00
<i>Allocations to other revenue reserves</i>	€ 18,671,701.00
Unappropriated earnings	€ 37,154,319.00

It will be recommended at the Annual General Meeting that the unappropriated earnings of Norddeutsche

Affinerie AG of € 37,154,319 be used to pay a dividend of € 1.00 per share (= € 37,154,319).

18. Pension liabilities

In the Group, retirement benefits are granted based on both defined benefit plans and defined contribution plans.

Most of the pension benefit plans are defined benefit plans, which are both funded and unfunded.

The pension liabilities were computed based on the following market discount rates, salary and pension trends:

	30.09.2005	30.09.2004
<i>Discount rate</i>	4.00%	5.25%
<i>Expected income trend</i>	2.25%	2.25%
<i>Expected pensions trend</i>	4.00% every 3 years	4.00% every 3 years
<i>Expected return on plan assets</i>	4.50%	4.50%
<i>Fluctuation</i>	1.00% to 10.00%	3.50% to 6.20%

The retirement age was assumed to be the earliest age at which an employee can claim benefits under the state pension scheme in accordance with the 1999 pension reform law. The corresponding assumptions are based on Prof. Klaus Heubeck's 2005G mortality tables.

In the event of over-funded pension plans, the resulting assets are reported under other assets in accordance with IAS 19.58. The net liability recognised in the consolidated balance sheet for defined benefit plans is reconciled as follows:

in € thousand	2004/05	2003/04
Present value of unfunded pension obligations	38,469	33,348
+ Present value of funded pension obligations	262,262	216,937
= Present value of pension obligations	300,731	250,285
- Fair value of plan assets	(230,955)	(216,725)
- Unrealised actuarial losses	(43,575)	(7,426)
= Net debt included in the balance sheet	26,201	26,134
+ Assets in accordance with IAS 19.58	24,859	23,663
= Net liability per balance sheet	51,060	49,797

The net liability developed as follows during the past fiscal year:

in € thousand	2004/05	2003/04
Net liability at the beginning of the fiscal year	49,797	48,155
+ Net expense recognised in the income statement	8,847	8,208
- Payments to beneficiaries during the fiscal year (unfunded plans)	(3,138)	(3,296)
- Payments to/by pension funds during the fiscal year (unfunded plans)	(4,446)	(3,270)
= Net liability at the end of the fiscal year	51,060	49,797

The following amounts were recognised in the income statement:

in € thousand	2004/05	2003/04
Current service cost	5,529	5,142
Interest expense on the pension obligation	12,806	12,884
Expected return on plan assets	(9,550)	(9,850)
Actuarial gains and losses	15	32
Assets taken over	47	0
Total amounts affecting net income	8,847	8,208

The actual return on plan assets of € 10,452 thousand was higher than expected.

Expenditure for defined contribution plans for the Group retirement pensions amounted to € 18 thousand in the year under review.

19. Deferred tax liabilities

The deferred tax liabilities are shown in detail under Note 9 Income taxes.

20. Other provisions

The individual classes of provisions changed as follows during the past fiscal year:

in € thousand	Balance per	Used	Released	Allocated	Balance per
	01.10.2004				30.09.2005
<i>Personnel provisions</i>	37,059	7,555	1,789	15,192	42,907
<i>Environmental provisions</i>	7,911	80	0	613	8,444
<i>Expected losses on onerous contracts</i>	51,404	21,317	0	2,756	32,843
<i>Sundry provisions</i>	9,092	3,636	766	4,652	9,342
	105,466	32,588	2,555	23,213	93,536

The allocations to personnel and environmental provisions include accrued interest of € 1,153 thousand.

The personnel provisions consist mainly of obligations to employees with respect to Christmas bonuses, outstanding holiday claims, anniversary bonuses, bridging loans, profit-sharing bonuses and from the early retirement scheme. Environmental provisions primarily include rehabilitation measures at the Hamburg and Lünen sites. Fundamentally different methods are available to carry out these measures. The probable costs are determined taking into account experience to date in comparable cases, existing surveys and the rehabilitation method that will probably be used.

Provisions for expected losses on onerous contracts were recognised for treatment and refining charges that will not cover the costs. Full costs on the basis of the Group budget for the following year were taken for the calculation of the provisions, taking into account expected cost increases.

