



Stronger together

Annual Report 2007/08

The NA Group

Norddeutsche Affinerie is the leading integrated copper group in Europe. Our core competence lies in the production and processing of copper, the material of the future. We are excellently represented all along the value added chain of copper from raw material processing and cathode production through to the production of copper products. We are also outstandingly positioned worldwide in the recycling of copper and other metals.

Copper Production Cathodes, precious metals and by-products



In the Copper Production Segment we produce copper cathodes from copper concentrates and recycled raw materials. Both types of raw materials are sourced internationally; recycled raw materials are also procured in Germany. Our earnings are primarily determined by treatment and refining charges that are agreed with the raw material suppliers as the processing fee. Our copper cathodes fulfil the very high quality requirements of the metal exchanges. The Copper Production Segment also includes the production of precious metals, sulphuric acid, iron silicate products and other metal and chemical products from the by-elements of copper in the raw materials.

Copper Processing Shapes, wire rod, wires, strips and profiles



As an integrated copper group, we process our copper cathodes into a variety of copper products, first and foremost electrolytic copper wire rod for the cable and wire industry. In addition, we produce continuous cast shapes from cathodes for the market and for processing internally into pre-rolled strip as well as strips, shaped wires and profiles. Our revenues are determined inter alia by processing fees that reflect the value added.

The Group in figures

NA Group (IFRS)		2006/07 ¹⁾	2007/08 ¹⁾²⁾	Change in %
Copper price LME settlement (average)	US\$/t	7,088	7,785	+9.8
Results				
Revenues	€ million	6,469	8,385	+29.6
EBITDA	€ million	318	475	+49.4
EBIT	€ million	260	383	+47.3
EBT	€ million	251	341	+35.9
Net income	€ million	159	237	+49.1
Gross cash flow	€ million	231	403	+74.5
Balance sheet				
Total assets	€ million	1,940	2,966	+52.9
Non-current assets	€ million	610	920	+50.8
Capital expenditure	€ million	94	114	+21.3
Depreciation and amortisation	€ million	58	92	+58.6
Equity	€ million	654	947	+44.8
NA shares				
Market capitalisation ³⁾	€ million	1,146	1,232	+7.5
Earnings per share	€	4.24	5.82	+37.3
Dividend per share	€	1.45	1.60	+10.3
Human resources				
Number of employees (30 September)		3,284	4,764	+45.1
Personnel expenses	€ million	215	266	+23.7
Production				
Cathodes	1,000 t	572	852	+49.0
Continuous cast wire rod	1,000 t	451	740	+64.1
Continuous cast shapes	1,000 t	232	222	-4.3
Pre-rolled strip	1,000 t	120	108	-10.0
Strips	1,000 t	46	44	-4.3
Shaped wires	1,000 t	15.5	16.3	+5.2
Special profiles	t	-	2,540	-
Gold	t	33	34	+3.0
Silver	t	1,255	1,280	+2.0

¹⁾ before revaluation of LIFO inventories using the average cost method

²⁾ including Cumerio as of 29 February 2008

³⁾ at fiscal year-end on 30 September

The NA Group 2007/08

As a result of the acquisition of the Belgian competitor, Cumerio, in fiscal year 2007/08, NA has strengthened its core competence in the production and processing of copper and enhanced its position geographically. As a future-oriented and financially strong copper group, we now cover the main stages of the copper value chain at twelve production sites in seven European countries.

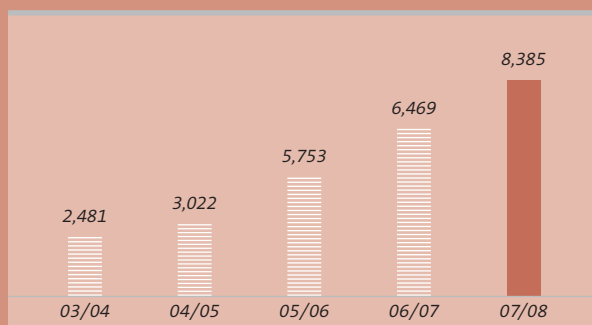
The NA Group is now the third largest producer of marketable copper worldwide and the global leader in copper recycling. Leading positions are also held in Europe in the production of copper products. Each one of our about 4,800 employees makes a specific contribution each day to the success of the group as a whole.

With the newly created corporate basis, we are in an excellent position to grow, not just in Europe, but even beyond Europe's borders, and to develop NA further into a top player in the international copper industry.



Established	1866	2005 (after demerging from Umicore)
Main production sites	Germany	Belgium, Bulgaria, Italy, Switzerland
Cathode output FY 2006/07 and 2007resp.	572,000 t	414,000 t
Employees	approx. 3,400	approx. 1,400

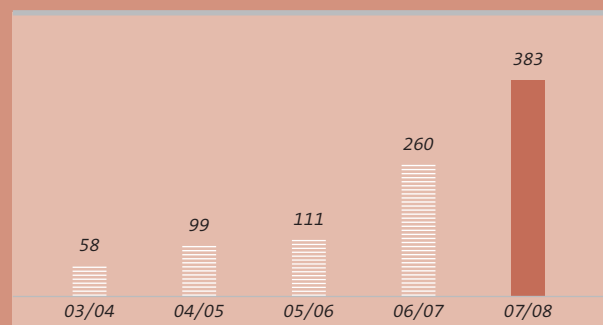
Group revenues* in € million



The NA Group continued the prior year's positive trend in revenues in fiscal year 2007/08. The about 30% growth was mainly due to the increased copper price and the full consolidation of Cumerio as of 29 February 2008.

* before revaluation of LIFO inventories

Earnings before interest and taxes (EBIT) in € million



EBIT was increased by 47%. Apart from an at times very good operating performance, this was influenced by positive price effects and stable profit contributions from the subsidiaries and Cumerio.



Stronger together

Two major companies in the European copper industry have become one. The integration process commenced in March 2008 was organised in a cooperative manner and is well advanced. Our aim is to create a company that is an international leader in performance, technology and adaptability. Our employees make an important contribution to this thanks to their considerable competence and skills. We can only achieve our goals together. Employees have endorsed with their signatures that they want to continue NA's and Cumerio's copper-driven success story in a joint company.

Strategically growing

Anyone wanting to exist in future in markets that are growing together globally must act now. We see our future in the concentration of the existing core competences as an integrated copper company. NA has completed an extensive fitness programme in recent years and created a tailor-made starting basis by expanding the business activities. As a result, a solid foundation has been built up that is eminently suitable for enhancing the internationalisation of our successful business model.

The acquisition of the Belgian competitor Cumerio in fiscal year 2007/08 was a logical step for NA to extend its activities into Europe which had formerly been concentrated in Germany. As a result of the new additions of the production sites in Belgium, Bulgaria, Italy



Dr Bernd Drouven, Chief Executive Officer

and Switzerland, we are now much more widely represented in our markets. The production plant in Pirdop, Bulgaria, is also an ideal platform to assist us in opening up the fast-growing Southeast European markets for copper.

But we will not rest on our laurels. Copper demand is increasing, particularly in the non-European emerging markets. Our strategic goal is therefore to be represented there as well in future. We are thus pursuing further external growth in our traditional business sectors to secure the future of the NA Group long-term.



Creating the basis

We have created a wider basis for further growth by acquisitions in the recycling and copper product business sectors.



Enhancing our position

We are well positioned throughout Europe thanks to the integration of Cumerio and have significantly enhanced our market position in procurement and sales.



Combining strengths

The enlarged NA combines the technical and operating strengths of two successful companies in the core business of copper.



Improving performance

The continuous and steady improvement of all procedures and processes in the Group follows the strategy of achieving a sustained increase in corporate value.



Assuming responsibility

The integration process is all about our responsibility towards employees, the environment and the community.



Shaping the future

We are developing NA further by targeted action within the context of our growth strategy and are therefore securing its future in international competition.

Our aim is clear:
We want to grow internationally from a wider European basis and develop further into a top player in the copper industry.



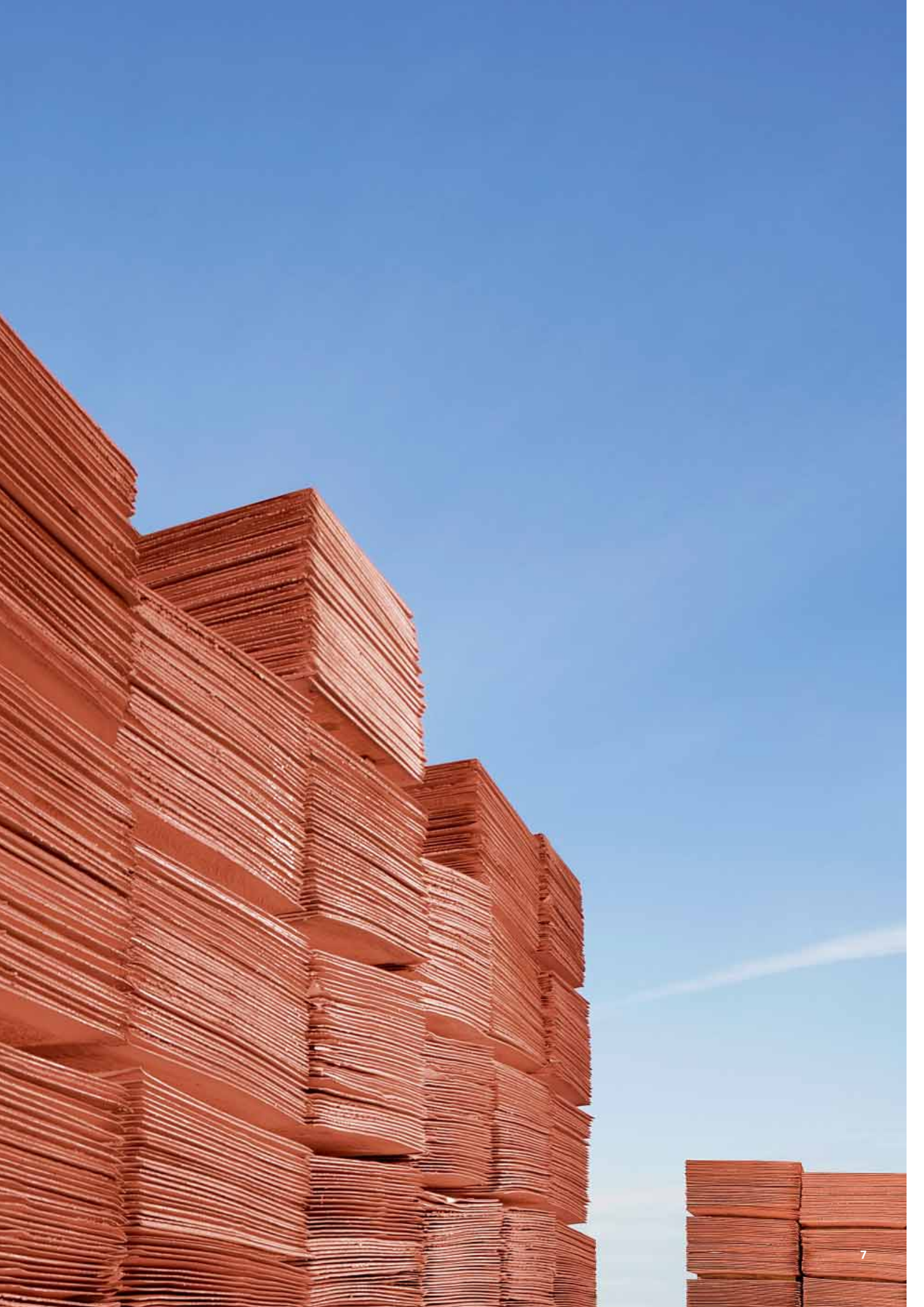
Franz-J. Westhoff

Dr Franz-Josef Westhoff, Plant Manager
Recycling Lunen

Creating the basis

Since its beginnings, NA has specialised in the production of copper and precious metals and has written a very long success story thanks to this orientation of its core business. Hamburg was our central production site until the year 2000. The key activities were the processing of copper concentrates into cathodes and processing them further into continuous cast wire rod and shapes. While giving particular regard to environmental requirements, considerable capital expenditure was invested in the modernisation of the on-site plant technology, and the capacities expanded.

We gave our business a wider basis by acquisitions made in 2000 and 2001. The important future sector of metal recycling was added when the recycling specialist Huttenwerke Kayser in Lunen, Westphalia, was amalgamated. Greater proximity to the end customer was achieved as a result of the acquisition of Prymetall and Schwermetall Halbzeugwerk (50%) in Stolberg. Customer orientation was strengthened further by taking over and developing two slitting centres in Great Britain and Slovakia.





Angela Wehrt

Angela Wehrt, Vice President ROD + SHAPES

Enhancing our position

NA took the next major strategic steps into the future in fiscal year 2007/08. The Belgian copper producer Cumerio was taken over to make our organisation more international. Cumerio's activities had been anchored in the Umicore group until 2005. This acquisition has strengthened NA, particularly, in the production of copper cathodes, wire rod and profiles and at a stroke significantly improved its position in the European product markets. Our customers also benefit from the merger thanks to the greater proximity, more attractive logistic solutions and increased know-how potential for new developments and product optimisation.

New dimensions have been achieved in the processing of raw materials which we plan to expand still further. NA meanwhile processes 1.9 million tonnes of copper concentrates and up to 500,000 tonnes of copper-bearing secondary raw materials per annum. We have thus developed into an even more important partner for our raw material suppliers, above all the mining companies and the metal trade.

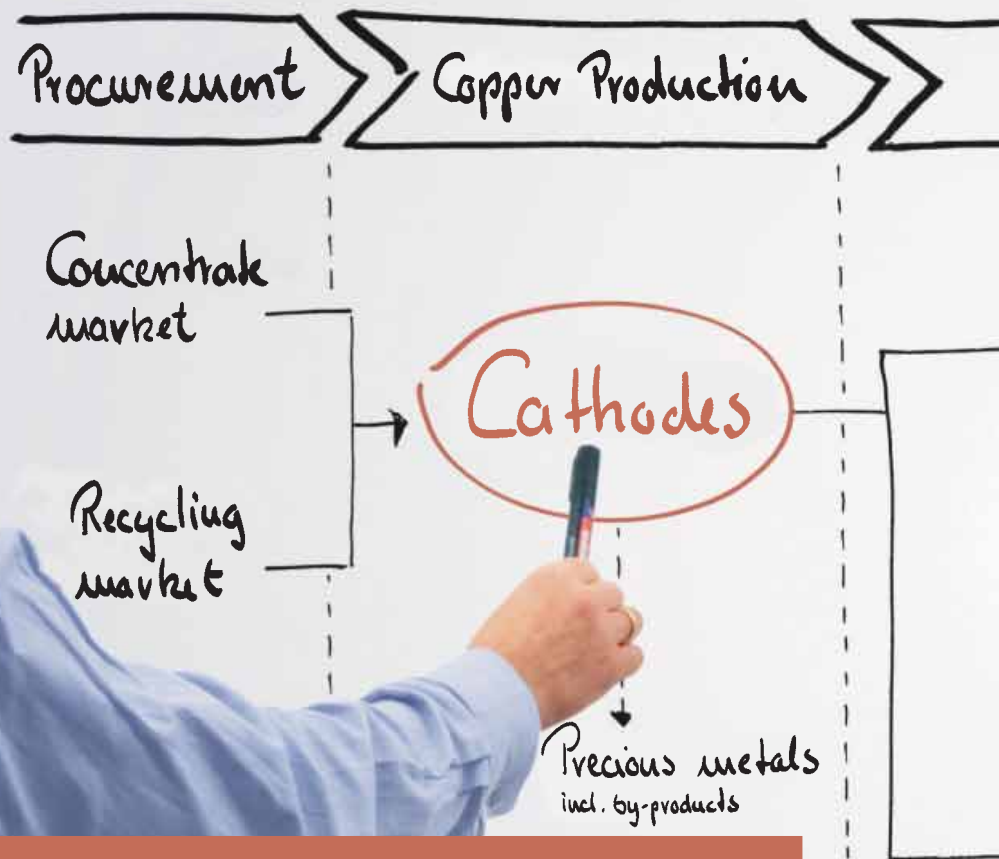
Belgium: Olen
Primary Copper Production,
Recycling/Precious Metals,
Copper Processing

Bulgaria: Pirdop
Primary Copper Production,
Recycling/Precious Metals

Switzerland: Yverdon-les-Bains
Copper Processing

Italy: Avellino
Copper Processing

Stronger Together



Thomas Sturm

Dr Thomas Sturm, Senior Manager
Corporate Development



Jo Rogiers

Jo Rogiers, Senior Manager
Business Development Copper Products

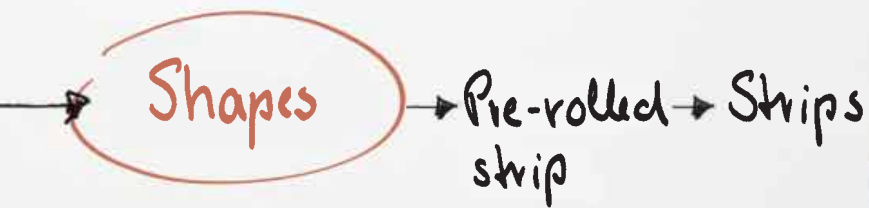
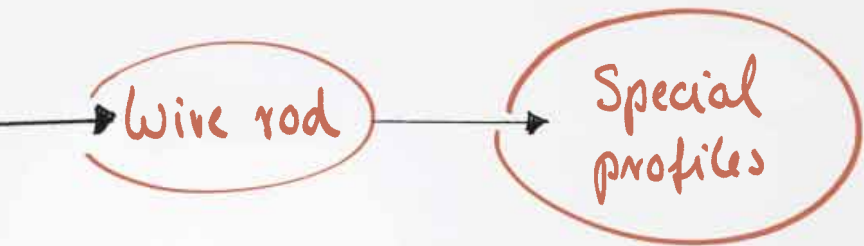
Combining strengths

Both NA and Cumerio have written their own success stories in the past. Both companies can boast highly developed technical process and market competence, each of which is unique in itself. We use this valuable source of experience and expertise to pool the strengths of the two companies and to form a powerful organisation.

The companies' production sites and their production and market development structures complement each other ideally. The basic approaches to tap synergies in the group are therefore manifold. They lie in the optimisation of the group-wide logistics, the development of best practice standards, increasing productivity by inter alia the transfer of technical know-how, the bundling of research and development – a variety of identified measures, incorporated in an all-embracing integration concept.

in our core business

Copper Processing



Shaped
wires





D. STERCKX

Dirk Sterckx, General Manager Cumerio Belgium

Improving performance

NA's strategy is value-based. Growth must be quality-based and fulfil the prerequisite that the contribution to securing and increasing the Company's profitability is significant. We took this into account when we merged NA and Cumerio.

Continuous improvement in efficiency and operating excellence in all corporate sectors has top priority. With a wide variety of measures, we are in a permanent process of optimising processes and work sequences and developing production facilities further from the technical side. All sectors and the entire workforce are involved in this process. Far-reaching projects to reduce costs, improve quality and save energy have already been implemented.





Julia Rosenkranz

Julia Rosenkranz, Head of HR Corporate

Assuming responsibility

We want to get the best out of both corporate worlds and combine them in a new joint culture. All employees at all group sites should be able to identify with it. Extensive vocational training activities to enhance professional skills create the basis for safeguarding the jobs in the group in international competition.

We also assume responsibility as regards our neighbours and the environment. We pursue transparency and dialogue with the public at all NA production sites. We are involved in various projects with young people in our vicinity in Hamburg and Lunen in order to make the start to their working life easier. This is an innovative approach that sets a precedent for the other locations. In environmental protection, we set benchmarks with state-of-the-art technology and environmental management systems. The environmentally sound recycling of metals, in which NA is excellently positioned, is environmental protection in practice and the conservation of resources par excellence. It ensures that loops are closed in material cycles and avoids waste disposal.



A stylized world map in shades of blue and white. Overlaid on the map are several thick, curved red lines that sweep across the continents, suggesting global connectivity or expansion. The lines are more densely packed in the Asia-Pacific region.

Peter Willbrandt

Peter Willbrandt, Member of the Executive Board

Shaping the future

The global copper industry is going through a phase of consolidation and internationalisation. Copper demand in the main growth markets of Asia, in South America and in East and South-east Europe is in some cases increasing significantly. At the same time, competition is becoming tougher. Trade policy measures have an impact on business and new expanded capacities are coming on to the market.

Only those companies will be successful long-term that can hold up well in a globalised market on account of their size, structure and culture. We accept the challenges of these times and regularly examine our international competitiveness. On the basis of our newly created European platform, we are aiming at additional internal and external growth, also through acquisitions outside Europe. In doing so, we expand our action radius and focus on attractive markets of the future. At the same time, we will continue to contribute to consolidation in the copper industry.



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The Year in Review



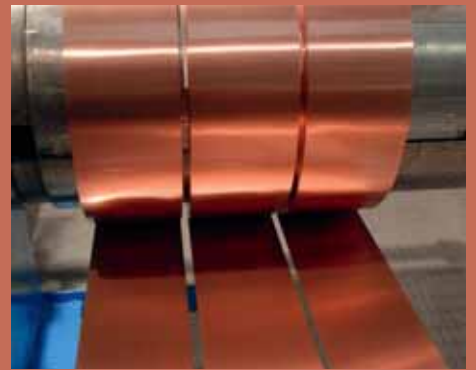
October 2007

- Future in recycling: the new facility for sampling precious-metal bearing electronic scrap is commissioned.



November 2007

- Expansion: NA successfully places a capital increase with proceeds from the new issue of about € 100 million for the Cumerio takeover. At the same time, a new slitting centre was inaugurated in Dolný Kubín at Prymetall Slovakia.



December 2007

- Record results: due to the excellent production performance and good treatment and refining charges, NA expects the best results in company history and announces that the dividend will be increased.



April 2008

- Competence and sustainability: NA and Vattenfall sign a contract to secure the electricity supply at favourable conditions long-term.
- Dr Stefan Boel is appointed as a new member of the Executive Board on 19 April.



May 2008

- Environmental protection and integration: NA achieves its environmental targets by inaugurating the new gas cleaning plant in Pirdop.
- The first management meeting for the new combined group is held in Hamburg.



June 2008

- Copper – so close to the heavens: NA sponsors a total of 50 tonnes of copper to renew the roof on Hamburg's landmark, the Michel.



