

**NA Group Report
on the 2nd quarter of fiscal year 2004/05
– 1 January bis 31 March 2005 –**

Uptrend in earnings even stronger

Hamburg, 10 May 2005 – After a good 1st quarter, Norddeutsche Affinerie AG (NA) has strengthened its uptrend in earnings in the 2nd quarter. Pre-tax earnings of € 23 million clearly exceeded the previous year's result (€14 million). Revenues as well rose to €696 million (€ 643 million in the previous year) primarily due to high metal prices. In the 1st half-year earnings before taxes were generated in the amount of € 35 million (€8 million in the previous year).

The copper price remained firm while the availability of supplies of copper concentrates improved with higher treatment and refining charges. Refining charges on the copper scrap market declined slightly on account of the short supply. Demand for copper products from the main customer industries stabilised at a high level.

Copper stocks in the warehouses of the metal exchanges were still at a very low level. We expect the copper shortage to continue with correspondingly stable copper prices.

Again both the copper concentrate throughput of 277,000 tonnes (269,000 tonnes in the previous year) and cathode output of 136,000 tonnes (138,000 tonnes in the previous year) represented good quarterly results.

Compared with the previous year's excellent figures, production figures for copper products were generally stable at a high level. 99,000 tonnes of wire rod (103,000 tonnes in the previous year) and 58,000 tonnes of continuous cast shapes (63,000 tonnes in the previous year) were produced.

Strip and wire output at Prymetall declined. Production at Schwermetall Halbzeugwerk was also down. The high copper prices and weak U.S. dollar had an effect here, in addition to the seasonal impact of the winter months.

We expect business performance to continue along its very positive trend for the whole of fiscal year 2004/05.

Consolidated key figures (IFRS)		Fiscal year 2003/04	Fiscal year 2003/04	Fiscal year 2004/05
		12 months	6 months	6 months
Revenues	€m	2,481	1,115	1,363
Gross profit	€m	388	173	199
Personnel expenses	€m	180	88	90
Depreciation and amortisation	€m	70	30	26
EBITDA	€m	129	43	67
EBIT	€m	58	13	40
Earnings before taxes	€m	47	8	35
Net income	€m	25	4	20
Earnings per share	€	0.76	0.13	0.61
Gross cash flow	€m	118	46	55
Capital expenditure	€m	28	13	15
Copper price (average)	US\$/t	2,607	2,397	3,180
Number of employees (average)		3,206	3,256	3,160

NA Group's assets, financial situation and profitability

For fiscal year 2004/05 the NA Group is reporting, as in the previous year, in accordance with the International Financial Reporting Standards (IFRS). The valuation principles applied in preparing the IFRS-based consolidated financial statements as at 30 September 2004 are unchanged with the exception of the new regulation on the amortisation of goodwill in accordance with IFRS 3. The IAS 34 regulation concerning interim reports was observed. The number of consolidated companies has been increased by EIP Metals Ltd., Birmingham, which was acquired on 1 January 2005.

Profitability

The NA Group's revenues were up in the 1st half of the current fiscal year, in particular due to metal prices. Product sales remained at an unchanged high level compared with the previous year. Revenues rose to € 1,363 million (€ 1,115 million in the previous year).

The gross profit increased by € 26 million to € 199 million compared with the previous year (€ 173 million). With improved conditions on the raw material and metal markets, the full utilisation of the increased concentrate processing capacity proved to be especially advantageous.

At € 90 million, personnel expenses were slightly up on the previous year (€ 88 million). Expenditure for adjustments to staffing levels at NA AG in Hamburg as well as expected expenditure for the new stock option plan are included in this figure.

Depreciation and amortisation declined to € 26 million (€ 30 million in the previous year). Goodwill will not be amortised systematically as of fiscal year 2004/05 due to a change in IFRS regulations.

Year-on-year earnings before interest, taxes, depreciation and amortisation (EBITDA) rose significantly to € 67 million (€ 43 million in the previous year). Earnings before interest and taxes (EBIT) totalling € 40 million were also substantially higher (€ 13 million in the previous year). The return on capital employed (ROCE) amounted to 13 %.