21. Liabilities

in € thousand	Maturing in			Total	
	less than 1 year	1 to 5 years	more than 5 years	30.09.2005	30.09.2004
<i>Financial liabilities</i>	20,708	101,536	2,872	125,116	169,662
– <i>thereof convertible bonds</i>	0	0	0	0	1,037
– <i>thereof lease liabilities</i>	695	2,602	1,131	4,428	5,947
– <i>thereof bills payable</i>	0	0	0	0	1,750
<i>Trade accounts payable</i>	236,070	0	0	236,070	131,495
<i>Advance payments received on orders</i>	737	0	0	737	594
<i>Payables to related parties</i>	2,425	0	0	2,425	2,602
<i>Income tax liabilities</i>	6,860	0	0	6,860	13,519
<i>Other liabilities</i>	137,129	340	0	137,469	64,596
				508,677	382,468

The conditions with respect to liabilities to banks from loans and their carrying amounts as at 30 September 2005 are presented in the following table:

Weighted average interest rate	Fixed interest period until	Carrying amount € thousand
5.5%	2006	3,733
<i>Euribor + Margin</i>	2007	20,000
3.5%	2007	31,608
<i>Euribor + Margin</i>	2008	5,102
4.6%	2008	15,839
4.9%	2009	23,897
3.7%	2010	5,019
<i>Euribor + Margin</i>	2011	2,550
5.5%	2011	1,807
3.7%	2013	1,256
4.4%	2014	669
		111,480

Of the above total, € 100,675 thousand comprises long-term and € 10,805 thousand comprises short-term financial liabilities. In addition, a bank overdraft of € 9,208 thousand is included under short-term financial liabilities.

Interest-swap agreements were concluded to hedge variable interest agreements. Based on current market interest rates, the fair value of the long-term financial liabilities amounts to € 107,105 thousand.

At one of the subsidiaries, security has been provided for bank loans and overdrafts in the amount of € 3,833 thousand in the form of mortgages and fixed assets.

Finance lease liabilities reported under the financial liabilities in the consolidated balance sheet include the present value of minimum lease payments and the guaranteed residual values at the end of the lease term. Payments are due as follows:

<i>in € thousand</i>	less than 1 year	1 to 5 years	more than 5 years
<i>Minimum lease payments</i>			
889	3,059	1,295	
<i>Interest portion</i>	194	457	164
<i>Redemption portion</i>	695	2,602	1,131

Other liabilities include social security contributions of € 8,059 thousand (€ 9,139 thousand in the previous year). Further material items under other liabilities are

tax liabilities and negative market values for metal futures and foreign currency forward contracts.

22. Contingent liabilities and other financial commitments

<i>in € thousand</i>	2004/05	2003/04
<i>Contingent liabilities under discounted bills</i>	424	666
<i>Capital commitments</i>	10,743	10,671
<i>Commitments under tolling agreements</i>	7,959	7,395
<i>Warranty obligations and other contingencies</i>	5,171	4,583
	24,297	23,315

Capital commitments relate to property, plant and equipment only. Other financial liabilities under a long-term contract starting on 1 January 2007 with a term of 20 years amount to € 8.7 million p.a.

These obligations are matched by corresponding recourse claims.

Commitments under tolling agreements refer to the value of the metal extracted during the tolling process, which has to be returned by the Group companies.

Financial liabilities from operating leases

As at 30 September 2005, minimum lease payments under operating leases amounted to € 11,004 thousand. These are due as follows:

in € thousand	less than 1 year	1 to 5 years	more than 5 years
<i>Minimum lease payments under operating leases</i>	2,771	8,233	0

Lease payments in fiscal year 2004/05, which were recognised as an expense, amounted to € 2,958 thousand.

23. Financial instruments

In its operations, the NA Group is, in particular, subject to non-ferrous metal price and exchange rate fluctuations as well as credit risks relating to receivables. It is company policy to mitigate these risks by entering into non-ferrous metals future and foreign currency forward contracts covering primarily copper and the U.S. dollar. Ingoing and outgoing metal quantities from underlying transactions are offset and remaining quantities likewise settled each day by exchange transactions. If the criteria for cash flow hedges applied, the results of the hedge transaction were up to now initially recognised in equity in the amount of the effective part of the hedge transaction. They are recognised in profit or loss for the current year, if the hedging purpose is fulfilled. Since delivery agreements for non-ferrous metals in fiscal year 2004/05 are used both to cover the expected raw material requirement or the expected sale of finished products and to exploit market opportunities that arise due to maturity incongruencies, price-fixed metal delivery agreements must also be recognised as derivative financial instruments for the first time in the reporting period on account of the amendments to IAS 39. Gains and losses from the contrary development of the fair value of the hedged items and the hedge transactions are thus recognised directly in the income statement.

Future receipts in foreign currencies are generally hedged by forward contracts and options. Fundamental changes in exchange rates, in particular between the euro and the U.S. dollar, can, however, only be hedged for a limited time. We only work with first-class brokers and banks in the metal and foreign exchange contracts.

The supply of liquidity is ensured by the generation of a strong cash flow and long-term credit lines at our banks. Fluctuations in cash flow can be absorbed.

An autonomous executive committee, on which the Executive Board is represented, monitors the developments on the metal and foreign currency markets regularly and promptly, as well as NA's price and liquidity position. Possible margin calls due to exchange transactions are accounted for. At the end of December 2005, 80% of the U.S. dollar receipts for fiscal year 2005/06 had already been hedged.