January 2008

- Stronger together: NA receives the approval of the European Union to the merger with Cumerio. The Supervisory Board appoints Dr Drouven as Chief Executive Officer of the largest European copper producer.



February 2008

- NA's Annual General Meeting is held on 29 February 2008, attended by more than 3,300 shareholders and guests.



March 2008

- Promotion of young talent: NA campaigns for new academic recruits at the third Technical University Day. 350 students from local schools visited the information stands of the universities and companies participating.



July 2008

- Successful start: Model "9Plus": twelve trainees are successfully instructed by NA and the Slomanstieg School. Ten of them begin an apprenticeship at NA.



August 2008

- The German Chancellor on a visit: German Chancellor, Dr Angela Merkel, Federal Minister, Dr Annette Schavan, and the Lord Mayor of Hamburg, Ole von Beust, welcome the apprentices and "9Plus" trainees.
- Copper meets steel: NA welcomes the commitment of Salzgitter AG, which holds 6% of NA shares.



September 2008

- NA's copper dragon again flanks the Alster Lake in Hamburg during this year's CHINA TIME.



Dr Stefan Boel

worked as of 2001 in Product Development and Marketing in the former Copper Division of Umicore S.A. and subsequently was the commercial director of the Umicore plant in Bulgaria. After the demerger of Cumerio from the Umicore Group, Dr Boel became Vice President Copper Refining and Mining Projects and a member of the Executive Committee. As part of the integration of Cumerio in the NA Group, he joined NA's Executive Board on 19 April 2008 and was put in charge of the Copper Products Segment.

Peter Willbrandt

joined the NA Group in 1988. After senior positions in the smelter production sectors, he was put in charge of the Metallurgy business unit in 2001. This was followed by his appointment as General Manager of Primary Copper Production in 2004. He was appointed deputy member of the Executive Board on 1 April 2007 and has been a full member of the Executive Board since 19 April 2008, with Copper Production at the Hamburg site as his responsibility. He has also been made responsible for Primary Copper Production in Olen and Pirdop since the acquisition of Cumerio.

Erwin Faust

held managerial positions in the Volkswagen Group, at VAW Aluminium and since 2003 at Novelis Europa, a sub-group of Novelis Inc. (formerly Alcan Inc.) before joining NA. As the Chief Financial Officer of Novelis Europa, he served on the supervisory committees of the European companies and for a time as the commercial director of the German company. Mr Faust was appointed Chief Financial Officer on NA's Executive Board with effect from 1 October 2008.

Dr Bernd Drouven

after management positions in the metal industry at Preusag, Degussa and Possehl, began his career in the NA Group in 2001 as the Managing Director of the former subsidiary Spiess-Urania Chemicals. In 2004 he moved to the group headquarters and was responsible for the strategic planning in the NA Group. He has been a full member of NA's Executive Board since January 2006 and was the Chief Financial Officer until the end of September 2008. Dr Drouven was appointed Chief Executive Officer on 16 January 2008.

Dr Michael Landau

has been employed by NA since 1981. In March 1998 he was appointed a deputy member of the Executive Board and has been a full member since 1 June 1999. Dr Landau took over as Director of Labour Affairs on 9 November 2007 and is therefore responsible for Human Resources. He was additionally put in charge of the Recycling and International Projects Sectors in the fiscal year. He has also been responsible for the Precious Metals Sector since the Cumerio takeover.

Letter to the Shareholders

Dear Shareholders,

NA is looking back on a fiscal year with many changes – changes on the inside and the outside. Important decisions about the future course of the company were taken; many new developments were set in motion. Profound changes have taken place on the financial markets, the effects of which have not gone unnoticed by any country, nor by any industry. From the summer onwards, the metal markets and the copper market were also increasingly affected by the consequences of the financial crisis and the economic downturn.

And yet this fiscal year has turned out to be very successful for NA. We have once again achieved an outstanding operating result, which we would like to share with you substantially through an attractive dividend. Our balance sheet is very sound. A key reason for the favourable trend in earnings was the continued positive situation in NA's core markets. In the copper market, the high-price phase continued until summer 2008, with copper priced at about US\$ 8,000/t. This was reinforced by certain fundamental factors: although copper demand in North America and Western Europe showed first signs of weakening, demand remained high in the growth market of China. Copper production output did not meet expectations, which initially resulted in a production deficit in the global copper balance.

Our raw material supply of copper scrap and other recycled materials contributed substantially to the good results. Thanks to our long-term procurement strategy, the processing of concentrates was satisfactory despite disappointing developments on the supply side. In the product sector we benefited particularly from high demand for copper for conductors and special applications. Only the continuous casting sector suffered distinct decreases in demand for standard products, due to price-induced material substitution and the downward economic trend in the industry.

The acquisition of our European competitor Cumerio also had a crucial influence on our operating result. Growth is a decisive feature of a successful company. Again and again, we had in the past considered expanding and consolidating our position on the copper market by taking a step in the direction of internationalisation. By taking over Cumerio, NA has now taken that step and grown into a European dimension – a key factor for our company's future competitiveness in view of the swift changes taking place in the global copper industry. Cumerio complements us perfectly. The acquisition of this Belgian copper company has strengthened us in the field of copper production and processing, turning us into Europe's leading integrated copper producer. On a global level, we have advanced to become the third largest producer of copper cathodes. Cumerio's sites in Belgium, Bulgaria, Italy and Switzerland mean that we now have a very good regional line-up. At the same time, the copper production facilities in the Bulgarian town of Pirdop provide the ideal basis for developing the southeast European growth markets.

The most important fundamental decisions about the future course are made especially at the start of an integration process. The decision by the Federal Cartel Office concerning the involvement of Austrian company A-Tec Industries AG in Cumerio and NA prevented it from exerting a possible influence on the operating business. With the support of the management of Cumerio and NA, we immediately launched into the task of integration, once the approval of the antitrust authorities had been secured. This job has now largely been completed, without having had to substantially adjust the size of the workforce. For each of our business sectors, we have defined strategies and growth objectives, restructured and streamlined our organisation and processes on a Group-wide scale, and adapted decision-making mechanisms to the Group structure. In this connection, there were some changes in the

Executive Board, and the organisation was optimised. Another focus of our activities was the merging of our individual cultures. After this, we very quickly moved on to making use of the existing synergies. Processes and work procedures were improved, logistical potentials exploited. A uniform presence in the market has also been implemented in the meantime. Over the past months we have invested considerable creative and implementational energy into shaping NA and Cumerio to become a modern copper group that holds a leading position in its markets.

In order for this restructuring to be reflected by the formal outward presentation of our company as well, we have decided to give NA a new name. This name should indicate the internationalisation of the copper business and be connected to our special metal, copper. At the Annual General Meeting on 26 February 2009, we will therefore propose changing NA's name to **Aurubis**. The word Aurubis is of Latin origin and means "red gold". It therefore goes to the heart of what copper means to us and to our customers: a metal of exceptional value. Copper is the oldest metal to be used by mankind and has always been a guarantor of progress and quality of life. This remains true to this day and holds for the future too: mobile phones, computers, the optimum conduction of heat and electricity – none of these would be conceivable without the use of copper. What will remain is NA's well-known blue triangle. This has a long tradition and has been repeatedly modernised in the course of the company's 140-year history.

Following the integration of Cumerio, we now want to consolidate what we have achieved so far and follow it up with additional strategic steps. In the very difficult environment that has resulted from the worldwide financial crisis and its consequences, this calls for additional efforts to be made. Our corporate foundations are sound, our position in our areas of business is strong, and our workforce is highly motivated and qualified. We therefore feel confident that we can handle the challenges that the new fiscal year holds in store for us. The copper market is likely to help us a little in this: the treatment and refining charges for copper concentrates are increasing, and once the special seasonal effects at the end of the year have disappeared, product demand is likely to increase once again, despite the weak economy.

We are therefore entering the 2008/09 fiscal year with optimism and with the firm conviction that we will assert ourselves despite the fragility of the global economy and a lack of clarity as to how the copper market will develop. We want to continue to grow and increase our corporate value. Our employees, whom I would like to take this opportunity to thank for their strong commitment, are also dedicated to this goal.

I would also like to take this opportunity to thank you, our shareholders, on behalf of the Executive Board for standing by us in difficult times. I hope you will continue to accompany NA, and soon Aurubis, along its path of profitable growth.

Yours sincerely



Dr Bernd Drouven
Chairman of the Board

Report of the Supervisory Board

Dear Shareholders,

Norddeutsche Affinerie AG generated its best results ever in fiscal year 2007/08. Apart from the initial economic growth, this success was above all due to good refining charges, positive results from favourable constellations on the metal exchange and very strong demand for wire rod and sulphuric acid. Credit is due once again to the Executive Board, management and employees from all sectors, who contributed to the particularly good business result.

In the past fiscal year 2007/08, the Supervisory Board was again in constant contact with the Executive Board, advised it, and monitored and supervised the main business processes on a continuous basis. The Supervisory Board supports the Group's current strategic orientation, which has been agreed with it, and the management of the Company by the Executive Board.

The Supervisory Board has twelve members with equal representation in accordance with the German Co-determination Act, six of whom represent the shareholders and six the employees. Until the Annual General Meeting on 29 February 2008, the shareholders' representatives on the Supervisory Board were Dr Ernst J. Wortberg (Chairman), Dr Peter von Foerster, Mr Ulf Gänger, Mr Rainer Grohe, Prof. Dr Jürgen Haußelt and Prof. Dr Fritz Vahrenholt. The employees' representatives were Mr Hans-Jürgen Grundmann (Deputy Chairman of the Supervisory Board), Dr Joachim Faubel, Mr Gottlieb Förster, Mr Gerd Körner, Mr Rolf Schwertz and Mr Helmut Wirtz.

Changes in the membership of the Supervisory Board since the Annual General Meeting were as follows: Mr Thomas Leysen joined the Supervisory Board as a representative of the shareholders, while Ms Renate Hold and Dr Thomas Schultek joined as representatives of the employees. Dr Joachim Faubel, Prof. Dr Haußelt and Mr Gerd Körner stepped down from the Supervisory Board at the Annual General Meeting.



Dr Ernst J. Wortberg
Chairman of the Supervisory Board

All the other members were re-elected. In the constituent meeting on 29 February 2008, Dr Ernst J. Wortberg was re-elected as Chairman and Mr Hans-Jürgen Grundmann was re-elected as Deputy Chairman of the Supervisory Board.

In a letter dated 28 November 2008, Mr Ulf Gänger resigned as a member of the Supervisory Board and the committees with effect from 31 December 2008. Prof. Dr Heinz Jörg Fuhrmann was appointed by the court as a member of the Supervisory Board effective 5 January 2009.

The Supervisory Board performed the functions incumbent upon it by law and in the Articles of Association with great care during the past fiscal year. The Executive Board and the Supervisory Board cooperated closely, with the common aim of achieving a sustained increase in corporate value. The Supervisory Board was comprehensively involved on a timely basis in all decisions of fundamental importance for the Company.

The Executive Board informed the Supervisory Board regularly, promptly and comprehensively, in written and verbal reports about planned business policies, all fundamental aspects of the corporate planning, including financial, investment and personnel planning and the further strategic development. The main focus was on the continuation and completion of the takeover of the Belgian copper group, Cumerio sa/nv, and the change in the shareholder structure. In addition, the Supervisory Board was kept informed regularly, promptly and in detail about the Company's profitability, the business trends, the Group's position including the risk situation, and risk management and compliance within the Group. Deviations in the course of business from the plans and targets were discussed in detail by the Supervisory Board and reviewed by it on the basis of the documents presented. The Executive Board similarly kept the Supervisory Board informed – also between meetings – about events of fundamental importance for the assessment of the Company's situation and development and for the management of the Company.

Following a detailed discussion and the subsequent consideration of the existing interests, the Supervisory Board resolved on 8 November 2007 to approve the increase of almost 10% in the Company's subscribed capital, which had been resolved by the Executive Board that day, by issuing 3,715,430 new shares for a cash contribution under exclusion of shareholder subscription rights. The proceeds from this increase in capital were used primarily to finance the Company's merger with Cumerio sa/nv.

The Executive Board agreed the Company's strategic orientation with the Supervisory Board, especially the completion of the acquisition of Cumerio sa/nv, continually and at length. In addition, the current status of the integration of Cumerio sa/nv, the reorganisation of the Group and the achieved and expected synergies were a significant element of each subsequent Supervisory Board meeting, and were discussed at length.

Furthermore, following the receipt of detailed reports from the Executive Board, all important business transactions were discussed extensively by the Supervisory Board and debated in the respective responsible committees. The documents required for making decisions, in particular the separate financial statements of NA AG, the consolidated financial statements and the long-form audit report, were issued to the members of the Supervisory Board in good time before the meetings, and reviewed by them. The Supervisory Board has redefined rights of veto for transactions of fundamental importance, in particular those that would have a fundamental effect on the net assets, financial position and results of operations. The Supervisory Board or the responsible committees gave their approval to important business requiring approval, such as the capital increase by 10%, the reorganisation of the Executive Board and the Group, as well as the construction of a new storage facility and the expansion of the KRS activities at the Lunen production site, in each case following detailed consultations.

Outside the Supervisory Board meetings, the Chairman of the Supervisory Board was also in regular close contact with the Executive Board and was always informed on a timely basis and in detail about the current development of the business situation and key business issues; he conducted separate discussions with the Executive Board on important questions of Company strategy and business policy as well as the Company's risk and compliance management.

Five scheduled Supervisory Board meetings, a constituent Supervisory Board meeting and a further four extraordinary Supervisory Board meetings, above all on account of the fundamental importance of the integration of Cumerio sa/nv, were held in fiscal year 2007/08. No member of the Supervisory Board attended less than half of the Supervisory Board meetings.

Work of the committees

The Supervisory Board decided not to appoint a Preparatory Committee at its constituent meeting on 29 February 2008. In addition to the **Conciliation Committee** required by law in accordance with Section 27 paragraph 3 German Co-determination Act, the Supervisory Board again appointed a **Personnel Committee**, an Audit Committee and a Nomination Committee. Apart from the **Nomination Committee**, which is made up of three representatives of the shareholders, all committees have an equal number of representatives of the shareholders and the employees. The Chairman of the Supervisory Board also chairs all committees, apart from the Audit Committee. The Chairman of the Audit Committee has specialist knowledge and experience of the application of accounting principles and internal control procedures.

During the year under review, the Personnel Committee met eight times, the Audit Committee held five scheduled meetings and the Nomination Committee met three times. The auditors participated in one meeting of the Audit Committee. The Conciliation Committee did not meet during the fiscal year.

Apart from the review of the appropriateness of the structure and level of compensation paid to the members of the Executive Board, a significant focus of the work of the Personnel Committee was on finding replacements for the positions on the Executive Board, in particular that of the Chief Executive Officer and the Chief Financial Officer.

The Audit Committee considered, in particular, the separate financial statements of NA AG and the consolidated financial statements for the past fiscal year, accounting questions, the risk management and the internal control systems, the appointment of the auditors and the agreeing of the fee with the auditors. In addition, it monitored the independence of the auditors and obtained the respective declaration. The Audit Committee considered the Company's risk and compliance management including the tasks of the internal auditors. It discussed significant risks with the Executive Board.

The Nomination Committee considered the selection of the new candidates for election as shareholder representatives on the Supervisory Board at the 2008 Annual General Meeting.

Following the meetings, the committee chairmen reported to the Supervisory Board in each case on the work of the committees and the results achieved.

Main matters considered by the Supervisory Board

Apart from the developments on the metal and foreign exchange markets, as well as the raw material, energy and product markets, the meetings mainly considered the integration of Cumerio and related topics. In addition, the consultations also focused on the necessity for capital measures, the appointment of Dr Drouven as the new Chief Executive Officer, the antitrust implications of the initial acquisition by A-TEC Industries AG of 15% of the shares in the Company and the acquisition of an investment in our Company by Salzgitter AG. Furthermore, the organisation of the newly established Business Units including the group companies belonging to them was discussed. The Supervisory Board likewise considered investments in expansion projects at the Lunen site.

Corporate governance

The Supervisory Board discussed in detail the appropriateness of the structure of the Executive Board's compensation system and will review this at regular intervals. At its meeting on 18 September 2008, the Supervisory Board also reviewed the efficiency of its activities.

No former members of the Executive Board serve on the Supervisory Board.

On 15 January 2009, the Executive Board and Supervisory Board once again issued a Declaration of Conformity in accordance with Section 161 German Companies Act.

It is included in this annual report and available at www.na-ag.com.

Further information on corporate governance at Norddeutsche Affinerie AG is provided by the joint report by the Executive Board and Supervisory Board in this annual report.

Audit of the separate and consolidated financial statements

The Company's financial statements prepared by the Executive Board in accordance with the HGB (German GAAP) and the consolidated financial statements prepared in accordance with IFRS (International Financial Reporting Standards) for the fiscal year from 1 October 2007 to 30 September 2008 and the management reports for the Company and the Group, together with the bookkeeping system, have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Berlin, (since 1 October 2008: KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin), in accordance with the resolution passed at the Company's Annual General Meeting on 29 February 2008 and their subsequent appointment as auditors by the Supervisory Board. The auditors have issued an unqualified auditors' report.

The meeting of the Supervisory Board to approve the financial statements was held on 15 January 2009. All members of the Supervisory Board received copies of the financial statements and audit reports as well as the Executive Board's recommendation on the appropriation of the net earnings and all other documents in good time before this meeting. These documents were discussed in detail at the meeting of the Supervisory Board to approve the financial statements. The auditors participated in this meeting, reported in detail on how the audit had been performed and their main audit findings and were available to provide the Supervisory Board with further information, discuss the documents and make additional comments.

Report of the Supervisory Board

Following a detailed discussion on the audit and the auditors' findings and a thorough consideration of the report by the auditors and the recommendation of the Executive Board on the appropriation of the net income, and on the basis of its own review of and discussion on the separate financial statements of NA AG, the consolidated financial statements, the management reports for the Company and the Group and the Executive Board's recommendation on the utilisation of the unappropriated earnings, the Supervisory Board concurred with the results of the audit. The Supervisory Board concluded that no objections need to be raised, based on the results of its review, and, in accordance with the recommendations of the Audit Committee, approved at the meeting on the financial statements, the separate financial statements of NA AG, which were thus adopted, as well as the consolidated financial statements, the management report for NA AG and the consolidated management report. The Supervisory Board concurred with the Executive Board's recommendation on the utilisation of the unappropriated earnings.

Changes in the Executive Board

On 9 November 2007 the Supervisory Board complied with the request of the Chief Executive Officer, Dr Werner Marnette, to relieve him of his duties with immediate effect by mutual consent. We wish to thank Dr Marnette for his achievements on behalf on the Company.

On 9 November 2007 the Supervisory Board appointed the Executive Board member, Dr Michael Landau, Director of Labour Affairs.

At the request of the Supervisory Board, Dr Bernd Drouven took over the coordination of the work of the Executive Board and the external representation of the Executive Board, similarly on 9 November 2007. On 16 January 2008, the Supervisory Board appointed Dr Bernd Drouven Chief Executive Officer with immediate effect.

On 19 April 2008, the Supervisory Board appointed Dr Stefan Boel a member of the Executive Board and Mr Peter Willbrandt a full member of the Executive Board with immediate effect.

On 18 September 2008 the Supervisory Board appointed Mr Erwin Faust Chief Financial Officer of the Company with effect from 1 October 2008.

On 31 December 2008 Dr Bernd Langner retired from the Company's Executive Board. Our thanks go to Dr Langner for his successful contributions to the Company.

The Supervisory Board would like to thank the Executive Board, the management, the employees and the employees' representatives of all the group companies for their responsible, dedicated service and successful work during the year under review.