At € 35 million, the NA Group generated considerably higher pre-tax earnings than in the previous year (€ 8 million).

The following factors impacted earnings in the 1st half of fiscal year 2004/05:

- The increased concentrate processing capacity was fully utilised.
- Treatment and refining charges for copper concentrates on the spot market have improved further.

- The capacities for copper scrap were also fully utilised. The refining charges for copper scrap declined slightly in the 2nd quarter, but were still higher than the previous year's level over the whole 1st half-year.
- Sales of continuous cast wire rod and shapes were almost unchanged at the previous year's high level.

A very good consolidated net income after minority interest was generated for the 1st half-year in the amount of € 20 million (€ 4 million in the previous year).

This results in earnings per share of € 0.61 (€ 0.13 in the previous year)

Financial situation

Due to the rise in earnings, the gross cash flow rose to € 55 million in the 1st half of fiscal year 2004/05 (€ 46 million in the previous year) after deduction of income taxes.

The significantly increased inventories as at 31 December 2004 due to the public holiday stoppages and the commissioning of the new silver electrolysis could be reduced to a normal level of € 352 million by 31 March 2005.

Receivables and other assets were down from € 249 million as at 30 September 2004 to € 212 million as at 31 March 2005.

Apart from maintenance measures, capital expenditure in the amount of € 15 million (€ 13 million in the previous year) was directed above all into the modernisation of the precious metal processing facilities and improvements in environmental protection in the secondary smelter sector at NA AG as well as the installation of a material preparation plant in Lünen.

Assets

Total assets decreased by € 33 million to € 957 million due to the reduction in current assets.

Equity amounted to € 398 million as at 31 March 2005. Including minority interest, the equity ratio amounts to 42 %, which represents an unchanged sound equity basis for the NA Group.

Financial liabilities were down € 29 million to € 141 million due to the very good operating cash flow. At 34 % gearing remained at a low level.

Copper market

The copper market continued to be firm in the 2nd quarter. The copper price on the London Metal Exchange rose until mid March to a record height of US\$ 3,424 per tonne (Settlement) and stayed over US\$ 3,400 per tonne until the end of the quarter. The difference between higher cash selling rates and lower three month rates (backwardation) amounted at times to up to US\$ 190 per tonne.

With strong physical copper demand, the investment funds are primarily responsible for the price peaks. The driving force is still Asia's copper demand with China as the main market. There was keen demand for cathodes, particularly in March, while copper stocks remained low in the entire region. In contrast, the situation has eased on the physical market, especially in Europe, but also in North America. Cathode demand in Europe declined in the 2nd quarter. Many processors had accumulated considerable stocks last year and were thus holding back as regards further purchases. Economic reasons also played a part in this.

While the global mining output continually increased, cathode production was impacted by scheduled stoppages for maintenance work on the smelter side which resulted in a loss of output. The copper stocks in the warehouses of the metal exchanges were therefore still utilised and from January to March 2005 declined by some 25,000 tonnes to about 100,000 tonnes.

Copper Production Segment

The very positive trend in the Copper Production Segment continued in the 2nd quarter. The favourable situation on the raw material markets could be used by utilising the processing capacities to the full.

In the 1st half-year the two copper tankhouses in Hamburg and Lünen produced 276,000 tonnes of cathodes (244,000 tonnes in the previous year), i.e. an increase of 13 %.

Key figures in accordance with IFRS in € thousand	Fiscal year 2003/04	Fiscal year 2004/05
	1 st half-year	1 st half-year
Revenues	720,435	1,018,925
EBIT	87	19,384
EBT	(2,836)	17,369

At € 1,018,925 thousand, revenues were 41 % higher than in the previous year (€ 720,435 thousand). The rise is attributable both to increased unit sales and higher metal prices. Earnings before taxes (EBT) amounted to € 17,369 thousand and were therefore significantly up on the previous year (€ - 2,836 thousand).