To limit credit risks, we monitor the receivables from our business associates. In addition to instruments customary on the market, such as letters of credit and guarantees, we also use trade credit insurance to hedge potential bad debts. Receivables are also sold without recourse as part of factoring agreements. The maximum potential credit risk as regards receivables corresponds to their carrying amounts.

Interest derivatives are used to hedge interest rate risks that arise at the same time.

	Notional volumes	
<i>in € million</i>	30.09.2005	30.09.2004
Non-ferrous metal future contracts (exchange)		
<i>Maturity of up to 1 year</i>	474.3	306.1
<i>Maturity of 1 to 5 years</i>	360.2	38.3
	834.5	344.4
Non-ferrous metal future contracts (physical)		
<i>Maturity of up to 1 year</i>	222.7	123.1
<i>Maturity of 1 to 5 years</i>	9.4	8.9
	232.1	132.0
Foreign currency forward contracts		
<i>Maturity of up to 1 year</i>	195.9	248.7
<i>Maturity of 1 to 5 years</i>	285.9	22.1
	481.8	270.8
Options		
<i>Foreign currency options</i>	79.8	57.4
Interest derivatives	40.0	93.9

The notional amount of the derivative financial instruments is the sum of all purchase and sales contracts. The market value is based on the measurement of all contracts at the prices on the measurement date, and indicates the impact of the settlement of all derivatives on income without taking into account the underlying transactions. As of the balance sheet date, the market value resulting from offsetting gains and losses on the

individual contracts amounted to € - 15.1 million for metal future contracts and € - 0.8 million for interest derivatives. The market value of the foreign currency forward contracts corresponds to the contract values. The difference between the acquisition cost and the market value of option contracts, for which a premium was paid, amounted to € - 1.3 million.

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement shows the change in cash and cash equivalents in the NA Group. In accordance with IAS 7, the cash flows are separated into cash inflow from operating activities, cash outflow from investing activities and cash outflow from financial activities.

Starting off from the result from ordinary activities, gross cash flow is derived by adjusting for depreciation and amortisation, non-cash expenses and income as well as net financial expenses and income taxes paid. Net interest expense consists of interest income of € 4,474 thousand (€ 3,398 thousand in the previous year) and interest expense of € 13,949 thousand (€ 15,114 thousand in the previous year). Write-ups in the fiscal year were set off against the corresponding depreciation and amortisation. The cash inflow from operating activities (net cash flow) is computed by adjusting the gross cash flow for changes in working capital.

The cash outflow from investing activities for the fiscal year primarily results from the purchase of fixed assets. In detail, € 1,505 thousand (€ 710 thousand in the previous year) was invested in intangible assets, € 31,788 thousand (€ 27,237 thousand in the previous year) in property, plant and equipment and € 62 thousand (€ 39 thousand in the previous year) in financial assets. Payments in the amount of € 1,733 thousand were made for the acquisition of subsidiaries.

In addition to proceeds and payments from issuing and redeeming bonds and financial liabilities, the cash outflow for financing activities also included increases in capital, dividend payments and interest payments.

SEGMENT REPORTING

in € thousand	Copper Production Segment		Copper Processing Segment		Other		Group total	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
<i>Revenues</i>								
Total revenues	2,276,418	1,571,732	2,244,117	1,966,614	1,215	465		
Inter-segment revenues	1,465,988	1,034,275	33,410	23,826	0	2		
Revenues with third parties	810,430	537,457	2,210,707	1,942,788	1,215	463	3,022,352	2,480,708
Earnings before taxes	56,275	22,372	38,254	20,284	(4,679)	3,995	89,850	46,651
EBIT	59,836	27,110	44,150	27,222	(4,661)	4,035	99,325	58,367
EBITDA	102,579	70,251	64,902	54,323	(4,509)	4,247	162,972	128,821
Result from investments	56	0	5	0	16	375	77	375
Fixed assets	266,939	286,031	96,746	106,985	1,990	3,387	365,675	396,403
Capital expenditure	23,549	20,506	9,776	7,425	30	55	33,355	27,986
Depreciation and amortisation	42,743	43,141	20,752	27,101	152	212	63,647	70,454
Other non-cash expenses	(11,753)	9,922	3,256	7,179	440	1,012	(8,057)	18,113
Segment assets	701,915	605,495	389,822	359,643	5,297	7,725	1,097,034	972,863
Segment liabilities	398,048	273,415	125,437	90,668	4,672	3,986	528,157	368,069
Average number of employees	2,048	2,075	1,109	1,131	1	0	3,158	3,206
Personnel expenses	123,914	115,905	65,489	64,421	84	0	189,487	180,326

The segment reporting complies with the internal organisation and reporting in the NA Group. The allocations to the segments are based on internal processes and the production structure. All amounts and results that cannot be assigned to one of the two defined segments are reported in the "Other" column.