Hamburg, 15 January 2009

The Supervisory Board



Dr Ernst J. Wortberg

Chairman of the Supervisory Board

Supervisory and Executive Boards

SUPERVISORY BOARD

Dr Ernst J. Wortberg, Dortmund

Chairman

Professional Supervisory Board Member

Hans-Jürgen Grundmann, Seevetal*

Deputy Chairman

Shop mechanic

Chairman of the Works' Council of

Norddeutsche Affinerie AG

Dr Joachim Faubel, Hamburg* (*until 29 February 2008*)

Graduate engineer

Strategic Planning/International Relations at

Norddeutsche Affinerie AG

Gottlieb Förster, Itzstedt*

Union Secretary of the Industrial Union: Mining, Chemistry,

Energy, Hanover

> Currenta GmbH & Co. OHG; Leverkusen

Deputy Chairman of the Supervisory Board

> Gerresheimer AG, Düsseldorf

Deputy Chairman of the Supervisory Board

> Chemie Pensionsfonds AG, Munich

Member of the Supervisory Board

Dr Peter von Foerster, Hamburg

Lawyer

> Holcim (Deutschland) AG, Hamburg

Chairman of the Supervisory Board

> Unilever Deutschland GmbH, Hamburg

Member of the Supervisory Board

> Hemmoor Zement AG i.L., Hamburg

Deputy Chairman of the Supervisory Board

> Desitin Arzneimittel GmbH, Hamburg

Deputy Chairman of the Advisory Board

> Bernhard Schulte KG, Hamburg

Member of the Advisory Council

Prof. Dr Heinz Jörg Fuhrmann, Salzgitter

(*appointed by the court as of 5 January 2009*)

Deputy Chairman of the Executive Board of

Salzgitter AG, Salzgitter

> Mannesmannröhren-Werke GmbH, Mülheim**

Member of the Supervisory Board

> Salzgitter Mannesmann Handel GmbH, Düsseldorf**

Deputy Chairman of the Supervisory Board

> Salzgitter Stahl GmbH, Salzgitter**

Member of the Supervisory Board

> Salzgitter Flachstahl GmbH, Salzgitter**

Member of the Supervisory Board

> Europipe GmbH, Mülheim**

Member of the Supervisory Board

> Öffentliche Lebensversicherung Braunschweig, Brunswick

Member of the Supervisory Board

> Öffentliche Sachversicherung Braunschweig, Brunswick

Member of the Supervisory Board

> Klöckner-Werke AG, Frankfurt am Main**

Chairman of the Supervisory Board

> KHS AG, Dortmund**

Member of the Supervisory Board

> Nordcon Investment Management AG, Hanover

Member of the Supervisory Board

> TÜV Nord AG, Hanover

Member of the Supervisory Board

> Ets. Robert et Cie S.A.S. (Comité de Surveillance),

F-95500 Le Thillay

Member of the Advisory Council

Ulf Gänger, Hamburg (*until 31 December 2008*)

Professional Supervisory Board Member

> NAVIS Schifffahrts- und Speditions-Aktiengesellschaft,

Hamburg

Chairman of the Supervisory Board

> Peter Cremer Holding GmbH & Co., Hamburg

Member of the Advisory Council

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

Deputy Chairman of the Advisory Council

> First Ship Lease Pte. Ltd., Singapore

Member of the Board

Supervisory and Executive Boards

Rainer Grohe, Otterstadt

Professional Supervisory Board Member

- > Ball Packaging Europe GmbH, Ratingen
Chairman of the Supervisory Board
until 31 December 2007
- > K+S Aktiengesellschaft, Kassel
Member of the Supervisory Board
- > PFW Aerospace AG, Speyer
Member of the Supervisory Board
- > Graphit Kropfmühl AG, Munich
Member of the Supervisory Board since 6 May 2008

Prof. Dr Jürgen Haußelt, Germersheim

(until 29 February 2008)

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

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

Renate Hold, Drochtersen* *(since 29 February 2008)*

Clerical employee

Deputy Chairman of the Works Council and
Chairman of the Group General Works Council
of Norddeutsche Affinerie AG

Gerd Körner, Hamburg* *(until 29 February 2008)*

Employee in the Accounts Department of
Norddeutsche Affinerie AG

Thomas Leysen, Antwerp *(since 29 February 2008)*

Chairman of the Board of Directors of
Umicore sa/nv, Brussels, Belgium

- > Corelio NV, Groot-Biggarden, Belgium
Chairman of the Board
- > B. Metzler seel. Sohn & Co., KGaA,
Frankfurt am Main
Member of the Supervisory Board
- > CMB nv, Antwerp, Belgium
Member of the Supervisory Board

Dr med. Thomas Schultek, Lubeck*

(since 29 February 2008)

Head of Group Health Protection at
Norddeutsche Affinerie AG

Rolf Schwartz, Datteln*

Bricklayer and boiler operator

Member of the Works Council of
Norddeutsche Affinerie AG, Lunen works

Prof. Dr Fritz Vahrenholt, Hamburg

Chairman of the Management Board of
RWE Innogy GmbH, Essen since 1 January 2008

- Chairman of the Executive Board of
REpower Systems AG, Hamburg
until 31 December 2007
- > REpower Systems AG, Hamburg
Deputy Chairman of the Supervisory Board
until 10 July 2008
- > Ersol Solar Energy, Erfurt
Member of the Supervisory Board
until 30 August 2008
- > ThyssenKrupp Technologies AG, Essen
Member of the Supervisory Board
- > VERBIO Vereinigte Bioenergie AG, Leipzig
Deputy Chairman of the Supervisory Board
- > KELAG Kärntner Energieversorgung,
Klagenfurt
Member of the Supervisory Board since 1 June 2008

Helmut Wirtz, Stolberg*

Managing Director of IG Metall, Stolberg

- > Leoni AG, Nürnberg
Member of the Supervisory Board since 8 July 2008

* elected by the employees

** group company

SUPERVISORY BOARD COMMITTEES

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

Dr Ernst J. Wortberg (Chairman)
Hans-Jürgen Grundmann (Deputy Chairman)
Dr Peter von Foerster
Renate Hold since 29 February 2008
Gerd Körner until 29 February 2008

Audit Committee

Ulf Gänger (Chairman) until 31 December 2008
Gottlieb Förster
Hans-Jürgen Grundmann
Dr Ernst J. Wortberg

Personnel Committee

Dr Ernst J. Wortberg (Chairman)
Dr Peter von Foerster
Dr Joachim Faubel until 29 February 2008
Renate Hold since 29 February 2008
Hans-Jürgen Grundmann
Gerd Körner until 29 February 2008
Dr Thomas Schultek since 29 February 2008
Prof. Dr Fritz Vahrenholt

Preparatory Committee until 29 February 2008

Dr Ernst J. Wortberg (Chairman)
Dr Peter von Foerster
Hans-Jürgen Grundmann
Rolf Schwertz

Nomination Committee

Dr Ernst J. Wortberg (Chairman)
Dr Peter von Foerster
Rainer Grohe

EXECUTIVE BOARD

Dr Bernd Drouven, Hamburg

born: 19 September 1955
Chief Financial Officer until 30 September 2008
Coordinator of the Executive Board since 9 November 2007
Chief Executive Officer since 16 January 2008
appointed until 31 December 2011

Dr Stefan Boel, Hamme, Belgium

born: 9 June 1966
Member of the Executive Board since 19 April 2008
appointed until 30 April 2011

Erwin Faust, Wesseling

born: 4 January 1957
Member of the Executive Board since 1 October 2008
appointed until 30 September 2011

Dr Michael Landau, Mölln

born: 26 July 1950
Member of the Executive Board
Director of Labour Affairs since 9 November 2007
appointed until 31 May 2010

Dr Bernd 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 until 31 May 2008

Dr Werner Marnette, Hollenstedt

born: 27 September 1945
Chairman of the Executive Board and Director of Labour Affairs
until 9 November 2007
> Leoni AG, Nürnberg
Member of the Supervisory Board until 15 July 2008

Peter Willbrandt, Winsen/Luhe

born: 16 February 1962
Full member of the Executive Board since 19 April 2008
(previously Deputy Member of the Executive Board)
appointed until 31 March 2010

Corporate Governance Report

REPORT OF THE EXECUTIVE AND SUPERVISORY BOARDS ON THE COMPANY'S CORPORATE GOVERNANCE

Norddeutsche Affinerie AG has always attached great importance to good corporate governance. Close and efficient cooperation between the Executive and Supervisory Boards, respect for shareholders' interests, open corporate communications, the responsible handling of risks as well as the sound financial reporting and annual audit form the basis for success. We regard corporate governance as an ongoing process and will continue to pay close attention to future developments.

We will continue to publish the consolidated financial statements within 120 days of the end of the fiscal year. Since the Company's fiscal year differs from the calendar year, compliance with the 90 day time limit, as recommended in Section 7.1.2 sentence 4 (1st alternative) of the German Corporate Governance Code, would result in publication during the public holiday period at the end of the calendar year with the result that their publication would receive insufficient attention.

As a result of the consolidation of the Belgian Cumerio sa/nv, the interim reports as at 31 March and 30 June 2008 were not made available to the public within 45 days, but instead within 60 days (deviation from Code Section 7.1.2 sentence 4 (2nd alternative)). The Company intends to comply with this recommendation again in the future.

Since most of the contracts with the new Executive Board members generally only have a term of three years and a compulsory ruling in the contracts of Executive Board members is not permissible by law, no severance payment caps (limited to two years' compensation) have been included in these contracts (deviation from Code Section 4.2.3 paragraph 4).

The Company complies with most of the Code's voluntary proposals.

Close cooperation between Executive Board and Supervisory Board

The Executive Board and the Supervisory Board work closely together in the interests of the Company. In particular, the Chief Executive Officer and the Chairman of the Supervisory Board are in regular contact and discuss the Company's strategy, business development and compliance and risk management. The Chief Executive Officer kept the Chairman of the Supervisory Board informed at all times comprehensively and promptly on all matters of importance that were significant for assessing the situation, the budget and the development of the business, the risk situation, the management of risks and compliance, and for the management of the Company. The Executive Board provided detailed explanations to the Supervisory Board on any deviations from the plans and targets. Furthermore, the Company's strategic orientation is agreed regularly with the Supervisory Board. The Supervisory Board has defined rights of veto in favour of the Supervisory Board for transactions of fundamental importance, in particular those that would have a significant effect on the net assets, financial position and results of operations.

Executive Board

The acquisition of Cumerio and the accompanying considerable expansion of the Group have led to a fundamental reorganisation of the Executive Board and the Group.

The Executive Board generally had four members in the past. In addition to the Chief Executive Officer and the Chief Financial Officer, the other two members of the Board were mainly responsible respectively for the two operating segments, Copper Production and Copper Processing.

In the future, Dr Bernd Drouven will continue to chair the Executive Board as CEO, and Mr Erwin Faust was appointed Chief Financial Officer with effect from 1 October 2008. The operating sector is divided into three Business Units. Dr Stefan Boel is responsible for the Copper Products Unit, Dr Michael Landau for the Recycling & Precious Metals Unit and Mr Peter Willbrandt for the Primary Copper Unit.

Until leaving the Company on 31 December 2008, Dr Bernd Langner was responsible for Research & Development as well as for Central Services at the Hamburg plant. Details are provided by the corporate rules of procedure. The Company will in future report on three Business Units.

Supervisory Board

The Company has a Supervisory Board pursuant to the German Co-determination Act. The representatives of the shareholders and the employees prepare for the Supervisory Board meetings separately with members of the Executive Board.

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

The Company has taken out D&O insurance (pecuniary loss/third party indemnity) for the Executive Board and the Supervisory Board and for the management of Group companies, with appropriate retentions.

No consultancy or other service contracts or contracts for work and services existed between members of the Supervisory Board and the Company during the past fiscal year. No conflicts of interest of Executive and Supervisory Board members, which must be disclosed to the Supervisory Board without delay, have occurred. The Executive Board and the Supervisory Board hold less than 1% of the shares issued by the Company.

The Supervisory Board has formed the following committees from its members to improve its efficiency:

Committees

Personnel Committee

The Supervisory Board has appointed a six-member Personnel Committee with equal numbers of representatives of the shareholders and the employees. During the fiscal year, it considered the release of Dr Werner Marnette by mutual consent from his position as Chief Executive Officer, the transitional coordination and representation of the Executive Board by Dr Bernd Drouven and the appointment of the board

member, Dr Michael Landau, as Director of Labour Affairs. The Personnel Committee, in particular, prepared the appointments of Dr Bernd Drouven as Chief Executive Officer, Mr Peter Willbrandt as a full member of the Executive Board and of Dr Stefan Boel and Mr Erwin Faust as members of the Executive Board. In addition, it considered the structure and level of compensation paid to all members of the Executive Board. The Chairman of the Personnel Committee is the Chairman of the Supervisory Board.

The Supervisory Board discusses the structure of the remuneration system for the Executive Board and reviews this on a regular basis based on the proposals of the Personnel Committee.

Audit Committee

The Supervisory Board has appointed a four-member Audit Committee with equal numbers of representatives of the shareholders and the employees. The Chairman of the Supervisory Board is a member of the Audit Committee, but is not its Chairman.

The German Corporate Governance Code recommends that the Chairman of the Audit Committee has specialist knowledge and experience in the application of accounting principles and internal audit procedures. Norddeutsche Affinerie AG also complies with this recommendation. Mr Ulf Gänger, who was Chairman of the Audit Committee until 31 December 2008, was a member of the Executive Board of Hamburgische Landesbank (now HSH Nordbank AG), and served for many years as Chairman of the Supervisory Board of Helm AG. His professional career furthermore had provided Mr Gänger with extensive practical knowledge and experience in the approach to internal control procedures.

Prof. Dr Heinz Jörg Fuhrmann, Chairman of the Audit Committee since 14 January 2009, is the Deputy Chairman of Salzgitter AG and its Chief Financial Officer as well as a member of the Supervisory Board of various other companies. Accordingly, he also possesses special expertise and experience in the application of accounting principles and internal control procedures.

The Audit Committee concerned itself in particular with the previous year's separate and consolidated financial statements and with the third interim report, with accounting questions, risk management and internal control systems. Its work also covered the necessary independence of the auditors, the appointment of the auditors, the main focuses of the audit and the agreement of the fee with the auditors. Since 25 August 2008 the Audit Committee has reviewed the quarterly and interim reports with the Executive Board before publication.

Nomination Committee

A Nomination Committee, consisting of three representatives of the shareholders, was formed to propose candidates for election as shareholder representatives on the Supervisory Board. It is chaired by the Chairman of the Supervisory Board. At its meetings on 10 December 2007 and 15 January 2008, the Nomination Committee drafted a proposal for the election of shareholder representatives to the Supervisory Board, to which the Supervisory Board gave its consent.

The committee chairmen report regularly and in detail to the Supervisory Board on the work of the committees.

Conciliation Committee and Preparatory Committee

The Conciliation Committee did not meet during the fiscal year. The Preparatory Committee was no longer appointed at the constituent Supervisory Board meeting on 29 February 2009, since it had not met in recent years and the Supervisory Board saw no future need for it.

Examination of efficiency/Independence

The Supervisory Board reviewed and examined the efficiency of its activities and considered possible ways of optimising these. The Supervisory Board believes that it has an adequate number of independent members.

Directors' Dealings

In accordance with Section 15a of the German Securities Trading Act, members of the Executive and Supervisory Boards have to disclose acquisitions and sales of Company shares. The Executive Board members, Dr Bernd Drouven, Dr Michael Landau, Dr Bernd Langner, Mr Peter Willbrandt and Dr Stefan Boel, informed the Company that they had transacted notifiable business during the period from 1 October 2007 to 30 September 2008, in that they had purchased altogether 5,400 no-par-value shares in the Company during that period.

The Supervisory Board member, Dr Peter von Foerster, informed the Company that he had sold 1,000 no-par-value shares of the Company during the period from 1 October 2007 to 30 September 2008 and the Supervisory Board member, Mr Rolf Schwertz, purchased 300 no-par-value shares during the same period.

The Company then reported this information to the Federal Authority for Financial Services Supervision and published it.

Corporate communications

Our corporate communications attribute great importance to the requirement to provide all target groups simultaneously with the same information in German and English. Private investors can also obtain up-to-date information on current developments in the Group via the Internet.

Our shareholders can obtain information sufficiently in advance on a regular basis about important deadlines via the financial calendar, which is published in the Annual Report, in the quarterly reports and on the Company's website. We hold regular meetings with analysts and institutional investors as part of our investor relations activities. In addition to an annual analysts' conference, telephone conferences are also held for analysts, in particular in connection with the publication of the quarterly figures. We also make all matters disclosed to financial analysts and comparable addressees available immediately to the shareholders on the Company's website.

Information is also published in English. Norddeutsche Affinerie's ad-hoc and press releases are made available to the shareholders via the Company's website. The Company's Articles of Association is similarly filed in the Internet. The Declaration of Conformity with the German Corporate Governance Code and all Declarations of Conformity that are no longer current are available on the Company's website.

The relevant reports and documents for the Annual General Meeting are posted on Norddeutsche Affinerie AG's website (www.na-ag.com) in order to make it easier for shareholders to exercise their rights and prepare for the Annual General Meeting, and are sent to shareholders on request. Shareholders unable to exercise their voting rights in person at the Annual General Meeting have the opportunity to vote via the Internet or to appoint a Company employee, who is also reachable during the AGM, to act on their instructions as proxy.

Responsible handling of risks and compliance

Good corporate governance also includes the responsible handling of risks by the Company. Within the framework of our value-oriented group management, appropriate risk management and risk controlling ensure that risks are identified promptly and risk positions minimised. Following the acquisition of the Belgian company, Cumerio sa/nv, the Company started to implement uniform risk management and risk controlling, and compliance management, throughout the Group. These are continuously being evolved and adapted to the changing conditions.

Financial reporting and annual audit

The consolidated financial statements of Norddeutsche Affinerie AG and its subsidiaries and its interim reports are prepared in accordance with International Financial Reporting Standards (IFRS) in compliance with the requirements of the International Accounting Standards Board.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin (since 1 October 2008: KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin), was appointed auditors for fiscal year 2007/08 at the 2008 Annual General Meeting.

In accordance with the recommendation of the German Corporate Governance Code, the Audit Committee obtained a declaration from the auditors, before submitting the proposal for the election of the auditors, on whether and, if applicable, which professional, financial, personal or other relationships existed between the auditors and their executive bodies and the audit staff responsible for the audit, on the one hand, and the Company and members of its executive bodies, on the other hand, that could cast any doubts on the auditors' independence. The declaration also covered the extent to which any other services were provided for the Company, in particular in the consultancy sector, during the previous fiscal year or had been contractually agreed for the coming year.

Furthermore, the Audit Committee of the Company's Supervisory Board agreed with the auditors that the Chairman of the Audit Committee would be informed without delay about any grounds for exclusion or lack of impartiality, even if such grounds were to be remedied immediately.

Finally, it was agreed with the auditors that they would report without delay any facts and events of significance for the duties of the Supervisory Board, which came to their attention during the audit, and that the auditors would advise the Supervisory Board or note this in the long-form audit report, if they ascertained any facts while performing their audit that were inconsistent with the Declaration of Conformity issued by the Executive Board and Supervisory Board.

The auditors participated in the Supervisory Board's deliberations on the separate and consolidated financial statements and reported on the main results of their audit. The auditors did not ascertain any incorrectness in the declaration on the German Corporate Governance Code.

COMPENSATION REPORT

Compensation of the Executive Board*

The compensation paid to the individual members of the Executive Board is defined in their employment contracts and consists of a number of components, i.e. fixed compensation, a guaranteed bonus, a variable bonus against which the guaranteed bonus is offset, a component with long-term incentive effect, and fringe benefits and pension plans.

The Supervisory Board decides on the structure of the compensation system including the key contractual elements for the Executive Board and reviews its appropriateness at regular intervals. The Personnel Committee is responsible for setting the individual amounts. The criteria for the appropriateness of the compensation are based, in particular, on the responsibilities of the respective Executive Board member, his personal performance, the performance of the Executive Board as a whole, and the financial position, success and future prospects of the Company compared with similar companies.

Components of the compensation

The compensation of Executive Board members is made up of non-performance-related and performance-related elements. The non-performance-related portions consist of the fixed compensation, the guaranteed bonus (minimum bonus), fringe benefits and pension plans. The fixed compensation and guaranteed bonus are paid out monthly in equal instalments. In addition, the members of the Executive Board receive fringe benefits in the form of benefits in kind, mainly comprising the value of insurance premiums in accordance with the fiscal guidelines and the use of a company car. The individual Executive Board members must pay tax on these fringe benefits as components of their compensation.

The first part of the performance-related compensation is the bonus, which is dependent on the dividend paid for the respective fiscal year.

The second part of the performance-related compensation is the component with long-term incentive effect. This is the Company's incentive plan.

This plan has two components: it is oriented firstly to the performance of NA shares and is triggered when the NA share price has risen by a previously determined percentage during the reference period (Part A: hurdle component). Secondly, the incentive plan is oriented to the performance of NA shares compared with the performance of the CDAX (Part B: performance component). The participation of Executive Board members in the incentive plan is conditional on their continued ownership of a certain number of NA shares. One acquired share is entitled to five options in each case from Part A and Part B of the plan. The profit per option is limited to the NA share price at the beginning of the term.

The hurdle component (Part A) takes into account the performance of NA shares during the reference period (usually three years) and is only triggered once the price has risen by a percentage defined at the beginning of the term (usually an exercise hurdle of 10%). The difference between the price when exercising the option plus the most recent dividend and the price at the beginning of the term multiplied by the number of options is paid out.

The performance component (Part B) takes into account the performance of NA shares in relation to the performance of the CDAX and is only triggered if NA shares outperform the CDAX over a period of three years.

The incentive plan is not financed by an increase in the Company's capital, but through the income statement as personnel expenses (phantom stocks).

* The report on the Executive Board's compensation is part of the management report of the company and the Group.

Pension plans have also been agreed for the individual Executive Board members, with the exception of Dr Boel. The pension benefits are determined as a varying percentage of the fixed compensation and the guaranteed bonus (in the case of the newer agreements for Dr Drouven and Mr Willbrandt without the guaranteed bonus). The percentage increases based on the length of service on the Board. The pension is payable once the Executive Board member reaches the age of 65 (Dr Drouven and Mr Willbrandt) or 62 (Dr Landau and Dr Langner) or in the event of their disability. Dr Boel receives defined contribution pension benefits from the Company, for which an amount of € 50,000 is paid to an insurance company each year – for the first time in December 2008.

The employment contracts of Executive Board members include no change of control clauses. In the event of non-renewal of their Executive Board contracts for reasons for which they are not responsible, Executive Board members (with the exception of Dr Boel) will under certain conditions receive an early retirement pension from the pension plan. These conditions are fulfilled if the Executive Board member has completed at least five years of service at NA and is at least 55 years old (Dr Drouven and Mr Willbrandt) or has completed either

25 years of service or 15 years of service respectively and is at least 50 years old (Dr Landau and Dr Langner).

Pensions paid before they reach 62 or 65 years respectively have the character of a bridging payment. Compensation paid to an Executive Board member for activities outside the NA Group after termination of his contract is offset from the pension until he reaches the age of 62 or 65 respectively.

The former Chief Executive Officer, Dr Werner Marnette, who resigned from the Executive Board on 9 November 2007, will continue to receive his fixed income and guaranteed bonus until his contract expires on 31 March 2010, deducting from this amount his compensation as Minister for Economics Affairs for the Federal State of Schleswig-Holstein. The dividend-related bonus will gradually be reduced until the end of fiscal year 2009/10. Dr Marnette has entitlements from the third and fourth tranche of the incentive plan. Dr Marnette will draw a pension from April 2010 onwards.

The total compensation paid to active members of the Executive Board for activities in fiscal year 2007/08 amounted to € 4.478 million.

The following table provides details of the compensation of the individual members:

<i>in €</i>	<i>Fixed salary</i>	<i>Fringe benefits</i>	<i>Variable compensation</i>	<i>Compensation from incentive plan</i>	<i>Total</i>	<i>Allocation to pension provision in fiscal year</i>
<i>Dr Bernd Drouven</i>	385,406	22,455	702,909	0	1,110,770	82,364
<i>Dr Stefan Boel since 19.4.2008</i>	137,667	27,421	245,326	0	410,414	0
<i>Dr Michael Landau</i>	308,000	30,252	543,750	121,030	1,003,032	258,684
<i>Dr Bernd Langner</i>	308,000	23,386	543,750	114,240	989,376	270,396
<i>Dr Werner Marnette*</i>	45,175	9,215	84,088	23,415	161,893	258,298
<i>Peter Willbrandt</i>	294,727	23,316	423,617	61,520	803,180	70,718
Total	1,478,975	136,045	2,543,440	320,205	4,478,665	940,460

* compensation only taken into account until 9 November 2007

Since 10 November 2007, Dr Marnette has received compensation of € 1,013,659, and € 1,431,745 has been provided for his compensation entitlement until 31 March 2010.