Raw material markets

The market for copper concentrates still reflects a substantial oversupply. Global concentrate inventories have increased further due to stoppages at various smelters for general repairs. Treatment and refining charges (TC/RCs) on the spot market have correspondingly continued their uptrend and are currently at about US\$ 200 per tonne and cents 20 per lb of copper. TC/RCs under long-term agreements have still to be renegotiated in the next few months, but it is expected that they will also increase significantly.

The market for copper scrap and alloy scrap was characterised by tough competition from Europe and overseas. The refining charges for copper scrap declined slightly and are too low in relation to the current copper price. Market supplies of the large range of other recycling materials was generally good.

Cathodes and precious metals

NA AG (Hamburg)

With good concentrate supplies and high plant availability, the primary copper smelter in Hamburg processed 277,000 tonnes of copper concentrates and therefore maintained the very good throughput of the previous quarter. In the 1st half-year, 555,000 tonnes of concentrates were processed (496,000 tonnes in the previous year). Besides keeping the Hamburg copper tankhouse fully supplied, anodes were also additionally delivered from Hamburg to the copper tankhouse in Lünen.

The cathode output in the Hamburg copper tankhouse amounted to 91,000 tonnes; in the 1st half-year it amounted to 185,000 tonnes (168,000 tonnes in the previous year), i.e. considerably better than in the previous year.

As a result of the very good concentrate throughput, NA produced 274,000 tonnes of sulphuric acid (266,000 tonnes in the previous year), thus a total of 552,000 tonnes (481,000 tonnes in the previous year) in the 1st half-year. The sulphuric acid market stabilised further due to the ongoing high global demand.

The supply of precious metal bearing raw materials has turned out well. The new silver tankhouse was successfully commissioned in January 2005. Silver output in the 2nd quarter amounted to 231 tonnes (218 tonnes in the previous year). With a total of 424 tonnes, the same quantity of silver was produced in the 1st half-year as in the previous year.

13 tonnes of gold were produced in the 1st half-year (11.4 tonnes in the previous year). The rise is, above all, due to the increased gold production of 7.5 tonnes in the 2nd quarter (6 tonnes in the previous year).

NA AG (Lünen works)

All the recycling capacities for both copper scrap and other recycling materials were fully utilised. The recycling business with industrial residues continues to develop well.

Year-on-year the quantity processed in the KRS was up 13 %. The tankhouse was fully utilised due to the increased anode output in Lünen and the delivery of anodes from Hamburg. In the 2nd quarter, the cathode output amounted to 45,000 tonnes (46,000 tonnes in the previous year). In the 1st half-year the cathode output reached 91,000 tonnes (76,000 tonnes in the previous year), some 19 % higher than in the previous year.

Copper Processing Segment

Year-on-year revenues rose from € 891,962 thousand to €1,027,349 thousand, in particular due to higher metal prices. Sales of continuous cast wire rod and shapes remained at the same high level. In a positive market environment, earnings before taxes (EBT) increased to € 20,880 thousand (€ 8,578 in the previous year).

Key figures in accordance with IFRS in thousand €	Fiscal year 2003/04	Fiscal year 2004/05
	1 st half-year	1 st half-year
Revenues	891,962	1,027,349
EBIT	11,091	23,992
EBT	8,578	20,880

Product markets

In the 2nd quarter of the fiscal year, demand for our products remained at an almost unchanged high level. However, the high copper price influenced how much and when customers ordered. High financing costs for stocks and difficulties in making forecasts on the economic trend had the result that customers placed their orders at only very short notice and expected great flexibility from the producers.

After a good start in the 2nd quarter, demand for semi-finished products from the electrical engineering and electronics industries did not increase further. To some degree, this export-oriented sector is now being weighed down by the weak U.S. dollar so that some market participants have had to absorb a declining order intake.

In addition, until the middle of March, the winter weather impacted demand from the construction sector which has been suffering a crisis for a considerable time now in Germany. Sales for the production of special cable for plant construction and mechanical engineering were good.

Copper products

Production of wire rod in the 2nd quarter was some 4 % down on the previous year and totalled 99,000 tonnes (103,000 tonnes in the previous year). The accumulated output for the current fiscal year was stable amounting to 190,000 tonnes (191,000 tonnes in the previous year).