The segment information was determined using the accounting policies described in the notes. Geographical segmentation is not necessary, as the Group almost only has production sites in Germany.

The NA Group generates most of its revenues in countries in the European Union. The exact breakdown of revenues by segments and regions is as follows:

Revenues by regions in %	Copper Production Segment		Copper Processing Segment		Other		Group total	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
Germany	68.3	80.3	54.0	57.4	100.0	100.0	57.9	62.4
Other European Union states	22.7	16.4	27.4	27.0	0	0	26.1	24.7
Rest of Europe	2.2	1.8	10.0	6.2	0	0	7.9	5.2
Non-European countries	6.8	1.5	8.6	9.4	0	0	8.1	7.7
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Copper Production Segment

- *Business Unit Marketing Metallurgy*
- *Business Unit Marketing Recycling*
- *Production Sector Primary Copper Production*
- *Production Sector Secondary Copper Production/Precious Metals*

The Copper Production Segment comprises all sectors from the procurement of copper and precious metal bearing raw materials to the production of marketable metals. The raw materials fundamentally include copper concentrates, copper-bearing recycling materials and precious metal-bearing raw materials. These are processed, above all, into marketable copper cathodes as well as marketable gold, silver and platinum group metal products. In addition, the natural by-products extracted from the raw materials are also processed into saleable products, such as sulphuric acid and iron silicate stone.

Most of the copper cathodes produced are passed on to the Copper Processing Segment. Precious metals, sulphuric acid and iron silicate stone are mainly sold to external customers. In the Copper Processing Segment, the copper cathodes are processed into copper products and marketed externally. As a result, most of the revenues in the Copper Production Segment are generated within the Group. The Copper Production Segment also includes the production of high-grade selenium products as well as the environmentally friendly dismantling of cables and the sale of the granules produced from this.

Copper Processing Segment

- *Business Unit Copper Products*
- *Prymetall*
- *Schwermetall Halbzeugwerk*

The Copper Processing Segment is engaged in the production and sale of continuous cast wire rod and shapes, pre-rolled strip, strips and shaped wires as well as copper trading. The copper cathodes produced in the Copper

Production Segment are the main starting products. The Segment's products are primarily sold in Europe.

Segment data

The revenues of the individual segments consist firstly of inter-segment revenues and secondly of revenues with third parties. The latter correspond with the consolidated revenues of the Group. Products and services are exchanged between Group companies and segments at market prices corresponding to those with third parties.

Earnings before taxes represent the contributions of the respective segments to Group earnings and include earnings attributable to minority interests in subsidiaries.

EBIT (earnings before interest and taxes) of the individual segments is derived from earnings before taxes, adjusted for the respective net interest. EBITDA (earnings before interest, taxes, depreciation and amortisation) is EBIT plus depreciation and amortisation.

The result from investments comprises dividend payments from non-consolidated companies.

Segment fixed assets are also shown. Goodwill from consolidation is allocated to the respective segment. Depreciation and amortisation on fixed assets are reported accordingly. Depreciation and amortisation in the Copper Processing Segment include impairment losses of € 8,200 thousand on goodwill.

Allocations to provisions, to the extent that they can be allocated to the segments, and write-downs in current assets are included under the non-cash expenses.

Segment assets totalling € 1,097,034 (€ 972,863 thousand in the previous year) comprise all assets except for deferred tax assets in the amount of € 1,310 thousand (€ 1,204 thousand in the previous year) and cash and cash equivalents in the amount of € 29,678 thousand (€ 15,824 thousand in the previous year).

Segment liabilities include provisions, trade accounts payable and the other liabilities for each segment. Total Group liabilities of € 686,487 thousand (€ 580,758 thousand in the previous year) comprise segment liabilities of € 528,157 thousand (€ 368,069 thousand in the previous year) plus financial liabilities of € 125,116 thousand (€ 169,662 thousand in the previous year) and deferred taxes in the amount of € 33,214 thousand (€ 43,027 thousand in the previous year).

The average number of employees for each segment includes the employees of all the companies which were fully consolidated in the accompanying consolidated financial statements. Employees of the proportionately consolidated companies were included in accordance with the Group's holding. Personnel expenses are shown accordingly.

OTHER INFORMATION

Related parties

In accordance with IAS 24, related parties are regarded as all persons and enterprises that are influenced by or that can influence the company.

In the NA Group, several companies provide and consume various services to or from related companies as part of their normal business activities. These supplies and services are charged at market prices. Services are charged on the basis of existing contracts.

Individual shareholders of Norddeutsche Affinerie AG do not exercise a significant influence on the Group. The relationships to the Executive Board and Supervisory Board are disclosed below.

Information on the Executive Board and Supervisory Board

Total remuneration

The total remuneration of the Executive Board for fiscal year 2004/05 amounted to € 2,857,460 and included a fixed component for the past fiscal year of € 1,248,993, a performance-related component of € 1,363,625 and a long-term incentive component of € 244,842. In addition, the proportional fair value of the options acquired by the Executive Board as part of the new incentive plan amounted to € 125,579.