The Company has set up pension provisions on the basis of IFRS for the Executive Board members, with the exception of Dr Boel. Allocations to the pension provisions for active members of the Executive Board in the year under review

amounted to € 940,460. This amount comprises service cost and interest cost. Instead of this, an amount of € 50,000 per fiscal year is paid into an external pension fund for Dr Boel.

The following table shows the value of the options from the Company's incentive plan for the Executive Board members:

	Number of options	Value of options as at 30 September 2008 in €			Total in €
		3rd tranche	4th tranche	5th tranche	
Dr Bernd Drouven	43,000	27,085	53,858	39,254	120,197
Dr Stefan Boel	14,000	0	0	21,982	21,982
Dr Michael Landau	42,000	94,796	53,858	21,982	170,636
Dr Bernd Langner	23,000	54,169	30,776	10,991	95,936
Dr Werner Marnette	30,000	101,567	57,705	0	159,272
Peter Willbrandt	28,200	41,981	30,776	21,982	94,739
Total	180,200	319,598	226,973	116,191	662,762

Former members of the Executive Board and their surviving dependents received a total of € 1,067,449, while € 10,595,784 has been provided for their pension entitlement (excluding Dr Marnette).

Compensation of the Supervisory Board

The compensation paid to the Supervisory Board is agreed at the Annual General Meeting and is covered by Section 12 of Norddeutsche Affinerie AG's Articles of Association. It is based on the duties and responsibilities of Supervisory Board members as well as the business situation and the Company's business success.

In addition to the reimbursement of expenses incurred while carrying out his office, each member of the Supervisory Board receives a fixed fee of € 10,000 per fiscal year. The Chairman of the Supervisory Board receives twice this amount and his deputy 1.5 times this amount. Supervisory Board members, who serve on a Supervisory Board committee, receive an additional € 2,500 per fiscal year per committee, not however exceeding € 5,000 per fiscal year. Supervisory Board members,

who chair a Supervisory Board committee, receive an additional € 5,000 per fiscal year per chairmanship, not however exceeding € 10,000 per fiscal year. Apart from the fixed component, the members of the Supervisory Board receive a performance-related bonus of € 200 per € 0.01 of dividend distributed to the shareholders in excess of € 0.20 per no-par-value share for the fiscal year. The Chairman of the Supervisory Board receives twice and his deputy 1.5 times this amount.

In addition, every member of the Supervisory Board receives an annual bonus linked to the Company's long-term performance of € 500 for every € 1,000,000 of the Company's earnings before taxes (EBT) in excess of € 70,000,000 per annum on average over the last three fiscal years (reference period). The Chairman receives twice and his deputy 1.5 times this amount.

Furthermore, Supervisory Board members receive an attendance fee of € 500 for each meeting of the Supervisory Board and of its committees attended.

The following table provides details of the compensation of the individual members of the Supervisory Board for fiscal year 2007/08:

<i>in €</i>	<i>Fixed compensation</i>	<i>Variable compensation</i>	<i>Long-term compensation components</i>	<i>Compensation for committee membership</i>	<i>Attendance fees</i>	<i>Total</i>
<i>Dr Ernst J. Wortberg</i>	20,000	56,000	152,000	10,000	13,000	251,000
<i>Hans-Jürgen Grundmann</i>	15,000	42,000	114,000	5,000	10,500	186,500
<i>Dr Joachim Faubel *</i>	4,153	11,629	31,563	1,038	4,000	52,383
<i>Gottlieb Förster</i>	10,000	28,000	76,000	2,500	7,000	123,500
<i>Dr Peter von Foerster</i>	10,000	28,000	76,000	5,000	10,500	129,500
<i>Ulf Gänger</i>	10,000	28,000	76,000	5,000	7,000	126,000
<i>Rainer Grohe</i>	10,000	28,000	76,000	2,500	6,500	123,000
<i>Prof. Dr Jürgen Haußelt *</i>	4,153	11,629	31,563	0	3,000	50,345
<i>Renate Hold **</i>	5,874	16,449	44,645	2,938	4,000	73,906
<i>Gerd Körner *</i>	4,153	11,629	31,563	2,076	4,000	53,421
<i>Thomas Leysen **</i>	5,874	16,449	44,645	0	3,500	70,468
<i>Dr Thomas Schultek **</i>	5,874	16,449	44,645	1,469	4,500	72,937
<i>Rolf Schwertz</i>	10,000	28,000	76,000	2,500	5,500	122,000
<i>Prof. Dr Fritz Vahrenholt</i>	10,000	28,000	76,000	2,500	8,000	124,500
<i>Helmut Wirtz</i>	10,000	28,000	76,000	0	5,500	119,500
Total	135,081	378,234	1,026,624	42,521	96,500	1,678,960

* until 29 February 2008

** since 29 February 2008

On this basis, the Supervisory Board members received a total of € 1,678,960.

Hamburg, 15 January 2009

The Executive Board



Dr Bernd Drouven
Chief Executive Officer



Dr Michael Landau
Member of the Board

The Supervisory Board



Dr Ernst J. Wortberg
Chairman

DECLARATION OF CONFORMITY IN ACCORDANCE WITH SECTION 261 COMPANIES ACT

The Executive Board and Supervisory Board of Norddeutsche Affinerie AG declare that the recommendations of the “Government Commission on the German Corporate Governance Code” in the version dated 14 June 2007 were applied in the period from 1 October 2007 to 24 July 2008 and thereafter the recommendations announced by the “Government Commission on the German Corporate Governance Code” on 24 July 2008 in the version dated 6 June 2008 were and are being 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 4 (1st alternative)).
- As a result of the consolidation of the Belgian Cumerio sa/nv, the interim reports as at 31 March and 30 June 2008 were not made publicly available within 45, but instead within 60 days (deviation from Code Section 7.1.2 sentence 4 (2nd alternative)). The company intends to comply with this recommendation again in future.

- Since the contracts with the new Executive Board members basically have a validity period of only three years and a compulsory ruling is not permissible by law in the contracts of Executive Board members, no severance payment caps (limit to two years' compensation) have been included in these contracts (deviation from Code Section 4.2.3, paragraph 4).

Hamburg, 15 January 2009

The Executive Board




Dr Bernd Drouven
Chief Executive Officer



Dr Michael Landau
Member of the Board

The Supervisory Board



Dr Ernst J. Wortberg
Chairman

NA shares

The global financial market crisis has severely weighed on the German stock exchanges in the reporting period. Corporate imbalances and liquidity shortages at banks and mortgage finance companies as well as a significantly dampened economic outlook, above all, in Western Europe, the U.S.A. and Japan, resulted in a particularly volatile trend with strongly declining prices.

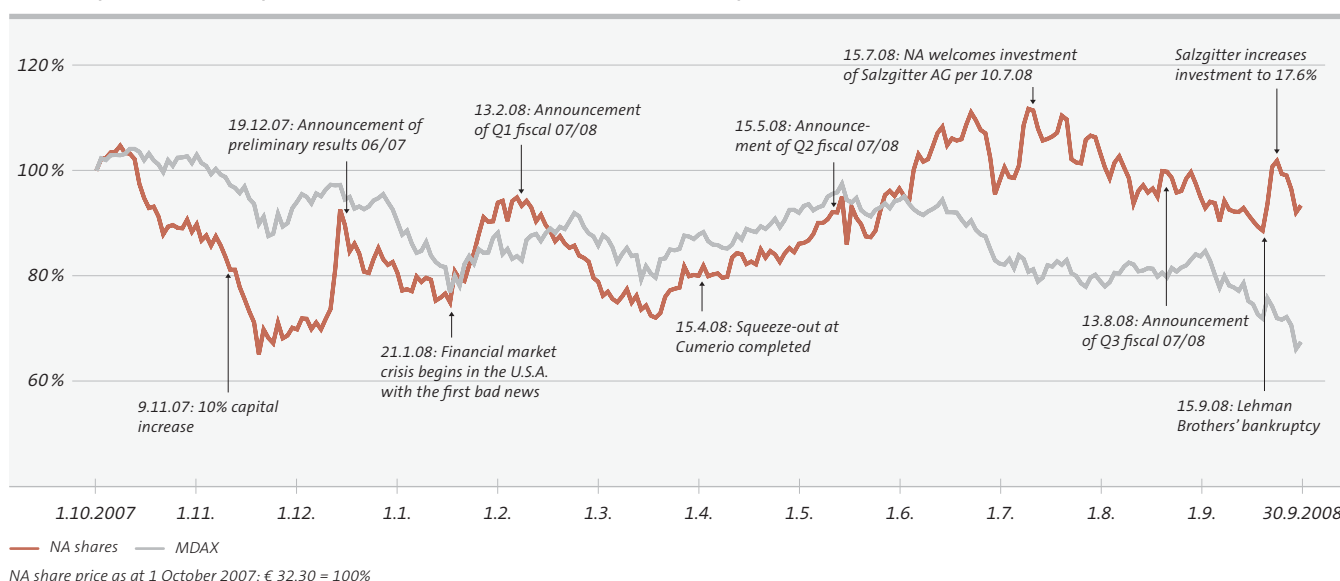
The impact of the crises, the currency changes and the volatile commodity prices made themselves felt on the German stock indices DAX and MDAX in the form of a significant double-digit decline. The DAX lost 26% in the fiscal year and the MDAX 33%. NA shares clearly distanced themselves from this trend and eased by only 7%.

Above-average price performance and high trading volumes

The capital market has recognised NA's continuing good business and corporate development. This is reflected in the performance of NA shares. They were quoted at € 32.30 at the beginning of the fiscal year on 1 October 2007 on the Frankfurt Stock Exchange. A 10% capital increase was carried out on 9 November 2007. In parallel with the stock market retreat, the NA share price dropped to a 52-week low of € 21.00 on 19 November 2007. However, it rallied again in December 2007 after the announcement of the preliminary results for the prior year which were far in excess of expectations.

The extremely positive quarterly results provided a good price basis in the following period, in particular on account of the satisfactory operating performance and increasing production efficiency. The share price jumped to € 38.69 on 10 July 2008 and reached its highest level since the IPO ten years ago. In addition to the good results, the share performance was also

NA share performance compared with the MDAX from 1 October 2007 to 30 September 2008 indexed to 100%



NA shares

influenced by takeover fantasies. Salzgitter AG announced that day that it had acquired a 5.8% interest in NA. At the end of the day's trading, the share price had reached € 35.10 on the Frankfurt Stock Exchange.

The average daily trading volume of NA shares per trading day amounted to about 410,000 shares (Xetra) in fiscal year 2007/08, thus significantly higher than the prior-year figure of about 280,000 shares (Xetra).

Admission to the STOXX 600 and the Global Challenges Index

On 22 September 2008 NA shares were admitted to the STOXX 600 and to the Global Challenges Index (GCX). The latter was developed in collaboration with the Hamburg and Hanover Stock Exchanges and oekom research AG, Munich. GCX contains 50 securities that make substantial and trend-setting contributions to surmounting the major global challenges. The inclusion in this index heightens the attractiveness of NA shares for certain groups of investors.

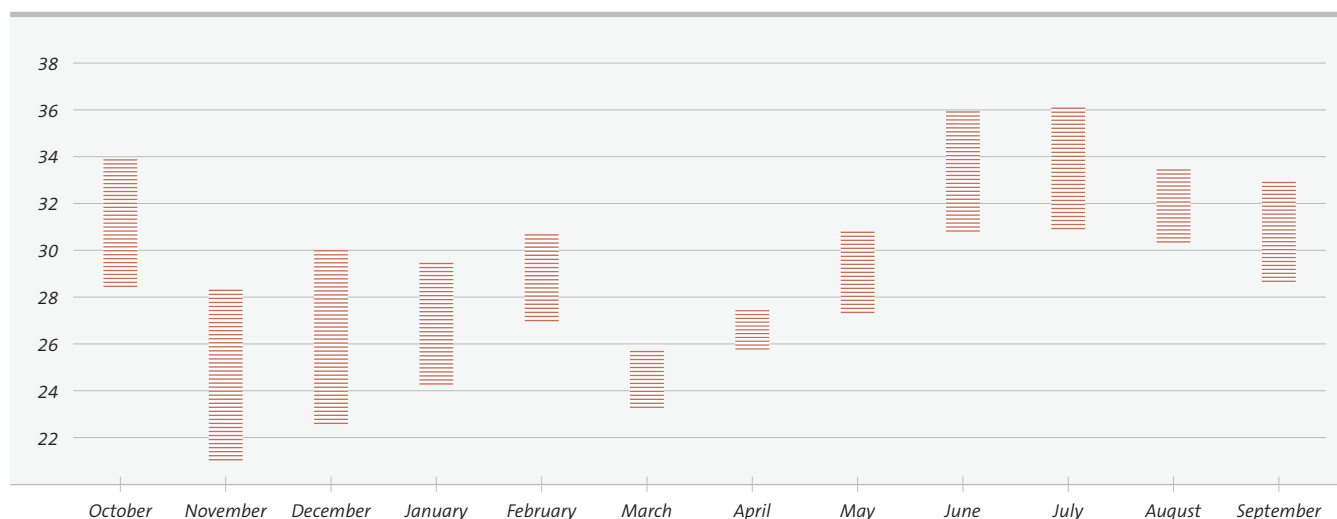
Solid shareholder structure with Salzgitter AG as the new major shareholder

The federal cartel authorities' subsequent prohibition of the acquisition of the NA share block held by A-TEC Industries AG, Vienna, on 28 February 2008 resulted in the sale of the respective NA shares. Likewise, the Free and Hanseatic City of Hamburg and the HSH Nordbank AG each sold their about 5% holding in the course of the fiscal year. The investment of Salzgitter AG has strengthened the company's shareholder structure. At the end of the fiscal year, the new shareholder held 17.6% of NA shares. The remaining NA shares were free float, with private and institutional investors each holding about 41% in the reporting period.

Successful credit syndication for Cumerio takeover

Irrespective of the turbulences on the credit and financial markets, NA succeeded in placing a syndicated credit in the amount of € 1.207 billion with Barclays Capital and Deutsche Bank AG on 30 April 2008.

Highs and lows of NA shares in fiscal year 2007/08 in €



Dividend payment of € 1.60 per share

NA has followed a shareholder-friendly dividend policy since its IPO. Again in this fiscal year, the shareholders will participate in the company's success by receiving a dividend. The Executive Board and the Supervisory Board will recommend the payment of a dividend in the amount of € 1.60 at the Annual General Meeting on 26 February 2009. This represents a 10% rise compared with the prior-year dividend of € 1.45 per share. The total amount distributed as dividend thus amounts to € 65.4 million (€ 59.3 million in the prior year).

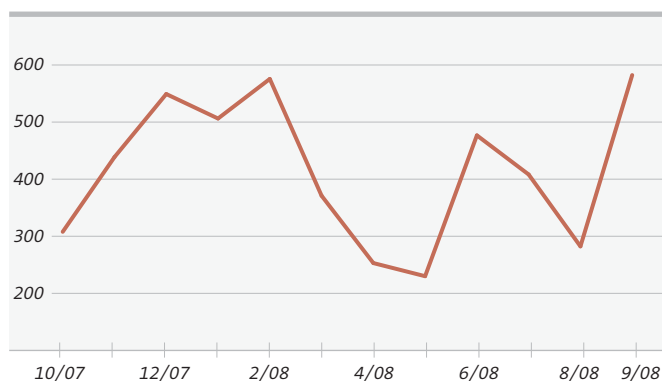
Investor relations strengthens communication with the capital market

NA's investor relations strategy complies with the principle of continuous and open communication with institutional investors, analysts and private investors. Since the acquisition of Cumerio in April 2008, we have kept the capital market and our shareholders informed, in particular about our

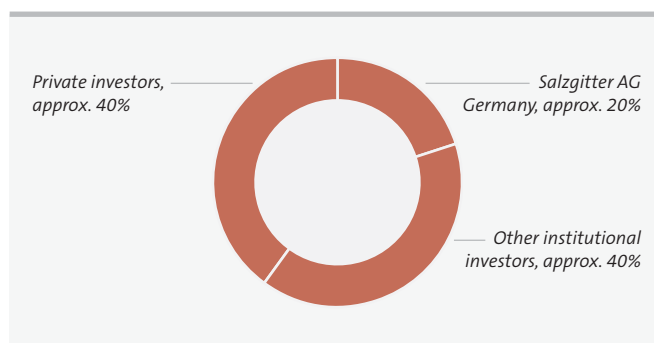
corporate strategy, which is oriented to internal and external growth as well as internationalisation. Accordingly, electronic information and communication play an increasingly important role in daily business.

In the year under review, the investor relations team took part in a series of international events, arranged conference calls and organised roadshows in Germany, Europe and the U.S.A. The Executive Board was personally represented at many of these events to answer questions put by capital market participants. In addition, numerous individual discussions have been held with capital market participants. These were very well received and showed that the investors are very interested in NA. The number of discussions with private investors at the Hamburg Stock Exchange Open Day or NA's Dialogue with Shareholders were also evidence of how NA shares are attracting more widespread attention in the population.

Trading volume of NA shares on daily average (Xetra) in thousand units



Shareholder structure as at 31 December 2008 in %



NA shares

Key figures of NA shares		2003/04	2004/05	2005/06	2006/07	2007/08
Closing price in Frankfurt as at fiscal year-end	in €	12.93	18.48	18.98	30.83	30.15
Year high (close)	in €	12.93	18.73	26.98	34.78	36.10
Year low (close)	in €	8.94	11.70	17.14	19.05	21.00
Market capitalisation as at fiscal year-end	in € million	432	625	705	1,146	1,232
Number of shares	in thousand units	33,409.2	33,813.4	37,154.3	37,154.3	40,869.7
Dividend or recommended dividend	in €	0.65	1.00	1.05	1.45	1.60
Payout ratio	in %	76	75	66	50	23
Earnings per share (IFRS) *	in €	0.76	1.77	1.64	4.24	5.82
Price/earnings ratio as at fiscal year-end *		17.1	10.5	11.6	7.3	5.2

* on the basis of LIFO inventory valuation method

Information on NA shares	Analyst coverage 2007/08
Security identification number: 676650	Bankhaus Lampe
International Securities Identification Number (ISIN): DE 0006766504	Berenberg Bank
Stock market segment: MDAX	Deutsche Bank
Stock exchanges: Official trading in Frankfurt am Main and Hamburg, unofficial market in Dusseldorf, Stuttgart, Berlin/Bremen	Dresdner Kleinwort
Market segment: Prime Standard	DZ Bank
Issue price: € 12.78	Dr Kalliwoda Equity Research
Average daily trading volume: 414,366 shares in Xetra trading 28,167 shares at all German stock exchanges	Haspa
Deutsche Börse code: NDA	HSBC
Reuters code: NAFG	HVB/Unicredit
Bloomberg code: NDA GR	LBBW
	Nord LB
	Solventis
	Viscardi Securities
	M.M. Warburg
	West LB



Group Management Report

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Norddeutsche Affinerie (NA) significantly increased its earnings once again in fiscal year 2007/08. EBIT rose 47% to € 383 million. The excellent results were due inter alia to the very good recycling business and constantly good output of metals at high metal prices. Positive price effects came from the reduction of low-valued metal inventories and the utilisation of backwardation price structures. The full consolidation of Cumerio as of 29 February 2008 also made a major contribution to earnings. Revenues increased 30% to € 8.385 billion, likewise influenced by the consolidation and the high metal prices. The Executive Board and the Supervisory Board will recommend the payment of a dividend in the amount of € 1.60/share (€ 1.45 in the prior year) at the Annual General Meeting.

Business and strategy

BUSINESS ACTIVITIES AND STRUCTURE OF THE GROUP

Business portfolio and business model

NA's products and services cover the production, recycling and processing of copper. As a result, the Group is represented in the central sectors of the metal's value added chain. The production of precious metals and specialty products rounds off the Group's portfolio.

We produce qualitatively very high-grade copper cathodes from copper concentrates and recycled raw materials in multi-stage smelting and refining processes. These form the basis of the copper trading on the international metal exchanges. At the same time, copper cathodes are the starting product for the Group's own downstream processing of copper into continuous cast wire rod and shapes, strips, shaped wire and special profiles.

With its range of products and services, NA is one of the global leaders in the industry. We excel in our business through our consistent orientation towards the requirements of our business partners, which the Group supplies with tailor-made product solutions in the triangle of innovation, quality and environmental protection.

NA is orientated to long-term growth and increasing corporate value. Following the integration of Cumerio sa/nv (Cumerio), the Group has twelve production sites in seven European countries and a total of some 4,800 employees.

Broad raw material basis

The Group's production structure makes possible the input of a wide variety of raw materials: On the one hand we procure copper concentrates in internationally focused business, which are processed at the Hamburg and Pirdop sites. On the other hand we treat intermediary products, such as copper scrap and

other metal-bearing secondary raw materials, in our production processes. The latter include production residues or electronic scrap. With its extensive technical expertise and very high environmental standards, NA has established a leading position here in the market.

High value added

Following along after the smelting and refining processes, NA continues the value added with the production of copper products. The reliable availability of its own copper cathodes in consistently high quality is one of the main prerequisites for the Group's product business. In the copper sector, these include the marketing of continuous cast wire rod and shapes, strip, shaped wires and special profiles. These products are mainly used for applications in which the high electrical and thermal conductivity of copper is required.

Legal structure of the Group and main steps in its development

NA was founded in Hamburg in 1866 as a joint stock corporation. After various changes in the ownership structure, an IPO was carried out in 1998. NA has been represented in the MDAX and, in parallel, in the Prime Standard of the German Stock Exchange, Deutsche Börse since 2003.

Following the IPO in 1998, the Group enlarged its corporate base by several acquisitions:

- On 31 December 1999, we acquired a majority interest in Huttenwerke Kayser AG, a company that specialises in copper recycling, which was amalgamated with NA on 1 October 2003. Since then, the Lunen site has evolved into the Group's recycling centre.
- In a further step, NA continued its orientation downstream along the value chain and moved even closer to the end customer markets. This was achieved primarily by acquiring Prymetall GmbH & Co. KG (Prymetall) together with its 50% holding in Schwermetall GmbH & Co. KG (Schwermetall) in Stolberg on 1 January 2002.



The acquisition of Cumerio gave a European dimension to the NA Group, most of whose operations up to then had been in Germany.