The continuous casting plants in Hamburg produced 58,000 tonnes in the 2nd quarter (63,000 tonnes in the previous year). The decline of 7 % compared with the previous year is mainly attributable to the impact of the winter weather on the construction industry and reductions in stocks of continuous cast shapes in our customers' warehouses. With a total of 124,000 tonnes (118,000 tonnes in the previous year) 5 % more shapes were cast in the 1st half-year.

Schwermetall

Schwermetall Halbzeugwerk produced 28,000 tonnes (32,000 tonnes in the previous year) of pre-rolled strip (NA share = 50 %) in the 2nd quarter. The weak U.S. dollar had an adverse impact on Schwermetall's exports to the U.S.A. and South East Asia. In the 1st half-year output remained stable totalling 57,000 tonnes (58,000 tonnes in the previous year).

Prymetall

Prymetall produced 16,000 tonnes of strip and wire products in the 2nd quarter (20,000 tonnes in the previous quarter). A 25 % decrease was recorded in the strip sector. The reduction in customers' stocks due to the high copper price, the long winter and weak U.S. dollar had an adverse impact here on sales. In the first half-year the output of strip and wire products declined to 31,000 tonnes (34,000 tonnes in the previous year). In contrast, however, there was an uptrend in demand for new special strip products.

In January, the cutting centre, EIP Metals Ltd., resumed full production at its new location.

Human resources

At the end of the 2nd quarter the NA Group had a total of 3,161 employees (3,189 in the previous year), thus a decrease of 28 employees year-on-year.

The company suggestion scheme has always been attributed great importance at NA. In their daily work, our employees are the motors for improving productivity, profitability, occupational safety and environmental protection. We have therefore started a Group-wide campaign "Group Ideas 3000" with the aim of receiving 3,000 suggestions for improvement within one year, i.e. one suggestion per employee.

Corporate Governance

On 11 March 2005 HSH Nordbank AG sold its approximately 10 % holding in NA to a wide circle of investors. Thus, the free float of NA shares has increased from 80 to 90 %.

On 1 March 2005 NA shares were quoted at € 18.40, the highest closing price to date in Frankfurt.

The Annual General Meeting was held on 31 March 2005 in the Hamburg Congress Centre attended by some 2,700 shareholders and guests. All the items of the agenda proposed by the Company's management were approved with a great majority. It was resolved that a dividend of € 0.65 per share be paid to the shareholders from the available unappropriated net income, i.e. a total of € 21,715,980, and the remaining net income of € 10,779,020 be carried forward. The resolution authorising the Company to repurchase its own shares until 30 September 2006 was passed again. In addition, the Executive Board was authorised to create a new authorised capital until 30 March 2010 subject to the approval of the Supervisory Board.

The Executive Board and senior staff were entitled to convertible bonds in the amount of € 1,034,752 from the 5th and last tranche of the stock option plan issued in 1998. Since NA shares have outperformed the CDAX in the reference period, the participants could exercise their share options and exchange them for 404,200 new shares in the period from 4 April 2005 to 22 April 2005. As a result the company's subscribed capital has increased by € 1,034,752 to € 86,562,304 and is now divided into 33,813,400 bearer shares.

The second tranche of our new incentive programme for the Executive Board and senior staff was issued at the beginning of April 2005 in the form of a virtual programme.

Research and Development

Our work continues to focus on the optimisation of material flows in the processing of complex raw materials and intermediates. Our aims are to shorten the processing routes, to increase the quantity of metals produced and improve product quality.

Measures to enhance performance

The Group-wide performance enhancement programmes identified potential for improving earnings in the amount of € 80 million. Of this figure, more than € 70 million are already having an impact on results. The measures still outstanding will be implemented by 2006.

After completing most of the performance enhancement programmes, the NA Group is now intensively examining further growth possibilities and has developed possible scenarios.

One of the first steps will be the relocation of the logistics of NA's concentrate transshipment from Hamburg to Brunsbüttel from 2007 onwards. Quite apart from cost reductions, this will result in the optimal preparation of the mixtures for concentrate processing.