Former members of the Executive Board and their surviving dependants received a total of € 981,312, while € 10,723,840 has been provided for their pension claims.

The remuneration of the Supervisory Board in fiscal year 2004/05 amounted to € 367,000.

Shareholdings

Members of the Supervisory Board hold 8,916 shares and members of the Executive Board 29,551 shares in Norddeutsche Affinerie AG.

Directors' dealings

The members of the Executive Board, Dr Werner Marnette, Dr Michael Landau and Dr Bernd Langner, the former member of the Executive Board, Dr Toralf Haag, and the Supervisory Board member, Günter Kroll, have informed the company that they transacted notifiable business by the conversion and sale of shares in conjunction with Norddeutsche Affinerie AG's stock option plan during the period from 4 April 2005 to 22 April 2005 as well as afterwards, i.e. they acquired a total of 61,010 shares in the company during the

fiscal year, of which 44,800 shares were sold during the conversion period. The company has reported this to the Federal Authority for Financial Services Supervision (BAFin) and has published this information.

Declaration of Conformity with the German Corporate Governance Code in accordance with Section 161 German Companies Act

The declaration required under Section 161 German Companies Act has been submitted by the Executive Board and Supervisory Board and has been made accessible to the shareholders at the company's website.

Events after the balance sheet date

The Executive Board has resolved, with the approval of the Supervisory Board on 31 January 2006, to increase the company's subscribed capital on the basis of the authorisation (authorised unissued capital) given at the Annual General Meeting on 31 March 2005 by up to € 8,552,752.64 by the issuance of up to 3,340,919 new no-par-value shares for a cash contribution. The new shares were placed by Dresdner Bank AG, Dresdner Kleinwort Wasserstein, on 31 January 2006 as part of so-called accelerated bookbuilding. The new no-par-value shares are fully entitled to participate in the profit for fiscal year 2004/05.

Hamburg, 11 January 2006 / 31 January 2006

Norddeutsche Affinerie AG

Hovestrasse 50
20539 Hamburg

The Executive Board



Dr Werner Marnette



Dr Bernd Drouven



Dr Michael Landau



Dr Bernd Langner

**SHAREHOLDINGS AS PER SECTION 285 NO. 11 HGB
(GERMAN COMMERCIAL CODE) AS AT 30 SEPTEMBER 2005**

Company name and registered office	% of capital held by NA Group	Currency	Subscribed capital in 1,000	Held directly by	Holding in %	Equity in 1,000	Net earnings in 1,000
1 <i>Norddeutsche Affinerie AG</i>		€	86,562				
2 <i>Deutsche Giessdraht GmbH, Emmerich</i>	60	€	6,200	1	60	11,053	3,632
3 <i>Prymetall GmbH, Stolberg</i>	100	€	30	1	100	33	2
4 <i>Prymetall GmbH & Co. KG, Stolberg</i>	100	€	12,800	1	100	14,719	4,611
5 <i>CABLO Metall-Recycling & Handel GmbH, Fehrbellin</i>	100	€	767	1	100	3,765	502
6 <i>RETORTE Ulrich Scharrer GmbH, Röthenbach</i>	100	€	2,045	1	100	3,484	1,207
7 <i>Peute Baustoff GmbH, Hamburg</i>	100	€	52	1	100	863	727
8 <i>EIP Metals Ltd., Smethwick (UK)</i>	100	£	2,130	4	100	543	(1,587)
9 <i>E.R.N. Elektro-Recycling NORD GmbH, Hamburg</i>	70	€	512	1	70	681	163
10 <i>CIS Solartechnik GmbH & Co. KG, Bremerhaven</i>	50	€	800	1	50	4,119	(545)
11 <i>C.M.R. International N.V., Antwerp</i>	50	€	1,000	1	50	1,288	101
12 <i>VisioNA GmbH, Hamburg</i>	50	€	25	1	50	18	(4)
13 <i>Berliner Kupfer-Raffinerie GmbH i.L., Hamburg</i>	100	€	30	1	100	31	0
14 <i>Hüttenbau-Gesellschaft Peute mbH, Hamburg</i>	100	€	26	1	100	87	0
15 <i>Hüttenwerk Kayser Lünen GmbH, Lünen</i>	100	€	26	1	100	27	1
16 <i>PHG Peute Hafen- und Industriebetriebsgesellschaft mbH, Hamburg</i>	7	€	26	1	7	77	3
17 <i>Schwermetall Halbzeugwerk GmbH, Stolberg</i>	50	€	52	4	50	67	12
18 <i>Schwermetall Halbzeugwerk GmbH & Co. KG, Stolberg</i>	50	€	12,500	4	50	23,539	5,098
19 <i>JoSeCo GmbH, Kirchheim/Schwabia</i>	33	€	225	6	33	178	14

Companies 2 and 4 to 8 were fully consolidated as part of the consolidated financial statements.