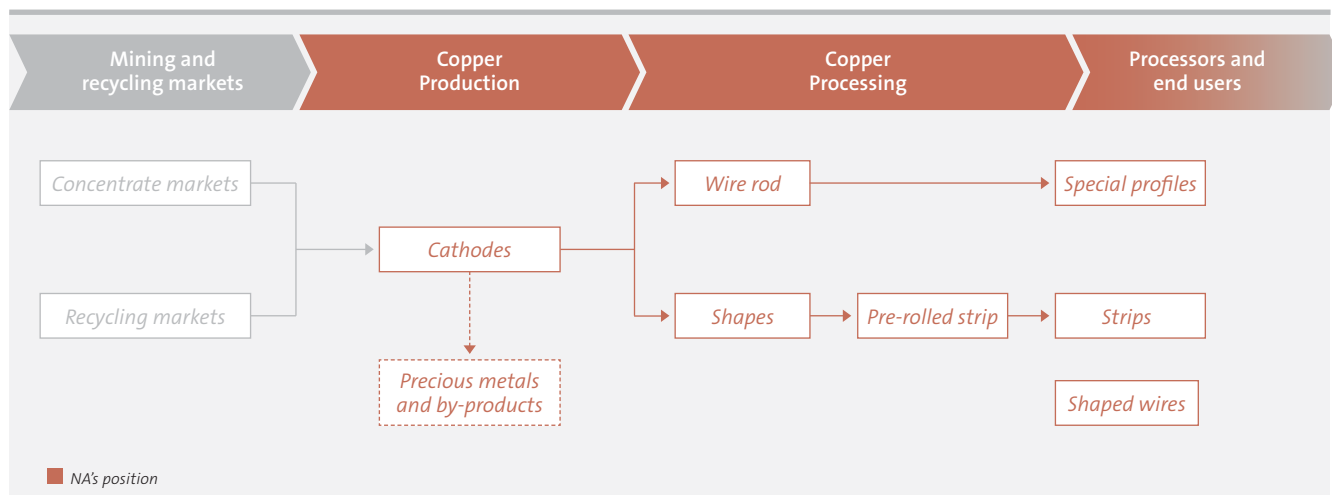
On 1 January 2005, NA took over the slitting centre, EIP Metals Ltd., Smethwick (UK) and improved its customer orientation in the East European business in fiscal year 2006/07 by setting up the slitting centre, Prymetall Slovakia s.r.o.

- As an important step in its strategic development, NA took over its European competitor, Cumerio, in the past fiscal year. The intention to acquire Cumerio, combined with an offer of € 30 per Cumerio share, was announced on 24 June 2007. On 10 July 2007 Cumerio's Board of Directors recommended its shareholders to accept this offer, so that 29.1% of the shares were already acquired by 30 September 2007. Following the EU Commission's approval to the merger, the tender for the acquisition of the remaining Cumerio shares was opened on 28 January 2008. NA held 91.09% of the Cumerio shares by the end of the offer period on 15 February 2008, which it succeeded in increasing in a second offer period from 21 February to 12 March 2008.

Since the 95% threshold was exceeded as a result, a squeeze-out could then be carried out. Including the shares already acquired in the prior year, the total purchase price amounted to € 782.1 million.

The acquisition of Cumerio gave a European dimension to the NA Group, most of whose operations up to then had been in Germany. Cumerio's core business is similarly the production and processing of copper. At the Pirdop site in Bulgaria, Cumerio has a smelting capacity of some 275,000 tonnes of copper anodes, while a refining capacity of about 345,000 tonnes of copper cathodes is available in Olen, Belgium. Cumerio is one of the leading producers of wire rod in Europe, with production facilities in Olen (capacity: about 280,000 tonnes) and Avellino, Italy (capacity: about 170,000 tonnes). The Swiss company, Swiss Advanced Materials S.A., Yverdon-les-Bains, which produces special copper profiles, was acquired in 2006 and 2007. Cumerio's total annual production capacity for copper products amounts to some 500,000 tonnes. The Cumerio Group had 1,443 employees at the end of its 2007 fiscal year, while revenues amounted to € 3.3 billion and EBIT to € 83.8 million in 2007.

NA's position along the value added chain of copper



Organisation structure

Our Group is organised centrally. It is managed from the corporate and administrative headquarters in Hamburg, where important production facilities are also located. The Group structure is based on a matrix organisation. Until the end of fiscal year 2007/08, we differentiated between the two segments, Copper Production and Copper Products, and are reporting accordingly. The Cumerio sites were initially allocated to the segments on the basis of their production activities:

In the past fiscal year, the **Copper Production** Segment combined primarily the smelting and refining activities at the Hamburg and Lunen sites, complemented by the facilities in Pirdop and Olen following the acquisition of Cumerio. It also included the subsidiaries and investments in connected business areas. The segment also covered the production and sale of precious metals and specialty products, such as sulphuric acid and iron silicate.

The **Copper Processing** Segment united the production and marketing of copper products in the subsequent stages along the value chain. The production facilities in Olen, Avellino and Yverdon-les-Bains were also included in this segment following the acquisition of Cumerio.

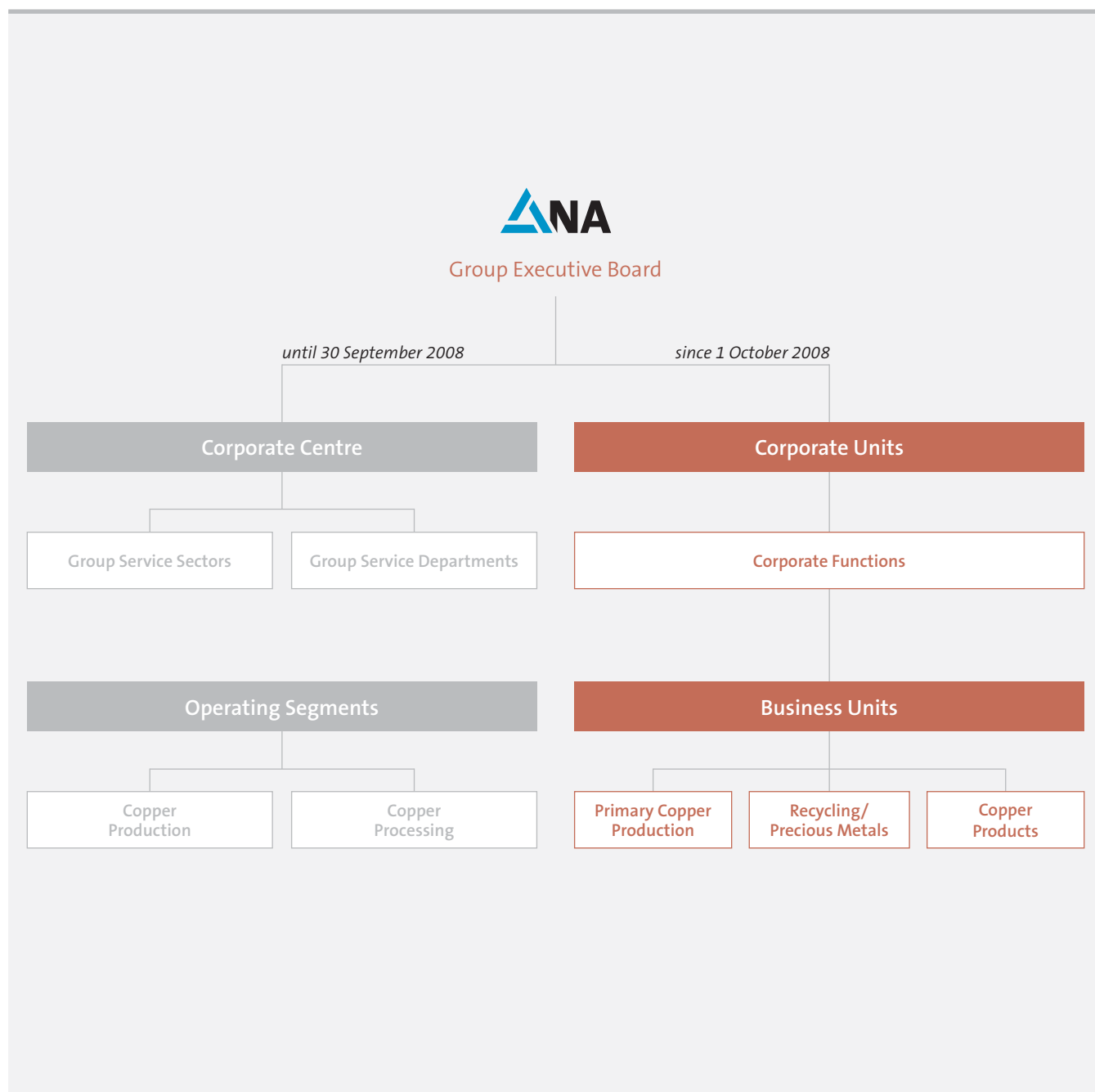
We amended the Group organisation at the beginning of the new fiscal year 2008/09 to meet the requirements resulting from the integration of Cumerio. The new Group structure has three segments, the Primary Copper Production Segment, the Recycling/Precious Metals Segment and the Copper Products Segment. In addition, administration and service sectors, which, for instance, include Research & Development, Human Resources, Accounting and IT, as well as Material Procurement, have been set up for cross-group functions.

Management responsibility in the Group

We have further developed our management structure following the integration of Cumerio and the associated reorientation of the Group. All Executive Board members have equal rights in the NA Executive Board, which is responsible for managing the Group. The reorganisation of the Executive Board included the appointment to the board of a former Cumerio Executive Board member and the naming of a new Chief Financial Officer as of 1 October 2008. The Company's Executive Board is responsible for the operating side of the segments and central functions and works closely together with a management team, consisting of the general managers of the business units, the directors of the subsidiaries and the departmental and production heads.

Our management is highly performance-oriented in its functions in all management sectors and at all levels. We systematically exploit our employees' potential, and selectively encourage suitable high-flyers. Our executive team is a balanced mixture of younger and experienced men and women, national and international specialists and senior managers. Their compensation includes fixed and variable elements, the latter including components that are linked to business success and personal performance.

Organisation structure of the NA Group



CORPORATE STRATEGY AND MANAGEMENT

NA's strategy is aimed at widening the corporate base in the traditional business fields and oriented towards a sustained increase in corporate value. In this way, we will also in the future secure a stable position in dynamic markets.

Position strengthened long-term

The continuing globalisation of the copper business and the developments in the economic climate have reinforced us in our forward strategy. We achieved a new stage in our strategic development as a result of the successful acquisition of Cumerio in February 2008 and placed our successful business model on a broader base. Our network of production sites in other European countries now stretches far beyond Germany's borders. Thus, we have positioned ourselves as Europe's leading integrated copper group. In addition, the acquisition and integration of Cumerio provide the basis for further growth.

We occupy a leading position worldwide in primary and secondary copper production, with regard to processing competence for complex raw materials and intermediates, and the efficiency and availability of our facilities. The integration of Cumerio has enabled us to further enhance our know-how edge and to expand our production basis. This will provide us with a strategic lever in future acquisitions or investments, in order to increase our earning power and corporate value.

Potential in Southeast Europe

One of our main strategic strengths in the copper processing sector is the length of our value chain, from the cathode to the copper product. This guarantees a high degree of flexibility and reliability in supplies and delivery for us and our customers. In addition, it ensures that our customers receive all-embracing, comprehensive service. With the new production sites in Belgium, Bulgaria, Italy and Switzerland, we are well placed throughout Europe and have attractive growth options in the dynamic markets of Southeast Europe. Our cathode production in Pirdop/Bulgaria represents the starting base for this. We also expect further consolidation in the European processing industry, in which we intend to participate actively, as the leading integrated copper group.

Our strategic orientation follows the vision of becoming a global player



Optimised stand-alone position

- Integrated copper producer and processor
- Industrial benchmark
- High profitability/financials



European platform

- No. 3 worldwide in copper production
- No. 1 worldwide in copper processing
- Strong position in Europe, especially in S/E Europe
- High profitability/financials



Global player

- International best practice in copper production and processing
- Investment targets in global growth regions (Asia, South America ...)



With the new production sites in Belgium, Bulgaria, Italy and Switzerland, we are well placed throughout Europe and have attractive growth options in the dynamic markets of Southeast Europe.

Synergy effects resulting from the integration of Cumerio

We have developed and have already started to implement some 200 specific project ideas in connection with the Cumerio takeover, as part of a comprehensive integration project. The results of this project confirm the industrial logic and value-added potential of combining the two companies. Apart from classic economies of scale in procurement or logistics, the exchange of experience and transfer of the best solutions and processes to other sites have in particular opened up productivity reserves. Thus, the improved utilisation of the capacity of the smelting plant in Pirdop will result in significantly higher concentrate throughput. In addition to quantitative aspects such as the expansion of the capacities, qualitative parameters like the flexible utilisation of production units are also gaining

in importance. Overall, we anticipate that the synergy potential of € 15 to 20 million p.a. originally expected will be considerably exceeded. The potential annual earnings impact of the projects, which are ready to be implemented and cover all of the Group's main sites, will exceed € 40 million. We achieved savings of some € 5 million from synergies in the past fiscal year, which helped to strengthen the Group financially.

Further growth in core business

We succeeded in maintaining our organic growth in our core business areas. Only the continuous casting sector suffered from declining demand, and had to tailor its production to this. As a consequence, we have decided to close down the continuous casting sector in Olen.

We will leverage our strategic advantages to support our strategic orientation

Strategic advantages and leverage

Copper Production

International benchmark in operations

- Maximum utilisation of installed capacities
- Leading in efficiency
- Outstanding competence in processing complex primary and secondary materials
- Highest standards in EHS
- Experienced, enthusiastic and innovative employees

Copper Processing

Fully integrated along the value chain

- Captive supply security
- Quality control over entire value chain
- Leading position in the production of wire rod
- Experienced, enthusiastic and innovative employees

Strategic orientation

- Leverage our strategic capabilities to achieve international growth in our primary copper production and recycling business
- Play an active role in growth and consolidation of the global copper processing industry

On the other hand, the expansion of the tankhouse capacities in Pirdop, the increase in concentrate processing in Hamburg and the KRS Plus project in Lunen, which will considerably enhance our processing possibilities for complex recycled raw materials, are exemplary for the growth of our core business. A priority in the copper processing sector is the expansion of the production capacity for wire rod in Hamburg. NA is currently Europe's largest producer of copper wire rod. The scheduled expansion of the Hamburg rod plant and the optimisation of the production and delivery programmes at all sites will strengthen this position on a long-term basis. The expanded network of locations enables us to offer our customers greater delivery flexibility together with top quality and supply security.


Strategic measures to secure sustainability

Apart from integrating Cumerio from a purely functional and operating point of view, we implemented a series of structural measures in the fiscal year that have equipped us strategically for further growth.

On 1 October 2008, we introduced a new organisational structure, which will enable us to develop our core business areas even more efficiently on the basis of a uniform corporate strategy. It is based on three business units, Primary Copper Production, Recycling/Precious Metals and Copper Products. In addition, all production units have competent local management teams. The matrix organisation that has been implemented provides clear structures for the strategic development of the business and the necessary flexibility for the optimum integration of possible further acquisitions.

Growth, improvement and responsibility are the pillars of our strategy





Demands on the continuous improvement processes anchored in the Company have grown parallel to the expansion of the Group. The number of optimisation and cost reduction projects has increased and reached a new dimension. To enable us to achieve our aims in future even more efficiently, we established a management excellence system project in 2008, which will be implemented at all sites at the beginning of 2009.

Process and product innovations are among the key tasks to ensure sustainability in a production and process-oriented company. For this reason, we have started a project to anchor a far-reaching innovation management system that will reinforce our innovative strength.

A further element in our strategic reformation is the value process which we have already put in motion. With the assistance of our employees, we will define uniform values throughout the Group by the spring of 2009 and then define common binding directives for our future cooperation.

Continuous improvement as the basis of our competitive strength

The main cornerstones of our strategic initiatives include continuous improvement in productivity in the production sectors and the efficiency of our processes and methods. Additional potential has been identified by the NA Lead performance enhancement project and the systematic technical exchange within the framework of our integration project. Examples of this are the improvement in flue dust separation in our primary smelter in Hamburg and the coordination of maintenance standstills and casting campaigns in the rod and casting plants throughout the Group that have reduced our inventories and costs. The close cooperation between the sites and the optimisation of repair and maintenance work has shortened production stoppages and reduced maintenance costs in Pirdop.

Responsibility decisive for our corporate development

Responsible behaviour towards customers and other business partners is a decisive element of our activities in the operating business and in the strategic development of our organisation. This is based throughout the Group on the quality of products and services and is ensured above all by our quality management system that covers all processes and sectors.

We also assume responsibility for the protection of our environment and environmentally friendly resource management. In doing so, we pursue a proactive strategy on the basis of transparency and dialogue as regards environmental and climate protection. NA's environmental management system has been certified in accordance with EMAS and DIN EN ISO 14001:2005 and is regularly audited by independent institutes. As part of the integration, we extended the Group-wide cooperation in environmental protection to include the new production sites. Cumerio has already been certified

in accordance with ISO 14001 and has an internal environmental management system. We help to protect resources by the extensive recycling of valuable recycled raw materials and thus make a significant contribution to closing the loop in the material cycle.

The concept of responsibility also determines our actions as regards employees and the community. High-quality vocational and ongoing training have once more gained in importance as a result of the merger of NA and Cumerio. Language courses and other training opportunities are aimed specifically at encouraging the growing together process in the Group. NA's social commitment focuses on advancing the job prospects for young people. In addition, social initiatives are supported especially in the vicinity of our production sites.

Altogether, responsibility represents an important part of our corporate ideals. This is also documented by the first sustainability report in accordance with international GRI (Global Reporting Initiative) standards, which NA published in 2008. In 2009 the report will be extended to cover the entire Group.

Management control system aims at increasing corporate value

The main aim of the management control system is to increase the corporate value of the NA Group, in that a positive overall contribution to the enterprise as a whole is generated beyond the costs of capital. The basis of the Company's internal management control system is provided by uniform evaluations of the operating business and the optimisation and investment plans using earnings, balance sheet and financing ratios. Qualitative criteria are also taken into account.

One of the main ratios used to determine and compare profitability is ROCE (return on capital employed), which reflects the efficiency with which the capital is utilised in the operating business or to fund investments. ROCE is the ratio of EBIT (earnings before interest and taxes) to capital employed on the balance sheet date. Since the calculation method has changed in this respect compared with the prior year, when average capital employed was applied, the prior-year figure for ROCE has been adjusted accordingly. IRR (internal rate of return) shows the effective interest on capital employed and is also used to assess investment projects.

After the revaluation of LIFO inventories using the average cost method, ROCE declined from 25.2% in the prior year to 14.6% on account of metal value write-downs.

ROCE in the Group as a whole on the basis of the LIFO valuation was maintained at a very high level despite significantly increased capital expenditure. ROCE reached 21.7%, after 26.2% in the prior year.

The implementation of the management excellence system project has standardised the planning, decision and implementation processes throughout the Group. The management control system in the new Group also takes into account further corporate targets, in addition to profitability indicators such as ROCE. Consequently, in particular positive effects in the health protection and occupational safety sectors or quality improvements in our products and services are also considered.

Development of the business

SIGNIFICANT LEGAL AND ECONOMIC FACTORS INFLUENCING THE BUSINESS

International copper and raw material markets

The trends on the international raw material and copper markets have a considerable influence on NA's business performance. Thus, the fundamental market factors of production, availability and demand have a direct impact. In addition, the Group's business is affected by the general economic situation in the industrial nations and emerging markets as well as trends on the financial and foreign exchange markets. Finally, the political measures and factors related to environmental protection also have an impact on the business.

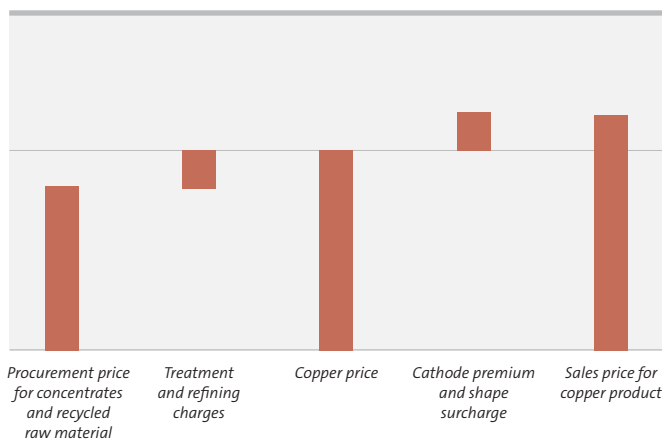
Copper prices

The formation of the copper price is also influenced by the aforementioned factors. It takes place mainly on special commodity futures exchanges, of which the London Metal Exchange (LME) is considered to be the most important. Its trading activities include physical transactions, hedging transactions and investment business.

The copper price, which is formed in trading on the LME, represents the key benchmark for the international copper industry. Although it has a direct impact on earnings in the mining industry, it is only a transitory item for NA. The Group operates on the market as a custom smelter without itself holding any investments in mines, and is thus dependent on the purchase of raw materials. The commodity exchange price for copper forms the contractual price basis, both in procurement and in product sales. It does, however, have an indirect influence on the supply of raw materials and demand behaviour. The quantity of metals extracted is also the result of production efficiency. The metal price performance therefore has a direct impact on the results of these efficiency gains. In addition, endeavours are made to achieve positive effects on earnings from backwardation.

On the raw material side, the treatment and refining charges primarily determine earnings. They are negotiated as the remuneration for processing raw materials into the commodity exchange product, copper cathodes. While NA's recycling business is primarily performed on a euro basis, the treatment and refining charges in the international concentrate business are agreed in U.S. dollars. NA bases its sales prices for copper products on premiums – for example, for quality or type of pricing – and shape surcharges for converting cathodes into copper products. These are the key earnings parameters on the sales side, which are added to the LME copper quotation.

Price formation along the value added chain



Energy prices

The production of copper is energy-intensive. The quantities of energy and energy raw materials used as well as the energy prices therefore have a significant impact on our costs. Price advantages and an efficient energy input are thus of great importance. The Group therefore resolutely pursues economy strategies, which apart from reducing consumption also include increasing energy efficiency and the use of process energy. In the past fiscal year, NA consumed 1.4 billion KWh of electricity and almost 1 billion KWh of gas. The Group's total expenditure on energy in the reporting period amounted to approximately € 140 million.