NA is also working on alternative concepts for safe and cost-effective energy supplies. This must be optimised long-term. The use of energy generated during production is being looked into. Electricity formation from steam arising in the copper production process is already being implemented. Additionally produced steam can likewise be used to replace natural gas in heating processes. NA is also looking into the possibility of erecting a power plant with an output of 100 MW at the Hamburg production site.

Outlook

Global copper demand is growing more strongly than the supply. The International Copper Study Group (ICSG) expects excess demand worldwide for both 2005 and 2006. The international mines will increase output due to the strong demand and historically high copper price. The favourable trend in treatment and refining charges for copper concentrates will therefore continue. NA will participate in this.

The weak U.S. dollar is weighing on our customers' export trade despite the good economic trend in North America and Asia. The sluggish economic trend in Euroland has weakened the European products markets slightly in the last few months. However, we expect sales to be good in the 2nd half-year due to our stable order situation for continuous cast wire rod and shapes. We are assuming that our core markets will additionally pick up in the coming months which will immediately result in strong demand for NA's copper products due to the low level of stocks.

Based on the positive business trend in the 2nd quarter, NA expects business performance to continue along the very positive trend with corresponding earnings. These will exceed the results of the previous year significantly.

Financial calendar 2005/06

16 August 2005	Interim report on 3 rd quarter 2004/05
29 October 2005	Open Day at the Hamburg Stock Exchange
20 December 2005	Unaudited results for fiscal year 2004/05
End January 2006	Interim report on the 1 st quarter 2005/06, Annual press conference and analysts conference
30 March 2006	Annual General Meeting

NA Group Consolidated Balance Sheet (IFRS) (in €thousand)	31.3.05	30.9.04
ASSETS		
Intangible assets	38,120	38,047
Property, plant and equipment	346,593	356,404
Investment property	141	141
Financial assets		
Interest in affiliated companies	1,324	300
Investments	628	603
Other financial assets	928	908
	2,880	1,811
Non-current assets	387,734	396,403
Inventories	351,569	326,364
Trade accounts receivable		
Trade accounts receivable	129,017	161,682
Other receivables and assets	83,432	87,447
	212,449	249,129
Short-term security investments	200	967
Cash and cash equivalents	3,343	15,824
Current assets	567,561	592,284
Deferred tax assets	1,254	1,204
	956,549	989,891

NA Group Consolidated Balance Sheet (IFRS) (in €thousand)	31.3.05	30.9.04
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	85,528	85,528
Additional paid-in capital	29,409	29,409
Retained earnings	294,555	296,009
Changes in accumulated other comprehensive income	(11,049)	(6,136)
Difference from currency conversion	43	0
	398,486	404,810
Minority interest	3,599	4,323
Long-term provisions		
Pension liabilities	51,172	49,797
Deferred tax liabilities	41,159	43,027
Other long-term provisions	29,714	29,892
	122,045	122,716
Long-term liabilities		
Long-term financial liabilities	110,741	112,273
Other long-term liabilities	471	342
	111,212	112,615
Long-term provisions and liabilities	233,257	235,331
Other short-term provisions	71,702	75,574
Short-term liabilities		
Short-term financial liabilities	29,816	57,389
Trade accounts payable	141,659	131,495
Other short-term liabilities	78,030	80,969
	249,505	269,853
Short-term provisions and liabilities	321,207	345,427
	956,549	989,891

NA Group Profit and Loss Account (IFRS) (in €thousand)	2nd quarter 2004/05	1st half 2004/05	2nd quarter 2003/04	1st half 2003/04
Revenues	696,613	1,362,655	643,346	1,115,099
Changes in inventories of finished goods and work in process	(46,081)	23,126	(131)	98,028
Own work capitalised	616	1,324	119	770
Other operating income	7,007	10,482	5,183	8,282
Cost of materials	(552,965)	(1,198,451)	(550,961)	(1,049,534)
Gross profit	105,190	199,136	97,556	172,645
Personnel expenses	(45,002)	(89,910)	(43,659)	(88,065)
Depreciation and amortisation	(13,205)	(26,373)	(15,045)	(30,295)
Other operating expenses	(21,601)	(42,516)	(21,815)	(41,714)
Result from investments	21	21	43	375
Net interest expense	(2,592)	(5,139)	(2,776)	(5,426)
Result from ordinary activities	22,811	35,219	14,304	7,520
Income taxes	9,284	14,247	4,930	2,590
Consolidated net income before minority interest	13,527	20,972	9,374	4,930
Income attributable to minority interest	(355)	(710)	(404)	(707)
Consolidated net income	13,172	20,262	8,970	4,223
Earnings per share (in €)	0.40	0.61	0.27	0.13
Diluted earnings per share (in €)	0.39	0.60	0.27	0.13