Companies 10 and 18 were consolidated proportionately.

We have audited the consolidated financial statements, comprising the balance sheet, profit and loss account and the statements of changes in equity and cash flows as well as the notes to the financial statements prepared by Norddeutsche Affinerie AG for the fiscal year from 1 October 2004 to 30 September 2005. The preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with International Financial Reporting Standards.

Our audit, which also extends to the group management report prepared by the Company's management for the fiscal year from 1 October 2004 to 30 September 2005, has not led to any reservations. In our opinion, on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the fiscal year from 1 October 2004 to 30 September 2005 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

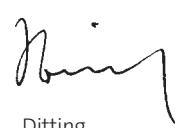
We issue this confirmation based on our careful audit of the consolidated financial statements which we completed on 11 January 2006 and our supplementary audit, which was related to the change in the recommendation for the appropriation of the net income in the notes to the financial statements. Reference is made to the reason for the change given by the company in the amended notes and in the amended consolidated management report. The supplementary audit did not lead to any reservations.

Hamburg, 11 January 2006 / 31 January 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Krall
Auditor



Ditting
Auditor

Main shareholdings of Norddeutsche Affinerie AG

Copper Production



Copper Processing

CABLO Metall-Recycling & Handel GmbH, Fehrbellin

Capital: **€ 767 thousand**
NA holding: **100%**
Business activity: **cable recycling**
Business Directors: **Dr Michael Liesegang**
Jörg Landau

Schwermetall Halbzeugwerk GmbH & Co. KG, Stolberg

Capital: **€ 12,500 thousand**
Prymetall holding: **50%**
Business activity: **pre-rolled strip**
Managing Director: **Dirk Harten**

PEUTE BAUSTOFF GmbH, Hamburg

Capital: **€ 52 thousand**
NA holding: **100%**
Business activity: **trade in construction materials**
Managing Director: **Manfred Hamann**

Prymetall GmbH & Co. KG, Stolberg

Capital: **€ 12,800 thousand**
NA holding: **100%**
Business activity: **copper semis**
Business Directors: **Dr Bernd Langner**
Dr Holger Artelt
Dr Jürgen Jestrabek

RETORTE Ulrich Scharrer GmbH, Röthenbach

Capital: **€ 2,045 thousand**
NA holding: **100%**
Business activity: **selenium products**
Managing Director: **Bernd Treiber**

EIP Metals Ltd., Smethwick (UK)

Capital: **€ 2,130 thousand**
Prymetall holding: **100%**
Business activity: **slitting centre**
Managing Director: **Dr Holger Artelt**

Deutsche Giessdraht GmbH, Emmerich/Rhine

Capital: **€ 6,200 thousand**
NA holding: **60%**
Business activity: **wire rod**
Managing Director: **Dr Stefan Schneider**

Anodes

Positive electrodes of an electrolytic cell, end-product of the RWO; copper content about 99.5%

Anode slimes

Important by-product of the copper tankhouse, which settles on the bottom of an electrolytic cell as the copper anodes dissolve. The precious and non-soluble components of the anodes are recovered with the anode slimes (e.g. silver, gold, selenium and lead).

Backwardation

Price relationship on the LME, when the spot price is higher than the forward or futures price. The price difference between cash and three month transactions is generally quoted; an indication of poor availability of cathodes for prompt delivery.

Cathodes

Product of the copper tankhouse (copper content > 99.99%) and the first marketable product in copper production which can be sold on the metal exchanges

CIS solar cells

For these solar cells, a two millionth of a meter thin film made of a copper, indium and selenium compound is applied to a carrier foil of copper, titanium or stainless steel. The name CIS is a combination of the first letters of the metals: copper, indium and selenium.

Collection points

Companies and industrial enterprises where metal-bearing production residues arise. These can be pre-treated and processed in the Lünen recycling centre in an environmentally friendly process.

COMEX

Together with the LME one of the two most important metal exchanges. It is of particular importance to the American market.

Commodity

Collective term for materials traded on the exchanges. These include non-ferrous metals, such as copper and tin, but also crude oil, beef, grain and coffee.

Continuous cast wire rod

Semi-finished product produced in a continuous process for the production of copper wire with a standard diameter of 8 mm. Other dimensions can also be supplied.

Continuous casting

Continuous casting produces a continuous strand. During the casting process, sizes of various lengths are separated from the casting billet by a flying saw. A variety of profiles (billets and cakes) and lengths can be created. These so-called continuous cast shapes are processed further by rolling and pressing into sheets, foils, profiles and tubes.

Converter

A furnace in which metal production or refining processes are typically carried out through oxidation. Copper matte from the flash smelter is treated in the converter into blister copper.