Long-term nature of energy agreements

NA had already succeeded in the previous fiscal year in covering its entire electricity requirements for the German sites until the end of 2009 at below the current price levels. This enabled the Group to completely avoid the massive price increases in 2008. Our electricity price was considerably lower than the official year-ahead electricity futures on the European Energy Exchange (EEX). The 30-year agreement that we have concluded with the electricity utility, Vattenfall, on a cost basis covering a so-called virtual power plant slice will apply from 2010 onwards. This long-term contract was legally executed by the parties concerned in April 2008. Long-term energy contracts are not currently possible for our foreign sites. Particularly in Bulgaria, the price of electricity is however significantly lower than in Germany.

NA has managed to extend the current gas supply agreement for the Hamburg site, which is favourably priced compared with the EEX price trend, until the end of 2012.

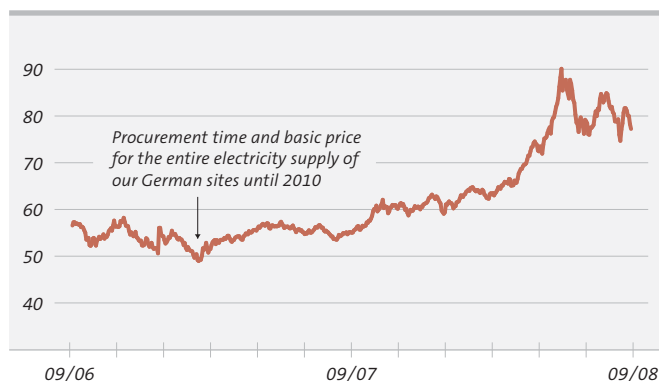
GENERAL ECONOMIC ENVIRONMENT

Global economy suffers under financial crisis

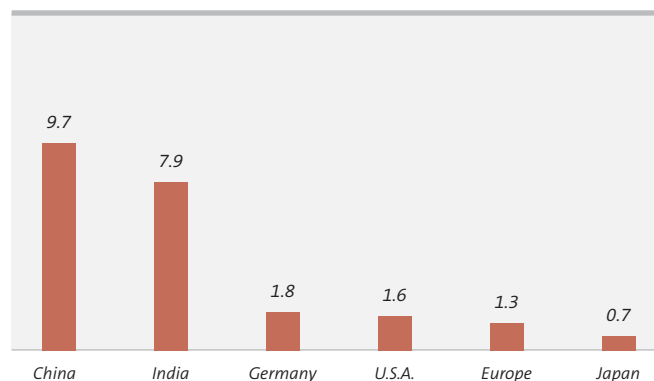
The global economy was unable to maintain the overall high growth rate of 2007. After improving by 5% in the prior year, global economic growth declined in 2008, but still reached 3.9%. The crisis that arose in the U.S. real estate market has caused a global financial crisis which reached a temporary peak in the autumn of 2008. Although governments and central banks have taken massive supportive action to overcome the crisis, it has had adverse effects on the real economy.

After a good start, economic growth particularly in the developed industrial countries was in some instances severely burdened. Economic output in the U.S.A. only rose by 1.6% in 2008, after 2% in the prior year. Japan could only achieve growth of 0.7%, down from 2.1% in the prior year. Growth in the euro-zone halved from 2.6% to 1.3%. The situation in Germany with an increase of 1.8% in gross domestic product was comparatively good.

EEX year-ahead future EEX electricity price (in €/MWh)



Expected GDP growth 2008 in %



Source: International Monetary Fund autumn report, 2008



Copper was quoted on average in the fiscal year at a settlement price of US\$ 7,785/t, after US\$ 7,088/t in the prior year.

The expansion rate in the other countries of Asia and Central and Eastern Europe remained high, although it had lost some of its momentum by the end of the year. According to the International Monetary Fund, the economic output of the emerging markets rose by altogether 6.9% in 2008, whereby the driving forces with growth of 9.7% and 7.9% respectively were China and India. Growth in Central Europe, where real GDP went up by 4.6%, showed disparate trends, while it improved by 7.3% in Southeast Europe.

Divergent trends in the sectors relevant for our business

Developments in the key industries for NA varied. The German investment goods sector was affected primarily by the downturn in economic growth abroad, whereby the various sectors showed disparate trends:

The **electrical engineering industry** benefited from continuing high demand from the emerging markets for infrastructure projects. Plant for increasing energy efficiency was in demand in the industrial countries. The German electrical engineering industry expects growth of some 4% for 2008, despite the economic slowdown.

The **machine and plant construction** sector is forecasting growth of about 5% in demand for 2008. Weaker demand from abroad was compensated by good domestic demand.

The export business in the **automobile industry** was still strong. Car exports were at the prior year's high level and commercial vehicles made in Germany also continued to be in demand at home and abroad. By contrast, the domestic automobile business was somewhat weaker. German commercial vehicle production increased overall in the first three quarters of 2008 by 10% and car production by 1%.

Estimates to date for the **construction industry** indicate that total investment increased by 2%, whereby the main momentum came from commercial construction.

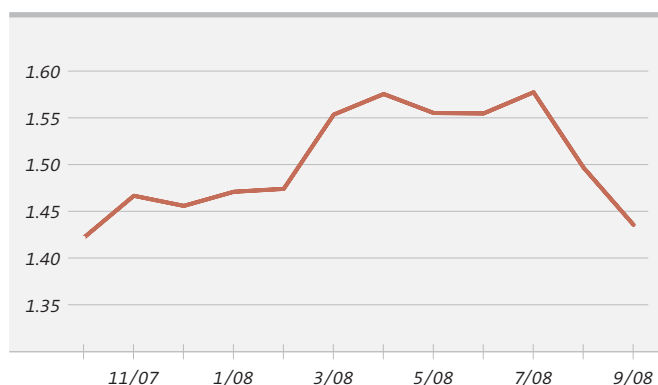
Euro cannot maintain higher valuation

The euro strengthened initially against the U.S. dollar in 2008. By mid-April 2008 the exchange rate had risen to US\$ 1.59/€ and then moved mainly in the narrow range of US\$ 1.57/€ to US\$ 1.60/€ until the end of July. The euro weakened considerably from August onwards, falling to about US\$ 1.39/€ in September.

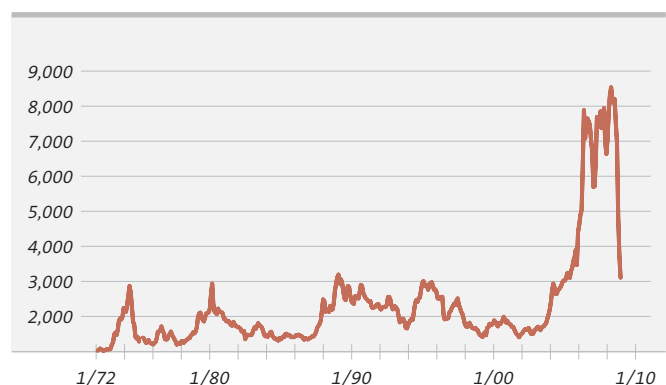
Copper market still robust

In the fiscal year, the metal markets generally proved to be very robust in the face of the sustained financial crisis and the resultant risks of declining global economic growth. The high-price phase for non-ferrous (NF) metals continued, but price volatility increased. Copper was quoted on average in the fiscal

Performance of US\$/€ exchange rate since October 2007



Copper price performance since 1972 in US\$/t, 3-month quotation LME



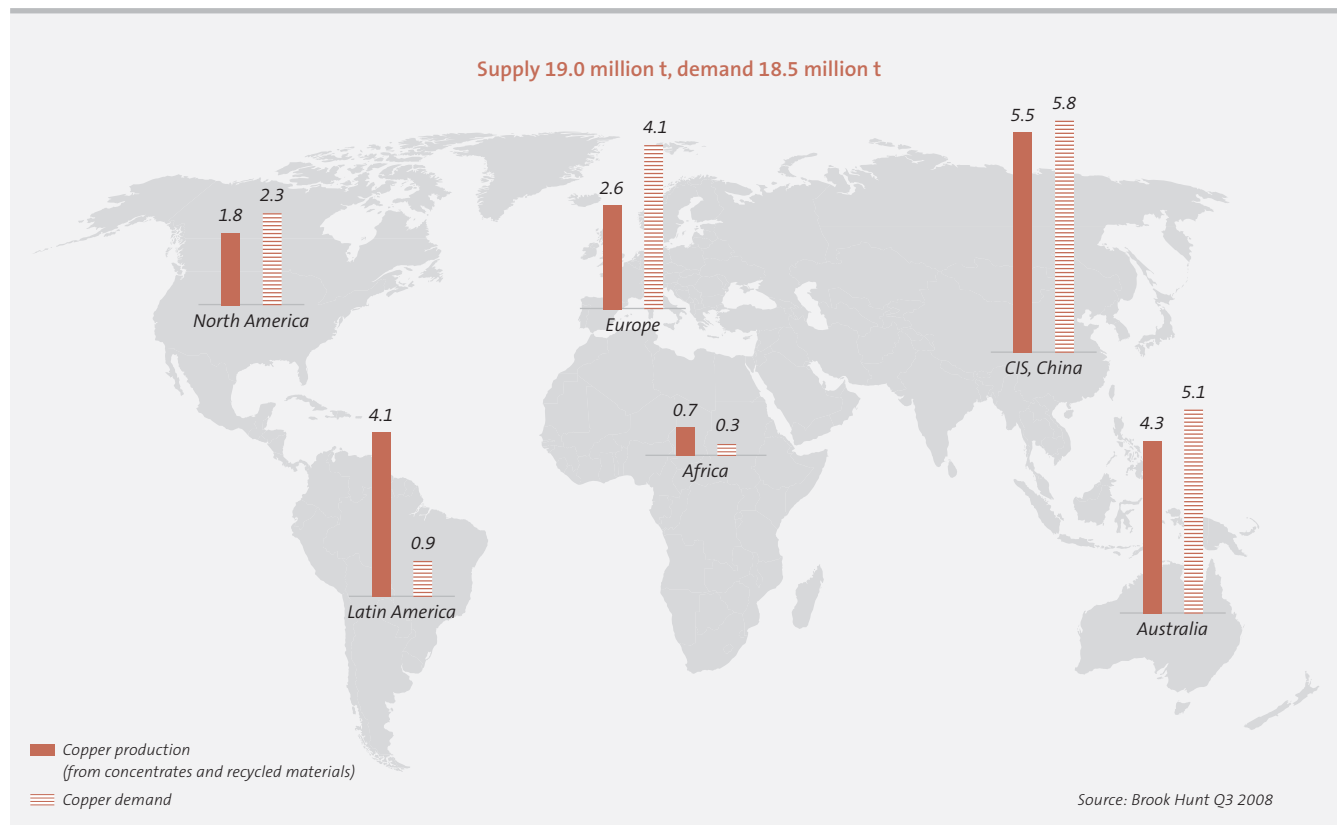
year at a settlement price of US\$ 7,785/t, after US\$ 7,088/t in the prior year. The lowest settlement price on the London Metal Exchange (LME) amounted to US\$ 6,419/t at the end of September 2008, while the highest level of US\$ 8,985/t was recorded in July. With few exceptions, the spot prices were higher than the forward prices (backwardation).

Production shortfalls on the copper market

Copper tended to be in short supply on the international market for most of the fiscal year. This is also reflected in the copper statistics of the International Copper Study Group (ICSG), which calculated a production shortfall of about

130,000 tonnes for the first half of 2008. This was primarily due to lost output at mines and smelters as a consequence of strikes, energy and water supply problems, as well as scheduled maintenance standstills and technical difficulties. In addition, shortages of qualified staff and equipment inhibited the expansion and utilisation of production capacities. Utilisation of capacities at the mines and the smelters only amounted to 83% and to 82% respectively in the first half of 2008. The supply situation however reversed in the further course of 2008, due to the impact of the general economic slowdown. A production surplus of up to 0.5 million tonnes is now expected for 2008 as a whole.

Expected supply and demand of refined copper in 2008 in million t



Regional variances in demand

Global copper demand continued to hold up well in the past fiscal year. Compared with the prior-year period, it was slightly positive in the first half of 2008 and increased by 2% to 3% over the year as a whole. However, there were significant regional variances. While demand for copper in China continued to rise, it suffered a substantial decline above all in the U.S.A. of 4% in the first half-year and 6% over the whole of 2008.

The spreading financial crisis with its impact on global economic development did not spare the 15 EU core countries, which are especially relevant for NA's product sales, and caused demand for refined copper to decline in this region as well. It decreased by about 3% over the year as a whole. In Germany, demand for copper fell by some 2.7% compared with the very good prior year. By contrast, demand for copper in the South-east European countries, which have become more important for NA since the acquisition of Cumerio, continued to grow. Demand for copper in Bulgaria, Rumania and Slovenia increased by more than 10% in 2008 compared with the prior year.

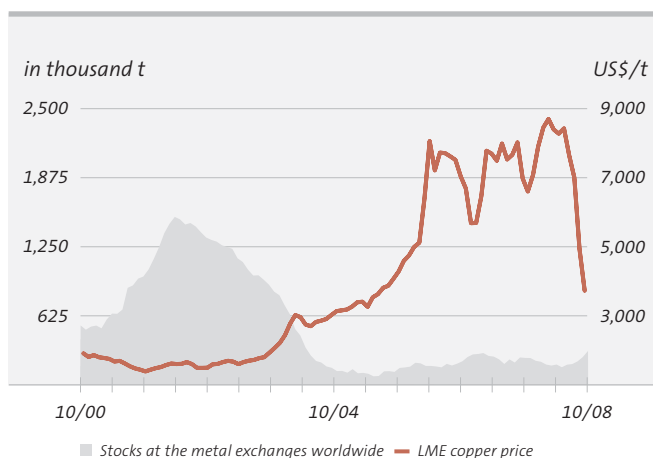
More than 25% of the global demand for copper came from China, where declining cathode imports caused temporary irritation on the copper market. This was however mainly due to arbitrage transactions by the dealers, and was unrelated to real demand. Actual burdens on the other hand resulted from more subdued consumer and export business. Almost 40% of China's high demand for copper however resulted from the infrastructure projects, which still continued in 2008. Ignoring the changes in inventories outside the metal exchanges, the increase in the Chinese demand for copper was therefore between 4% and 8% in 2008.

Low inventories

The level of stocks in the warehouses of the international metal exchanges, which fluctuated considerably during the past fiscal year but remained low on a long-term basis, is an important indicator for the availability of copper on the market. The absolute stock level fluctuated between 170,000 tonnes and 240,000 tonnes, representing between three and five days of global demand.

Funds and other capital investors, who invested in commodity products, had a considerable influence on the prices in the raw material markets in the past fiscal year. This also significantly affected copper. The performance of the U.S. dollar against other currencies had a direct impact. While the initial weakness of the American reserve currency encouraged investment in dollar-quoted commodities, the subsequent recovery of the U.S. dollar caused the interest in commodity investments to recede.

Copper price and copper stocks at the metal exchanges



DEVELOPMENT OF THE BUSINESS IN THE COPPER PRODUCTION SEGMENT

Divergent trends in the markets for copper raw materials

The trends on the markets for copper raw materials and copper products are one of the main factors affecting NA's business situation. The business with copper raw materials includes the supply of copper concentrates and recycled raw materials for the smelting facilities. Spot transactions and longer-term settlements are carried out in the market for copper concentrates, which reported only limited individual physical activity in the fiscal year. Tenders for single quantities were mainly awarded to traders. The copper smelters by contrast mainly held back in the short-term business on account of the low level of treatment and refining charges, production stoppages for maintenance and repairs, and the availability of sufficient supplies.

The long-term negotiations between the mines and, above all, the Japanese and Chinese concentrate processors have to be regarded as trend-setting and proved to be very difficult in view of the, in some cases, very different positions. In mid-2008, Japanese smelters agreed treatment and refining charges of US\$ 45/t and 4.5 cents/lb respectively. Although lower than the prior-year level of US\$ 60/t and 6 cents/lb respectively, they were somewhat higher than expected. Thus, the further tightening of the market anticipated by market observers did not materialise initially, as a result of this.

Good supply of recycled raw materials

The overall situation on the markets for recycled raw materials was satisfactory for NA during the year under review. Spot business with trading companies dominated on the European copper scrap market and the supply increased here until summer 2008. The high copper prices resulted in good material availability and encouraged the metal trade to part with their merchandise. Since, in addition, the presence of Chinese copper scrap buyers remained low-key, the European smelters had good opportunities to secure their requirements with high refining charges. However, from the summer onwards, lower copper prices and seasonal factors led to a decline in the supply and thus to lower margins.

The markets for more complex recycled raw materials with low metal contents were characterised by good material availability and purchasing conditions throughout the fiscal year. Apart from the high copper prices, more sophisticated collection systems for instance for electronic scrap also contributed to this. Good capacity utilisation in the semis industry, in which metal-bearing production residues arise, also had a positive impact.

Before revaluation of LIFO inventories

Copper Production Segment in € million	2006/07	2007/08
Revenues	4,474	6,246
EBT	181.5	235.4
EBIT	184.1	256.1
Capital expenditure *	77.7	91.3
Depreciation and amortisation	45.7	66.5
Average number of employees	2,083	2,802

* on intangible assets and property, plant and equipment



Earnings before interest and taxes (EBIT) in the Copper Production Segment amounted to € 256 million, an increase of € 72 million or 39% compared with the prior year.

Copper production surpasses excellent prior-year result

The trend in the Copper Production Segment proved to be extremely positive for NA overall. Despite the continuing unfavourable general state of the market for the most important raw material, copper concentrates, the Group succeeded in keeping its facilities well supplied and obtained revenues from treatment and refining charges under the long-term supply agreements that were considerably above the generally low market level. Nevertheless, they were lower than those in the prior year. NA once again achieved high utilisation rates for its processing facilities.

Excellent productivity and market development

NA was active in a number of markets in Germany, Europe and beyond to procure copper scrap and recycled raw materials. The supply of copper scrap was good, at times even very good, apart from short phases of market adjustment. The level of refining charges was correspondingly high. All the available recycling capacities were fully utilised. The processing of other recycled materials likewise generated very satisfactory margins.

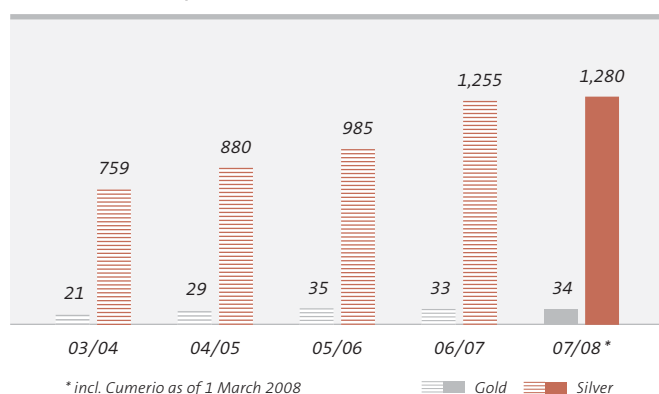
The supply of precious metal-bearing raw materials showed a very positive trend, particularly on account of the high precious metal prices. The output of silver and gold totalling 1,280 tonnes and 34 tonnes respectively was again at a high level in the past fiscal year.

Demand on the sales market for sulphuric acid, which is produced from the sulphur contained in the copper concentrates, developed extraordinarily positively. A boost came in particular from the flourishing fertiliser industry and the expanding mining industry, which uses sulphuric acid as a leaching agent. NA sold its output of 1.6 million tonnes (1.1 million tonnes in the prior year) at substantially higher prices.

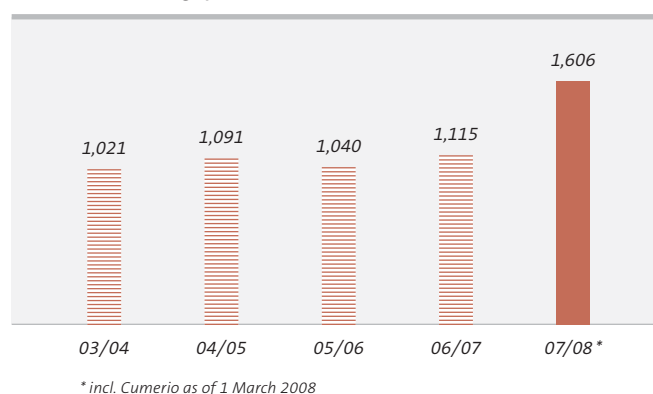
Copper production increases the competitiveness

Overall, the primary copper production facilities in Hamburg, Pirdop and Olen were kept very well supplied with raw materials throughout the fiscal year. A total of 1.6 million tonnes of copper concentrates was processed at the Hamburg and Pirdop sites. In Hamburg, the throughput of concentrates again reached almost 1.1 million tonnes despite the scheduled maintenance and the preparatory work performed at the beginning of the fiscal year on increasing the concentrate processing capacity. Output in Pirdop was affected by two overhaul and maintenance standstills each of about 14 days. In addition to the scheduled standstill for general repairs in September 2008, an unscheduled production stoppage was necessary in June for urgent maintenance work on the factory's main plant, the off-gas system at the flash smelter.

Gold and silver output in t



Concentrate throughput in thousand t



High production capacity

The supply of copper anodes for the tankhouses in Hamburg, Pirdop and Olen was assured at all times. Total output of the NA Group's primary copper production facilities amounted to 640,000 tonnes of cathodes. Together with the cathodes produced at the recycling centre in Lunen, the Copper Production Segment produced a total of 852,000 tonnes of cathodes (572,000 tonnes in the prior year).

The new tankhouse in Pirdop with a planned annual production capacity of 180,000 tonnes of cathodes was commissioned on 1 July 2008. The plant was running at full capacity by the beginning of the new fiscal year. One of the key activities in the Copper Production Segment was the intensive know-how transfer between the production sites. We have developed a large number of optimisation opportunities to increase the productivity and efficiency of the production facilities, which will further strengthen our competitiveness in the future.

Good supply situation

In the Lunen recycling centre, we were able to further expand the processing of modern recycled raw materials, such as electrical/electronic scrap and industrial residues. Cathode output at this site exceeded 200,000 tonnes for the first time.

In addition, we significantly increased the input of precious metal-bearing materials in the reporting period, which are fed into the various stages of the copper winning process in an optimised form. The very good supply of high precious metal-bearing raw materials was also due to the high precious metal prices.