NA Group Consolidated Cash Flow Statement (in €thousand)	1st half 2004/05	1st half 2003/04
Result from ordinary activities	35,219	7,520
Depreciation and amortisation	26,373	30,295
Additions to current assets	(100)	0
Change in long-term provisions	1,197	570
Gain from the disposal of non-current assets	(28)	31
Result from investments	(21)	(375)
Net interest expense	5,139	5,426
Income taxes paid	(12,890)	2,782
Gross cash flow	54,889	46,249
Change in receivables and other assets, including short-term security investments	43,875	(16,733)
Change in inventories	(20,253)	(124,022)
Change in short-term provisions	(3,872)	(4,959)
Change in liabilities (excl. financial liabilities)	(14,533)	100,020
Cash inflow from operating activities (net cash flow)	60,106	555
Purchase of non-current assets	(14,567)	(12,704)
Payments for the acquisition of interests in subsidiaries	(738)	68
Proceeds from the disposal of non-current assets	91	425
Interest received	1,738	1,516
Dividends received	21	375
Cash outflow from investing activities	(13,455)	(10,320)
Proceeds from capital increases	0	1,096
Proceeds from the issuance of bonds and taking up financial liabilities	3,637	27,736
Payments from the redemption of bonds and financial liabilities	(32,742)	(16,099)
Interest paid	(6,877)	(6,942)
Dividend payments	(23,150)	(1,200)
Cash outflow from financial activities	(59,132)	4,591
Net change in cash and cash equivalents	(12,481)	(5,174)
Cash and cash equivalents at beginning of period	15,824	11,008
Cash and cash equivalents at end of period	3,343	5,834

NA Group Consolidated Statement of Shareholders' Equity						
(in €thousand)	Subscribed capital	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income	Difference from currency conversion	Total equity
Balance as at 30.9.03	84,593	27,101	270,850	3,941	0	386,485
Capital increase	316	780				1,096
Dividend payment						0
Consolidated net income			4,223			4,223
Changes in accumulated other comprehensive income				25,774		25,774
Changes in equity resulting from deconsolidation			(2,578)			(2,578)
Balance as at 31.3.04	84,909	27,881	272,495	29,715	0	415,000
Balance as at 30.9.04	85,528	29,409	296,009	(6,136)	0	404,810
Capital increase						0
Dividend payment			(21,716)			(21,716)
Consolidated net income			20,262			20,262
Changes in accumulated other comprehensive income				(4,913)		(4,913)
Changes in exchange rate					43	43
Balance as at 31.3.05	85,528	29,409	294,555	(11,049)	43	398,486

NA Group Segment Analysis								
(in € thousand)	Copper Production Segment		Copper Processing Segment		Other		Group total	
	1 st half 2004/05	1 st half 2003/04	1 st half 2004/05	1 st half 2003/04	1 st half 2004/05	1 st half 2003/04	1 st half 2004/05	1 st half 2003/04
Revenues								
Total revenues	1,018,925	720,435	1,027,349	891,962	562	845		
– inter-segment revenues	673,878	478,533	10,303	19,610	0	0		
Group with third parties	345,047	241,902	1,017,046	872,352	562	845	1,362,655	1,115,099
EBIT	19,384	87	23,992	11,091	(3,018)	1,768	40,358	12,946
Earnings before taxes	17,369	(2,836)	20,880	8,578	(3,030)	1,778	35,219	7,520

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.