Copper concentrates

A product resulting from the processing (enriching) of copper ore, NA's main raw material. Since copper is found principally only in ores in compound form and in low concentrations (0.5 to 4% copper content), the ores, after extraction from the mine, are enriched in processing facilities into concentrates (copper content of 25 to 40%).

Copper tankhouse

In the copper tankhouse an electrochemical process, the last refining stage in copper recovery, takes place. Anodes and cathodes are hung in a sulphuric acid solution (electrolyte) and connected to an electric current. Copper and soluble impurities (nickel, etc.) are dissolved in the electrolyte. Copper from the solution is deposited on the cathode with a purity of more than 99.99%. More precious elements (e.g. silver and gold) and insoluble components settle as so-called anode slimes on the bottom of the tankhouse cell.

Flash smelter

First phase in the processing of copper concentrate. The concentrate, which is suspended in a reaction shaft, reacts with oxygen and is melted through the heat released. Sulphur and iron are separated into intermediary products. The copper is then enriched in the copper matte (copper content about 65%).

Iron silicate

A by-product of the (primary) copper concentrate smelting process. During such process the iron contained in the copper concentrate is combined with silicate flux to yield iron silicate. As granules or in a lumpy form it is mainly used in the construction industry.

KRS

Kayser Recycling System; a state-of-the-art recycling plant in Lünen for the treatment of a large range of copper bearing secondary raw materials

LME

London Metal Exchange: the most important metal exchange in the world with the highest turnover

OF copper

Oxygen-free copper. Special copper brand with high conductivity for electric and electronic applications

Primary copper

Copper recovered from copper ores

Recycling materials

Materials in a closed loop economy. They arise as residues from production processes or during the preparation of end-of-life products and rejects and are ideal for recycling.

RWO

The primary smelter at NA's production site in Hamburg

Secondary copper

Copper produced from recycling material

Settlement price

Official cash selling rate on the LME; price basis in annual sales agreements

Shape surcharge

Fee for refining copper cathodes into copper products

Single sourcing

A product or service is only procured from one supplier

Smelter

A part of a works or company, in which crude metal or bullion are recovered, is called a smelter. Typical products are lead bullion or blister copper.

Spot market

Daily business; market for prompt deliveries

Stainless steel cathode sheets

Negatively polarised electrodes used in the copper tankhouse, on to which the copper ions which are dissolved from the anodes are deposited cathodically as metallic copper

Sustainable Development

Lasting future-oriented development targeted since the 1992 UN Conference as being the most sensible ideal of the way forward in environmental protection.

TOP ROD

Oxygen-free copper wire rod which depending on the customer's requirements contains alloying elements of up to 5%

Top blown rotary converter (TBRC)

A single-stage pyrometallurgical facility for the recovery of precious metals from the anode slimes in the copper tankhouse

Treatment and refining charges (TC/RCs)

Compensation which NA receives for the processing of copper concentrates and other raw materials into copper

EBT (earnings before tax) is an indicator of a company's earning power.

EBIT (earnings before interest and tax) is an indicator of a company's operative earning power, ignoring its capital structure.

EBITDA (earnings before interest, taxes, depreciation and amortisation) is an indicator of a company's operative earning power, ignoring its capital structure and propensity to invest.

ROCE (return on capital employed) is the ratio of EBIT to average capital employed. It therefore represents the efficiency with which capital was utilised to generate earnings in the period under review.

Capital employed is the sum of equity, provisions for pension liabilities and financial liabilities, less cash and cash equivalents.

Gearing is the ratio of net financial liabilities to equity.

Net financial liabilities consist of long and short-term financial liabilities less cash and cash equivalents.

Gross cash flow is the sum of the generated cash and cash equivalents before taking into account cash related changes in working capital.

Net cash flow is the generated surplus of cash and cash equivalents after taking into account cash related changes in working capital. It is available for payments in conjunction with the company's investing and financing activities.

Free cash flow is the generated surplus of cash and cash equivalents taking into account cash related changes in working capital and after deducting capital expenditure. It is available for the company's dividend and interest payments as well as for the redemption of financial liabilities.

Imprint

If you wish to know more, please contact:

Norddeutsche Affinerie AG

Hovestrasse 50, D-20539 Hamburg

info@na-ag.com

www.na-ag.com

Corporate Communications

Dr Franz Wauschkuhn

Phone: + 49 (40) 78 83-23 03

Fax: + 49 (40) 78 83-30 03

f.wauschkuhn@na-ag.com

Dieter Birkholz

Phone: + 49 (40) 78 83-39 69

Fax: + 49 (40) 78 83-30 03

d.birkholz@na-ag.com

Investor Relations

Marcus Kartenbeck

Phone: + 49 (40) 78 83-31 78

Fax: + 49 (40) 78 83-31 30

m.kartenbeck@na-ag.com

Concept, text & design

Impact Communication GmbH, Hamburg

Photos of the Executive Board and NA staff

Dirk Uhlenbrock, Hamburg

Other photos

Norddeutsche Affinerie AG, REpower Systems AG (Jan Oelker), DaimlerChrysler AG, Airbus S.A.S.