Significant improvement in earnings in the Copper Production Segment

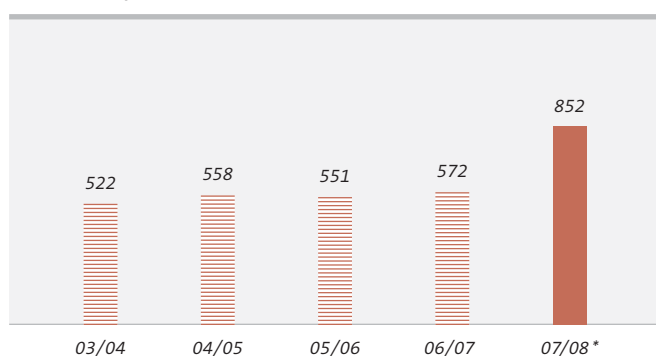
Earnings in the Copper Production Segment have again improved compared with the excellent prior-year result before taking the effects from the revaluation of LIFO inventories using the average cost method into account. In addition to good market conditions, this success is mainly attributable to the outstanding production performance at almost all production sites. Other important factors affecting earnings were the constantly good output of metals at high metal prices, positive price effects from the reduction of low-valued metal inventories, effects from the exploitation of backwardation and higher prices for sulphuric acid.

Earnings before interest and taxes (EBIT) in the Copper Production Segment amounted to € 256 million, an increase of € 72 million or 39% compared with the prior year. We succeeded in increasing the revenues in the Segment in the past fiscal year from € 4,474 million to € 6,246 million, due above all to the development of the metal price.

If the results of the revaluation of LIFO inventories are included, the segment earnings before interest and taxes (EBIT) declined from € 227 million in the prior year to € 211 million in the fiscal year, in particular due to metal value write-downs.

The average number of employees in this Segment rose by 719 to 2,802, mainly due to the acquisition of Cumerio.

Cathode output in thousand t



* incl. Cumerio as of 1 March 2008

DEVELOPMENT OF THE BUSINESS IN THE COPPER PROCESSING SEGMENT

Markets for copper products mixed

The business with copper products showed disparate trends in the reporting period, but can be assessed overall as positive. While demand for copper products for electrical applications was high, demand for copper shapes and strip products declined, adversely influenced by price-related material substitution and the downswing in certain industries.

Demand for copper wire rod in Europe increased by 1.1% in the first half of 2008, to which Eastern Europe, with increased demand of 4.4%, particularly contributed. Demand in Western Europe remained constant at a high level, mainly on account of the continuing high investment activity in the electricity generation, conversion and distribution sector. Copper demand for IT applications and communications technology also developed well in the past fiscal year. The demand for copper products for “white goods” was stimulated by new intelligent house technology and remained stable. Demand from the automotive sector still continued at the good prior-year level in the first few months of the fiscal year.

In 2008, the European semis industry had to face an increasingly difficult business environment. In particular, the weaker economic trend in the construction industry in some parts of Europe reduced the demand for installation pipes and roofing copper and thus for continuous cast copper products. At the same time, the high copper prices resulted in the substitution of copper for simple applications. In the strip product sector, declining economic activity reduced the high demand of the prior year to a normal level. Competition for staple products increased on account of lower-priced alternative materials and intensified market activities by European competitors. The export business with non-European countries was adversely affected by the at times weak U.S. currency.

Lively demand for high-value copper products

Demand for NA's high-value copper products was lively in the fiscal year. Our product portfolio therefore achieved above-average growth.

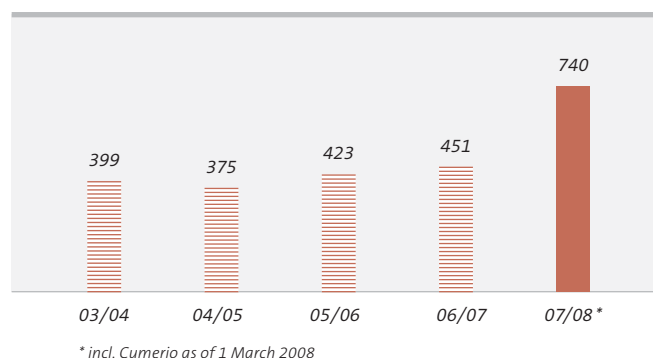
In the reporting period we again concentrated on maintaining and enhancing long-standing partnerships with our customers. Both sides benefit from long-term transparent agreements, some of which have been concluded for several years, and the accompanying reliability of deliveries, particularly in the current volatile market environment.

Before revaluation of LIFO inventories

Copper Processing Segment in € million	2006/07	2007/08
Revenues	5,053	6,273
EBT	78.4	108.1
EBIT	84.5	129.7
Capital expenditure *	13.8	20.7
Depreciation and amortisation	11.5	23.8
Average number of employees	1,125	1,293

* on intangible assets and property, plant and equipment

Wire rod output in thousand t



At the same time, we were also active on a flexible basis in the spot business in the past fiscal year in order to supply our customers with additional quantities or to do business with new customers. These activities have resulted in further long-term agreements.

Our customers have generally accepted the additional financing costs resulting from the high copper prices. We succeeded in agreeing further price increases for the new agreements that were concluded.

All-time production high for wire rod

The output of wire rod was very good and reached an all-time high in the reporting period. We produced a total of 720,000 tonnes of wire rod in our rod plants in Hamburg, Olen and Avellino, and at our 60% subsidiary, Deutsche Giessdraht GmbH, Emmerich. In addition, some 20,000 tonnes of specialty wire rod were produced. These figures include Cumerio's output from March to September 2008.

Hence, we were able to increase our output by some 64% compared with the prior-year figure of 451,000 tonnes. Ignoring Cumerio's contribution, the Hamburg and Emmerich rod plants increased their production by a further 6% and also reached a new record output of 480,000 tonnes. This increase was mainly due to robust demand from the energy cable and enamelled wire sectors.

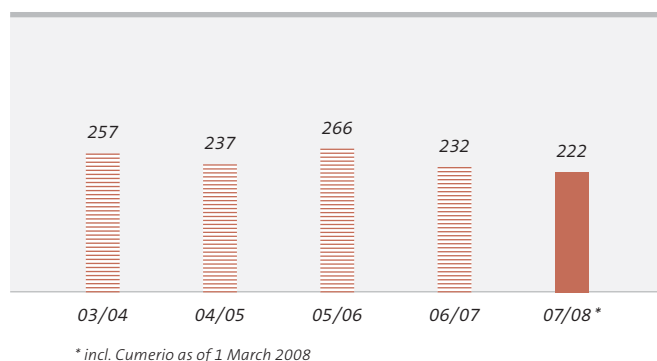
Lower output of continuous cast shapes

NA produced a total of 222,000 tonnes of continuous cast shapes in Hamburg and Olen in the reporting period. This figure includes Cumerio's output of 33,000 tonnes between March and September 2008, so that output in Hamburg was 4% down on the prior-year figure of 232,000 tonnes. Capacity utilisation in the Hamburg plant fell by 19%. Utilisation of the Olen plant, where the output of continuous cast shapes has halved over the last seven years, was at a very poor level of only 30%. In view of the lack of profitability of the production of continuous cast shapes, which is primarily attributable to stagnating or lower demand from the installation pipe industry and from roof construction, we have decided to discontinue production at the plant in Olen. In addition, the effect of the substitution of copper by other materials due to the prevailing high copper price became noticeable. Furthermore, the impact of weaker demand from the U.S.A. and Asia for strip products at the same time as the weak U.S. dollar exchange rate was also felt in the final quarter.

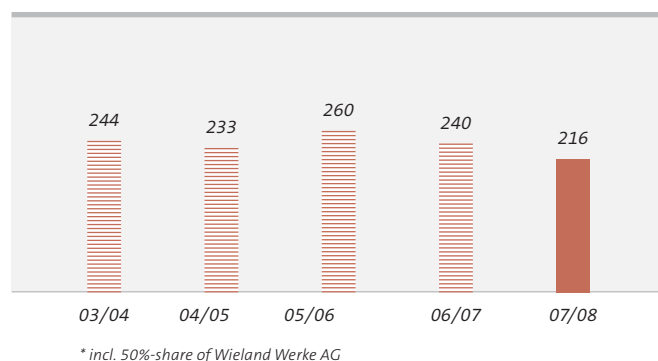
Output of pre-rolled strip and strips below prior year figure

With an output of 216,000 tonnes, the Schwermetall sector failed to achieve the prior-year figure of 240,000 tonnes. Demand in the European core market declined, especially in the second half of the fiscal year. Enquiries for specialty materials and rolled products with a greater depth of production remained at a high level. The resultant higher margins were however largely compensated by reduced unit sales.

Continuous cast shape output in thousand t



Pre-rolled strip output* in thousand t





The Copper Processing Segment succeeded in increasing its earnings before interest and taxes (EBIT) by 53% to € 129.7 million.

Prymetall produced a total of 60,000 tonnes of copper strip and shaped wire, some 3% down on the prior year. The Company continued to concentrate on high-value products and thus succeeded in compensating the slight loss of output by higher margins. The market for volume products remained under pressure. With the diversified offering of alloys and high-value tin-coated products, we have however been able to gain further market shares for strips for the automotive and electrical or electronics industries.

Slitting centres and shaped wire sector develop well

The new slitting centre in Slovakia started full operation following intensive training from the UK slitting centre, EIP Metals Ltd., and Prymetall. The market responded positively overall to the slitting centre in Slovakia.

The shaped wire sector reached 16,000 tonnes for the first time. Apart from the strong general trend, this is attributable to the good performance of the CONFORM plant. The shaped wire sector has thus further consolidated its contribution to the success of the business.

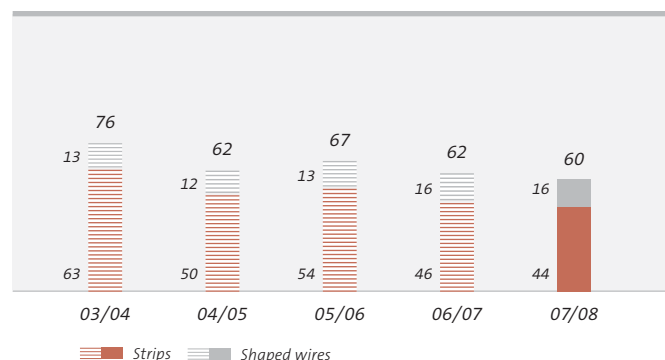
Prymetall held up well in the difficult environment of the last year due to focusing on higher-value products, the distribution network via slitting centres and consistent customer-oriented product development, with new product developments making a contribution for the first time.

Satisfactory earnings in Copper Processing Segment

Revenues in the Copper Processing Segment rose by 24% to the new record level of € 6,273 million. The segment succeeded in increasing its earnings before interest and taxes (EBIT) by 53% to € 129.7 million before the revaluation of the LIFO inventories using the average cost method. After including the result of the revaluation of LIFO inventories, segment earnings amounted to € 78 million (€ 97 million in the prior year).

The Copper Processing Segment had 1,293 employees in the past fiscal year, after 1,125 in the prior year. Here again the increase is attributable to the acquisition of Cumerio.

Copper strips and shaped wires in thousand t



RESEARCH & DEVELOPMENT

Increasing demands require new ways. In order to improve existing processes and to make possible new processes, we rely on the innovative strength of our employees and the close collaboration with competent partners. We are mainly focusing in research & development on the development and optimisation of new metallurgical processes and products.

Our research & development activities are combined in the R&D central sector. The renewed greater demands and the growth of the Group necessitated an increase in personnel in this sector in the past fiscal year. This trend will continue. At the end of the fiscal year, 29 employees (25 in the prior year), including 13 engineers and scientists, worked on the various projects. In addition, we expanded our cooperation with universities and partners in plant engineering. This included, for example, the awarding of contracts covering promotion work, R&D projects or joint preliminary work on publicly subsidised research projects.

Close cooperation with all sectors

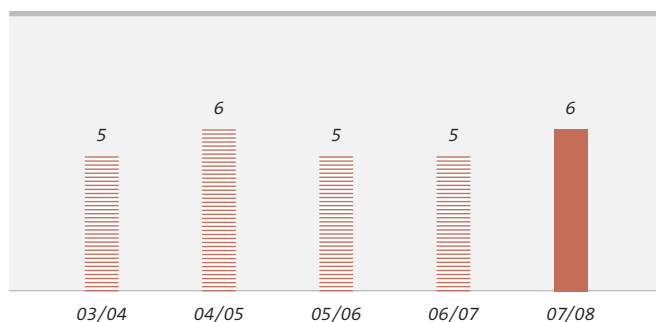
Total expenditure on R&D amounted to about € 5.8 million (about € 5 million in the prior year), most of which was directed towards projects for the improvement of processes.

Most of the research and development work is performed centrally at NA in Hamburg and at the main production sites. We defined key activities in the past year oriented to the sectors of copper production, recycling and precious metals as well as copper processing. Close collaboration with the production, engineering and marketing/sales sectors provides the basis for the timely development of innovative solutions in all projects.

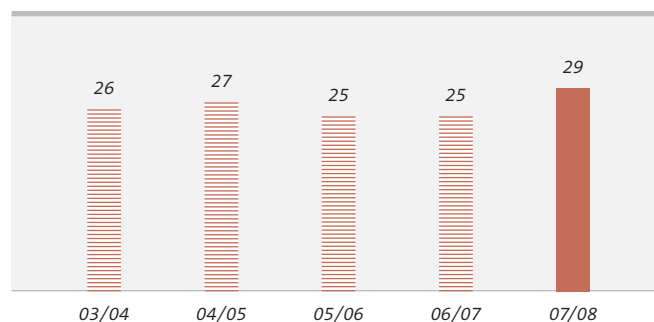
Process solutions optimise production efficiency

In the two key segments of Copper Production and Recycling/Precious Metals, we work primarily on the optimisation of metallurgical processes and the development of new processes. The main tasks include the provision of process solutions for the improved recovery of copper, precious metals and important by-metals in the processing of our primary and secondary

R&D expenditure in € million



Number of R&D employees





Although our Group already has very high environmental standards, our R&D team is constantly looking for solutions to achieve further optimisation.

raw materials. Accordingly, solutions are sought to enable raw materials with increased impurities and low metal contents to be treated. This allows us to take up the copper raw materials on the market on a wider basis and opens up new economically attractive opportunities in raw material processing.

In the past fiscal year, we succeeded in transferring several processes for refining by-metals to a pilot plant that we had up to then only developed on a laboratory scale. The resultant products are especially pure and can therefore be sold at higher prices on the global market. In the tankhouse sector, we worked intensively on the selective separation of by-elements from electrolytes. Corresponding solutions simplify the input of complex raw materials in the metallurgical facilities while at the same time maintaining the copper quality.

Further improvement in high environmental standards

Environmental protection is also an important topic for us in the R&D sector. We are primarily working here on improvements in the off-gas and wastewater treatment. Although our Group already has very high environmental standards, our R&D team is constantly looking for solutions to achieve further optimisation. Our approach in the reduction of the input of resources, such as materials and energy, and the avoidance of waste and low-value by-products is therefore always ecologically and economically justified.

We commissioned an innovative process gas treatment facility in the Hamburg secondary smelter during the reporting period. The treated process gas containing SO₂ can now be transferred to the sulphuric acid plant without further processing. We will use the capacity that has become available in the primary smelter off-gas treatment facility to increase the throughput in concentrate processing.

In the recycling sector we succeeded in transferring a process for the treatment of ground and surface water, which has been developed in the laboratory, to a pilot plant. The results of the pilot operation form the basis for the design of the subsequent production plant.

Development of process and product solutions

The improvement of production processes and process capability in copper processing also play a major role. In addition, we are working on the development of new or optimised copper semi-finished products. This is increasingly being carried out in close co-operation with our customers. For example, we look for solutions with which we can tailor our copper products to fulfil the need for weight savings in the automotive sector or resistance to increasing working temperatures. In some cases, our customers can only use new technologies once our research results have become available.

One of our main research projects focuses on the development of copper specialty products for general electrical and electronic applications and the connector market. We succeeded during the reporting period in optimising the hot-dip tinning process for the surface coating of products and thus in enlarging our product range. Lead-reduced and lead-free alloys, which can be

used for instance for machined small parts in electrical and electronic applications, represent another focal point of the development. These activities enable us to comply with the demands of industry and the EU authorities for lead-free materials. Individual trial lots are already being tested at our customers.

We have developed low-alloyed copper materials for applications in the cable industry. The resultant optimisation of the material input was able to curb the substitution by aluminium in this sector.

The further optimisation of the production and processing technologies for pure copper materials has also had good results. The product properties of strips for applications in power electronics could therefore be improved further and thus create the basis for increased sales.

CIS solar cells

We developed flexible solar cells in an autonomous project and have therefore gained access to the fast-growing future market of renewable energy. The market for solar collectors is growing worldwide at more than 30% per annum. If energy prices continue to rise on account of a shortage of resources, experts expect that cost-effective solar cells will be able in six to eight years to produce competitive electricity for private users in sunny regions. This justifies the future potential for thin-film solar cells. In our CIS solar cell project, we focused from the outset on cost-effective thin-film solar cells and continuous production processes. Our aim is also to be able to survive in future markets with reduced subsidies.

In the past fiscal year, we successfully completed the first project phase with a feasibility study. The result was the laboratory prototype of a flexible CIS solar cell with an efficiency rate of about 10%, which we were subsequently able to raise to 12%. We are currently working on reaching production maturity. With an investment of about € 7 million, we have set up a pilot line for the further development on the technical side, in which metal strip is continuously converted into solar cells. Now that we have produced the first solar cells, our team of 17 employees is now working on the process optimisation. A further step will be taken to optimise quality and process yield in order to secure the technical basis for the construction of a serial production facility.

Project extended

Our experience to date with the pilot line shows that our goal is achievable. However, since the production of the CIS thin-film solar cells via eight individual processes is extremely complex and requires intensive development work, process experience and plant stability, we have been unable to adhere to the original timetable, and have therefore extended the pilot project for a year in view of the promising interim results.

Parallel to the pilot development, we have continued the planning of a 30 MWp serial production plant. We currently assume an investment of less than € 100 million in plant and buildings and a construction time of about two years. A decision is to be taken in the coming year on whether the investment will be carried out.



In order to integrate Cumerio's employees as quickly as possible, we have intensified our internal communications, encouraged the exchange of personnel between the locations and have held numerous integration seminars and events.

HUMAN RESOURCES

Our headcount increased considerably due to the integration of Cumerio. Some 4,800 people now work throughout Europe at the common task of enhancing NA's competitiveness. The personal dedication and manifold ideas of every single employee contributes to ensuring that customers, business partners and investors decide in favour of NA.

NA had altogether 4,764 employees on 30 September 2008, 70% of whom worked at the German factories and 30% at locations in other European countries.

The increased internationalisation of our organisation has also entailed great challenges for personnel work. We have combated these with a wide range of measures. In order to integrate Cumerio's employees as quickly as possible, we have intensified our internal communications, encouraged the exchange of personnel between the locations and have held numerous integration seminars and events. In addition, we have tailored the Group's organisation to the new structure and set up a Corporate Human Resources department, which is mainly involved in management development, modern personnel instruments and international personnel placement.

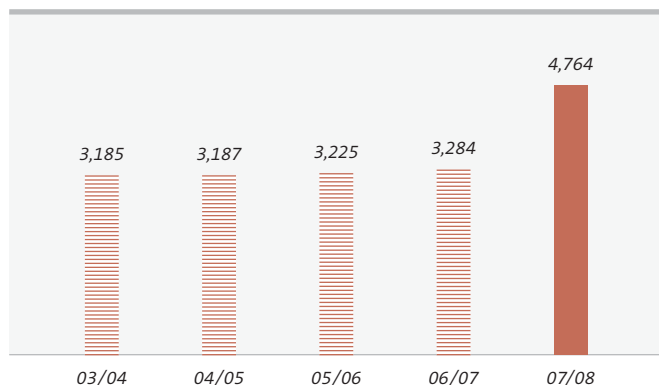
Securing the future through vocational training

Demographic developments and the general economic environment make it increasingly difficult to hire good and committed employees. We are therefore adopting a wide variety of measures in order to maintain our appeal as an employer and therefore to ensure the supply of human resources needed in order to secure our future.

We again increased the number of apprenticeships at our German sites in the reporting period. Our commitment to the training of young people was also praised by the German Chancellor, Dr Angela Merkel, who visited the training facilities in Hamburg on 27 August 2008 as part of her educational tour. Dr Merkel, the Federal Minister of Education and Research, Dr Annette Schavan, and the Lord Mayor of Hamburg, Ole von Beust, welcomed the 60 new trainees and apprentices and the 13 interns from our 9 Plus project.

NA therefore employed altogether 261 young people as trainees or apprentices as at 30 September 2008, representing about 7.8% of the workforce at the German sites. Although the German dual vocational training system is not customary

NA Group employees as at 30 September



NA Group personnel structure by countries

30.9.2008

Germany	3,319
Bulgaria	762
Belgium	504
Italy	102
Switzerland	40
England	28
Slovakia	9

in countries like Belgium and Bulgaria, the training and qualification process of our employees at the production facilities in those countries is attributed the same importance as in Germany.

Wanted: talents and specialists

We endeavour throughout the Group to recruit competent young people as specialists and workers. On 4 March 2008, we for the third time organised a Technical University Day at NA in Hamburg aimed at interesting school-leavers in taking a technical degree. Some 400 pupils from grammar schools in the Hamburg metropolitan area were given information about degrees and subsequent career prospects in discussions with representatives from seven universities.

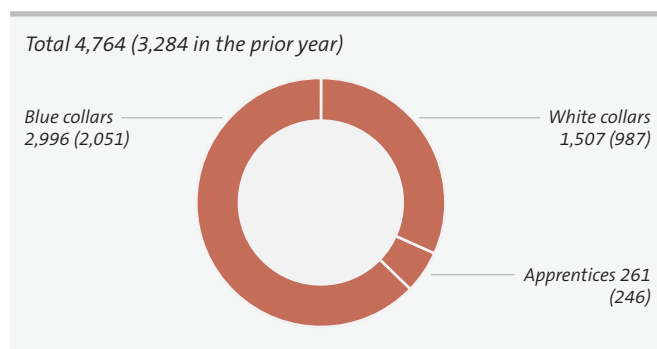
Our commitment is, however, not just limited to Hamburg. Comparable events were also held at our other group locations. For example, we work closely together with universities in Bulgaria and participate at job fairs in Belgium. In addition, many production sites cooperate with local schools and offer internships or one day sample courses. All these elements give young people an insight into our operations and help them to become acquainted with the various jobs that are available.