Print

Kauffeldt GmbH & Co. KG, Ahrensburg

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.

Consolidated key figures

in accordance with IFRS, until 00/01 as per HGB (German Commercial Code)

		1999/2000	2000/01	2001/02	2002/03
<i>Copper price LME settlement (average)</i>					
	US\$/t	1,787	1,684	1,525	1,653
Results					
Revenues	€ m	1,897	2,010	1,842	1,816
EBITDA	€ m	107	111	98	79
EBIT	€ m	74	65	42	16
EBT	€ m	69	57	31	3
Net income*	€ m	41	42	21	4
Gross cash flow	€ m	78	86	97	64
Balance sheet					
Total assets	€ m	691	709	955	914
Non-current assets	€ m	237	259	464	437
Capital expenditure	€ m	79	69	47	26
Depreciation and amortisation	€ m	33	47	56	63
Equity*	€ m	260	280	397	391
NA shares					
Market capitalisation at fiscal year-end	€ m	378	396	353	291
Earnings per share	€	1.20	1.26	0.63	0.10
Dividend per share	€	0.75	0.75	0.65	-
Human resources					
Number of employees (average)		3,154	3,195	3,374	3,458
Personnel expenses	€ m	150	168	178	192
Production					
Cathodes**	1,000 t	503	540	554	530
Continuous cast wire rod**	1,000 t	382	347	285	342
Continuous cast shapes	1,000 t	197	204	203	193
Pre-rolled strip	1,000 t	-	-	149***	138
Strips	1,000 t	-	-	59***	52
Shaped wires	1,000 t	-	-	12***	12
Gold	t	20	23	28	25
Silver	t	483	680	727	831

* including minority interests

** including Hüttenwerke Kayser (HK) and HK's share of Deutsche Giessdraht since 1 January 2000

*** since fiscal year 2001/02; rounded up to twelve months

		2003/04	2004/05	+/-
<i>Copper price LME-settlement (average) us\$/t</i>		2,607	3,382	+ 29.7%
Results				
Revenues	€ m	2,481	3,022	+ 21.8%
EBITDA	€ m	129	163	+ 26.3%
EBIT	€ m	58	99	+ 70.7%
EBT	€ m	47	90	+ 91.5%
Net income	€ m	27	59	+ 18.5%
Gross cash flow	€ m	118	137	+ 16.1%
Balance sheet				
Total assets	€ m	990	1,128	+ 13.9%
Non-current assets	€ m	396	366	(7.6%)
Capital expenditure	€ m	28	33	+ 17.9%
Depreciation and amortisation	€ m	70	64	(8.6%)
Equity	€ m	409	437	+ 6.8%
NA shares				
Market capitalisation at fiscal year-end	€ m	432	622	+ 44.0%
Earnings per share	€	0.76	1.77	+ 132.9%
Dividend per share	€	0.65	1.00	+ 53.8%
Human resources				
Number of employees (average)		3,206	3,158	(1.5%)
Personnel expenses	€ m	180	189	+ 5.0%
Production				
Cathodes	1,000 t	522	558	+ 6.9%
Continuous cast wire rod	1,000 t	399	375	(6.0%)
Continuous cast shapes	1,000 t	257	237	(7.8%)
Pre-rolled strip	1,000 t	122	116	(4.9%)
Strips	1,000 t	63	50	(20.6%)
Shaped wires	1,000 t	13	12	(7.7%)
Gold	t	21	29	+ 38.1%
Silver	t	759	880	+ 15.9%

Financial calendar



Interim report on 1 st quarter 2005/06	<i>31 January 2006</i>
Annual Press Conference	<i>31 January 2006</i>
DVFA Analysts Conference	<i>31 January 2006</i>
Annual General Meeting	<i>30 March 2006</i>
Dividend payment	<i>31 March 2006</i>
Interim report on 2 nd quarter 2005/06	<i>11 May 2006</i>
Interim report on 3 rd quarter 2005/06	<i>10 August 2006</i>
Open Day at the Hamburg Stock Exchange	<i>28 October 2006</i>
Preliminary financial statements 2005/06	<i>19 December 2006</i>

Our products

Copper Production



Cathodes

Copper cathodes, which comply with the very high quality requirements of the metal exchanges, are, above all, produced from copper concentrates and recycling raw materials in NA's Copper Production Segment.

Copper Processing



Shapes

Wire rod

Strips

The copper cathodes are processed in the Group into high-grade copper products: continuous cast wire rod for the cable, wire, electrical engineering and telecommunications industries as well as shapes for the production of tubes, sheets, pre-rolled strip/strips and profiles.



www.na-ag.com