Strategy of lifelong learning

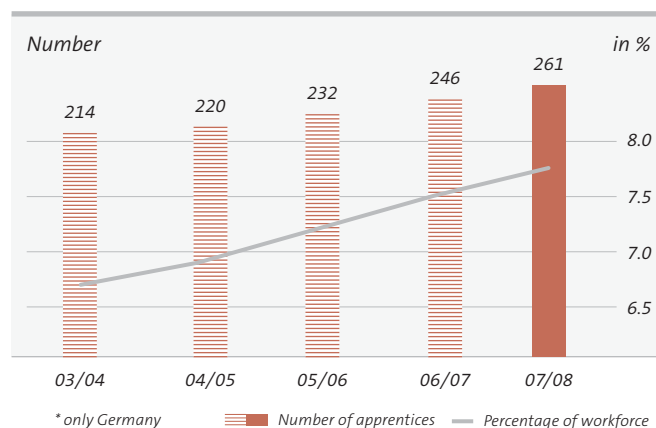
In a world of constant change, the qualification requirements are constantly changing. As a consequence, all of us have to spend our entire lives in a learning process. For instance, the internationalisation of our Group means that numerous employees will have to improve their English. We are therefore supporting them by providing commensurate training. Numerous other courses and seminars aimed at improving vocational skills that are generally in great demand, with particular emphasis on management and IT topics, are also offered.

New challenges also result from the longer working life. Over the coming years, the demographic changes in Europe will have a considerable impact on the economic success of companies and the employment situation. We intend to and must actively shape this change in our Group, and have already initiated the necessary action. These measures are also consistent with the collective agreement concluded for 2008 between the Mining, Chemistry and Energy Workers Union and the National Chemical Employers' Association, which has focused on the "Working lifetime and demography".

NA Group personnel structure as at 30 September



NA Group apprentices* as at 30 September



Personnel development programme extended

The NA Group's personnel development programme, "NAchhaltiges Management für Führungskräfte" (sustainable management for executive staff), has proved its worth and continued in the reporting period. This programme has enabled us to establish uniform management understanding. We will now extend the programme to the new production locations and thus ensure that this uniform management understanding is experienced throughout the Group.

Group-wide values in social interaction

We consider ourselves socially responsible for our employees. We observe the respective national standards in our contact with them. In doing so, we attribute great importance to the principle of equal opportunity and see cultural diversity as a natural element in our international group. In the past fiscal year we started in various workshops to establish the principles for the initiation of a group-wide value process. We want to develop generally valid values in our group that determine social interaction throughout the Group.

Social commitment

We also consider ourselves responsible in the immediate neighbourhood of our company and observe our social obligations through a variety of projects. More and more children and young people in Germany have a migrant background. While they have special intercultural abilities, they also have particular needs. We have therefore signed a cooperation agreement with the Slomanstieg School in the Hamburg district of Veddel, which has a high percentage of migrant children. As part of the "Work Experience Day" project, schoolchildren from the 8th class spend one day a week in our workshops being introduced to the practical side of the working world. They are taught how to handle metals and state-of-the-art machines and receive a certificate at the end of the school year that will help them later when they are looking for an apprenticeship. In return, this gives NA an opportunity to make early contact with motivated youngsters.

A further joint project with the Slomanstieg School and the City of Hamburg is also exemplary. School leavers often fail to find an apprenticeship on graduating from secondary school. We have therefore started the "9 Plus" project. On two days a week the Slomanstieg School provides 13 interns with further tuition, and on the other three days they are introduced to a possible apprenticeship in hands-on work experience at NA. We offered ten of last year's twelve trainees an apprenticeship at NA.

Employee profit-sharing

Performance and success-oriented compensation is a fundamental element of our compensation system. This improves the motivation and performance awareness of our employees. Individual and collective team performance complement one another, i.e. the performance of the individual always depends on the performance of the team, the department or the production sector.

In 2004, we launched an incentive programme, which represents a capital market-oriented compensation component for the Executive Board, management and non-tariff employees in the form of a virtual stock option plan. The second tranche of the plan came to an end in the spring of 2008. This compensation component enables employees to share in the Company's success if NA's shares perform well and defined benchmarks are fulfilled. The prerequisite for participation is that the executives own a certain number of NA shares, depending on their seniority. Since the NA share price also outperformed the CDAX, the participants were able to exercise a total of 415,000 options between March and June 2008 and thus received a special bonus of some € 3,714 million under the incentive programme. The fifth tranche of the incentive programme was issued in April 2008 and for the first time enabled executives at the former Cumerio production sites to participate.

Great demand for employee share ownership

We again gave our employees at the German production sites the opportunity to acquire NA shares at a discount in the spring of 2008. The move proved to be very popular. While 1,848 employees had taken advantage of the offer in the prior year, this figure was surpassed by the 2,088 employees who acquired 41,760 shares (38,335 in the prior year) in 2007/08.

Excellent health management

We have endeavoured for many years to maintain a high level of occupational safety. These activities are paying off. We succeeded in stabilising the accident frequency in Hamburg at the very low level of 4.7 notifiable accidents per million working hours. After implementing improvement measures, we achieved a significant reduction to 10 incidents at the Lunen recycling centre. Accident rates at the other group companies varied. This also applies to the Cumerio factories that have joined the Group. Our aim is to tailor the occupational safety measures there to the existing system at NA. We are currently working on implementing the necessary measures from the safety programme at all the new locations.

Responsibility for our employees also includes a qualified health management system. NA's health management system, which according to a survey conducted in October 2006 by the market research institute, EuPD Research, Bonn, on behalf of the Handelsblatt newspaper at the 500 largest companies in Germany, is one of the best ten schemes in Germany, is exemplary.

Thanks from the Executive Board

The merger with Cumerio resulted in significant changes in NA's structure in fiscal year 2007/08. We have, however, together overcome the challenges very successfully. All employees at our growing company involved themselves intensively in the coalescence process and thus created the main prerequisites for identifying and in some cases already implementing the synergy potential of the merger. We should like to thank all our employees particularly for their great dedication. Our thanks also go to the employees' representatives for their very constructive and trusting cooperation.

ENVIRONMENTAL PROTECTION

Protection of the environmental and climate is a high priority at NA. It is integrated as a firm parameter in the Group's entire value added and is subject to a continuous improvement process. Environmental protection also includes the sustainable handling of resources, such as the efficient use of energy.

Responsibility for the environment

Systematic improvements have made NA an international benchmark in environmental protection in recent years. We have invested some € 300 million since 1981 in environmental protection measures. Specific emissions at the Hamburg production site have been reduced by about 80% and by about 70% at the Lunen recycling centre since 1990.

Our environmental management system is recertified each year in accordance with the EMAS EU Eco-management and Audit Scheme and the ISO 14001 international environment management system. This was successfully performed again in May 2008. The annual audit carried out by an external verifier provides us with an excellent instrument for monitoring the implementation of environmental and climate protection and determining the effectiveness of our systems.



The recycling of metals is one of our main business lines. With a throughput of about 455,000 tonnes of recycled raw materials in the fiscal year, we made a considerable contribution to the environmentally compatible closed-substance cycle.

In addition, the newly installed material preparation plant at the Lunen recycling centre was certified in accordance with the requirements of the Ordinance on Specialised Waste Management Companies and the Act Governing the Sale, Return and Environmentally Sound Disposal of Electrical and Electronic Equipment. In addition, the centre's quality management system was again certified in accordance with DIN 9001:2001. We thus fulfil important criteria for placing our environmentally friendly electrical and electronic scrap recycling on a broader supply basis.

We also focus consistently at the other locations on environmental and climate protection. We adapted our environmental management following the merger of NA and Cumerio and have started to harmonise the environmental protection standards.

Open dialogue with the authorities, environmental associations and the public

NA pursues an open dialogue with the authorities and the public throughout the Group. In addition, we are involved in projects promoting cooperation between industry, environmental associations and the authorities. The information events and works tours for citizens and neighbours met with great interest in the reporting period. The same applied to the various discussion circles between the authorities, environmental associations and industry that were held at our company.

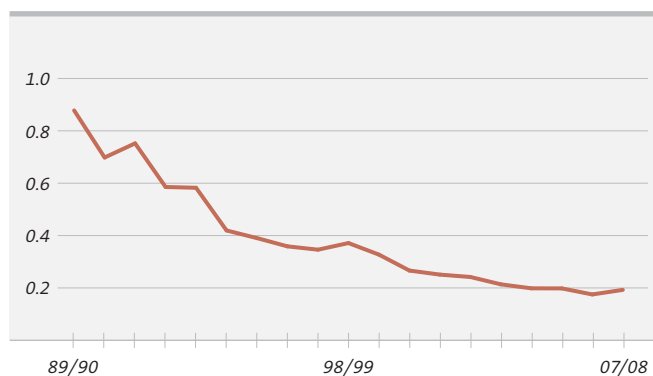
Voluntary agreements have been concluded with the Hamburg Department for Urban Development and the Environment since 1985, as part of the environmental partnership for the

Hamburg site to improve environmental protection and increase energy efficiency, which in some instances go far beyond the legal requirements. In the course of this, we together established and defined measures that have been enormously successful in achieving environmental and climate protection, at the same time taking into account cost-effectiveness. The current agreement foresees environmental protection measures with an investment volume of more than € 20 million, most of which have already been implemented as scheduled.

Modern technologies for the environment

Sustainable environmental management depends on investment in state-of-the-art environmental protection and process technologies. To this end, we develop innovative technologies in the environmental protection sector, whereby the projects to reduce fugitive emissions in the Hamburg works play a key role. We have successfully implemented a project at the Hamburg works to enclose and suck off fugitive emissions in the primary smelter involving capital expenditure of more than € 7 million, which has enabled us to reduce dust emissions in the respective sector by more than 70%.

CO₂ emissions at NA AG since 1990 in t CO₂/t copper



Together with the authorities, we developed an ambitious concept to reduce emissions at the Lunen site with a capital expenditure volume of about € 10 million, most of which has already been implemented. In addition, further voluntary environmental protection measures are planned involving capital expenditure of € 25 million. These will safeguard the location and create the prerequisites for future capacity expansions and technological changes.

We already achieved a technological lead in the past as a result of the development and construction of the KRS central recycling plant, which was accompanied by a substantial reduction in emissions. We are now planning a new investment project covering innovative furnace technologies that include even more advanced facilities for environmental protection. With a capital expenditure volume of over € 60 million, this project is scheduled to be completed by 2011 and will further extend our innovative edge in copper recycling.

Responsible handling of raw materials and energy

The recycling of metals is one of our main business lines. This entails not only the use of materials from the return of products but also of residues from production processes as raw materials for copper. With a throughput of about 455,000 tonnes of recycled raw materials in the fiscal year, we made a considerable contribution to the environmentally compatible closed-substance cycle. This example of sustainable resources management complies with the principle applied by us throughout the Group of the avoidance and recycling of waste.

Our special production means that we are an energy-intensive company. Long-term availability of energy at economically justifiable prices is thus of major importance for the overall development of our Group. Specific energy consumption is a yardstick for energy-efficient production. We have succeeded since 1990 in significantly reducing this at our Hamburg and Lunen sites. Specific energy consumption in Hamburg has declined by 65% and in Lunen by 52%.

A further factor determining how we handle energy is however climate protection. We have reduced specific CO₂ emissions at the Hamburg works by about 80% since 1990 and achieved a 62% reduction at the Lunen works over the same period. We were the first company in Hamburg to participate in the Hamburg Senate's climate protection concept. As a result, we have promised to reduce CO₂ emissions at the Hamburg plant by a further 40,000 tonnes p.a. by 2012, in addition to the achievements to date. We already fulfilled more than 50% of this target by saving 22,000 tonnes of CO₂ in the past fiscal year.

We are acting responsibly towards future generations by economising in the use of raw materials and energy. More detailed information can be obtained from the sustainability report which we published for the first time in the autumn of 2008.

Results of operations, financial position and net assets

ACQUISITION OF CUMERIO

NA completed the takeover of the Belgian copper producer Cumerio during the reporting period. This resulted in an increase of seven in the number of consolidated subsidiaries as at 29 February 2008, namely:

- Cumerio sa/nv, Brussels
- Cumerio Belgium sa/nv, Olen
- Cumerio Med AD, Pirdop
- Cumerio Bulgaria AD, Sofia
- Cumerio Italia S.R.L., Milan
- Cumerio Austria GmbH, Vienna
- Swiss Advanced Materials S.A., Yverdon-les-Bains

The acquisition costs of the Cumerio shares totalled € 782.1 million, of which € 224.9 million had already been paid in fiscal year 2006/07. Assets of € 1,714.2 million and liabilities of € 909.7 million were acquired with effect from 29 February 2008. In total, the acquisition resulted in negative goodwill of € 30.6 million, which was released to income in the past fiscal year.

Hidden reserves of € 507.4 million, mainly in property, plant and equipment (€ 198.7 million) and inventories (€ 310.3 million), were disclosed in Cumerio's assets in conjunction with the acquisition. Write-downs of € 75.6 million were recognised on disclosed fair values in Cumerio's inventories as at 30 September 2008.

Further information on the acquisition of Cumerio is provided in the notes to the financial statements on pages 119 to 122 of this annual report.

RESULTS OF OPERATIONS

The NA Group reports in accordance with International Financial Reporting Standards (IFRS).

Since the measurement of inventories using the LIFO method has been prohibited by IAS 2 since 1 January 2005, all the available inventories in the NA Group have to be measured at average cost. Only the inventories tied up permanently in the production process continue to be measured at the average historic acquisition costs.

This, however, results in the reporting of gains and losses due to changes in the carrying amounts of inventories due to fluctuations in the metal price. The resultant fictitious earnings could only be completely realised in the event of liquidation and result in profits that can neither be taxed nor, on account of the Group policy of covering metal price risks, distributed as dividends. This presentation can therefore cause considerable discontinuity and a loss of comparability.

Before revaluation of LIFO inventories

Consolidated income statement in € million

	2006/07	2007/08
<i>Revenues</i>	6,469	8,385
<i>Other income</i>	142	52
<i>Cost of materials</i>	(5,972)	(7,543)
Gross profit	639	894
<i>Personnel expenses</i>	(215)	(266)
<i>Depreciation and amortisation</i>	(58)	(92)
<i>Other expenses</i>	(106)	(153)
EBIT	260	383
<i>Net interest expense</i>	(9)	(42)
Earnings before taxes	251	341
<i>Income taxes</i>	(92)	(104)
Consolidated net income	159	237

In the interests of meaningful business reporting, we are consequently initially reporting the results of operations, financial position and net assets on the basis of the presentation used by Group management for controlling purposes before the revaluation of the LIFO inventories using the average cost method, and will then explain how the results of operations, financial position and net assets are affected by the mandatory revaluation.

Fiscal year 2007/08 was extremely successful for the NA Group with earnings that again clearly exceeded the best results to date in the Company's history recorded in the prior year. This was due, above all, to a constantly good yield of metals at high metal prices, very good refining charges for scrap and other recycled materials, positive price effects from the reduction of low-value metal inventories and backwardation and higher prices for sulphuric acid. In addition, stable earnings at the subsidiaries and positive profit contributions from Cumerio, despite large write-downs on metal inventories, also contributed to this.

As a result, the gross profit improved by € 255 million to € 894 million, of which the Cumerio Group accounted for € 136 million, including the release of negative goodwill. As a consequence of the high metal prices at the date of the first consolidation, the gross profit was adversely affected by write-downs of € 76 million on metals due to falling prices as at the balance sheet date. Personnel expenses increased by € 51 million to € 266 million, primarily on account of the much larger number of employees as a result of the Cumerio take-over and increased production in the rest of the Group. They also include collective wage-scale increases and restructuring expenditure at Cumerio. At € 92 million, depreciation and amortisation was € 34 million higher than in the prior year. Depreciation and amortisation at the Cumerio companies increased primarily on account of the write-up of the property, plant and equipment due to the purchase price allocation at Cumerio. Other operating expenses went up by € 47 million compared with the prior year. These expense items increased primarily on account of the first-time consolidation of Cumerio

for the period from 1 March 2008 to 30 September 2008, which accounted for € 40 million of the increase in personnel expenses, € 33 million of the increase in depreciation and amortisation and € 42 million of the increase in other operating expenses.

As a result, earnings before interest, taxes, depreciation and amortisation (EBITDA) at € 475 million were € 157 million up on the prior-year figure. Earnings before interest and taxes (EBIT) rose to a similar degree, by € 123 million to € 383 million, after already having reached € 260 million in the prior year. Earnings before taxes (EBT) also increased accordingly by € 90 million to € 341 million. After deducting the respective tax charge, consolidated net income of € 237 million remained, up from € 159 million in the prior year. The tax rate was reduced from 36.7% to 30.4% because of the Corporate Tax Reform Act 2008 and the tax-neutral release of negative goodwill. This resulted in basic earnings per share of € 5.82 (€ 4.24 in the prior year) after elimination of the minority interest.

Cumerio's contribution to these items, after the release of negative goodwill (€ 30.6 million) and including metal write-downs (€ 75.6 million), amounted to € 54 million for EBITDA, € 21 million for EBIT and € 9 million for EBT. Without taking these two effects into account, which were mainly related to the acquisition, Cumerio's contribution amounted to € 99 million for EBITDA, € 66 million for EBIT and € 54 million for EBT.

Value-oriented management and return on capital

The NA Group is managed in accordance with the principles of value-oriented management, based on the evaluation of the return on capital employed (ROCE). Capital employed amounted to € 1,760 million as at 30 September 2008, compared with € 992 million in the prior year. Based on earnings before interest and taxes (EBIT) of € 383 million, this represents a return on capital employed (ROCE) of 21.7% for the past fiscal year. EBIT for the prior year amounted to € 260 million, i.e. a return on capital employed of 26.2%.

Before revaluation of LIFO inventories

Return on capital employed (ROCE)* in € thousand

	30.9.2007	30.9.2008
Equity	653,915	947,481
Pension provisions	58,799	66,612
Financial liabilities	298,989	932,674
Less: Cash and cash equivalents	(20,018)	(186,482)
Capital employed as at balance sheet date	991,685	1,760,285
Earnings before taxes (EBT)	250,993	340,628
Net interest expense	9,209	42,031
Earnings before interest and taxes (EBIT)	260,202	382,659
Return on capital employed (ROCE)	26.2 %	21.7 %

* ROCE was not calculated as in prior years on the basis of the average capital employed ((capital as at 30 September 2008 + capital as at 30 September 2007) divided by 2) but only on the basis of the capital at the end of the respective fiscal year. The prior-year figures have been adjusted accordingly.

Before revaluation of LIFO inventories

Value added statement in € thousand

	2006/07		2007/08	
Source				
Consolidated operating output	6,586,223	100%	8,375,402	100%
Less: Materials and services	(6,044,641)	(92%)	(7,619,296)	(91%)
Gross value added	541,582	8%	756,106	9%
Less: Depreciation and amortisation	(57,894)	(1%)	(92,042)	(1%)
Net value added	483,688	7%	664,064	8%
Application				
Employees	215,394	44%	266,052	40%
Public sector	92,216	19%	103,442	15%
Banks	17,301	4%	57,384	9%
Shareholders	59,261	12%	124,192	19%
NA Group and outside shareholders	99,516	21%	112,994	17%
Net value added	483,688	100%	664,064	100%

Source and application of value added

The value added statement presents the NA Group's economic performance after deduction of all materials and services employed in achieving this. The gross value added in the past fiscal year amounted to € 756 million (thereof Cumerio € 109 million), compared with € 542 million in the prior year. Net value added is calculated after deduction of depreciation and amortisation, and amounted to € 664 million (thereof Cumerio € 76 million) in fiscal year 2007/08, compared with € 484 million in the prior year.

The application statement shows the extent to which the various entitled categories participated in the Group's value added. It can clearly be seen that the largest portion, i.e. € 266 million, of net value added was distributed to the Group's employees. At the same time, the other main recipients of net value added are the public sector, the shareholders and the Company itself.

Development of revenues

Group revenues increased by € 1,916 million to € 8,385 million in the year under review, due especially to the first-time consolidation of the Cumerio Group for the period from 1 March 2008 to 30 September 2008 which contributed

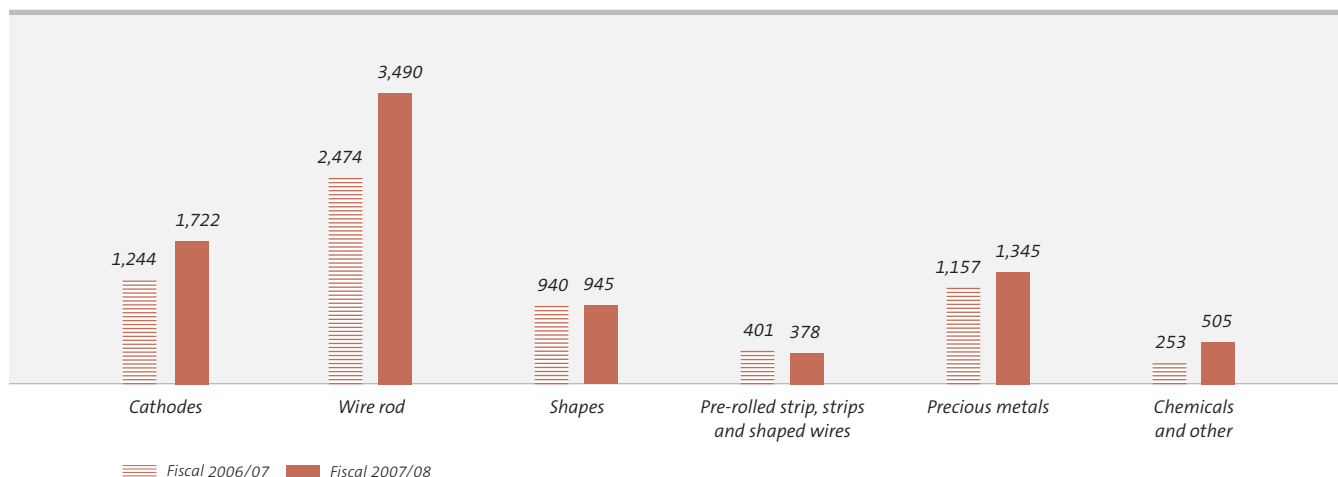
€ 1,890 million. As a result, revenues in all product groups, with the exception of pre-rolled strip, strips and shaped wire, also went up.

Revenues generated with business partners in the European Union increased to 38% on account of the enlarged Group, while the portion of revenues in Germany fell to 49%.

As a result of the higher revenues, cost of materials increased from € 5,972 million in the prior year to € 7,543 million (thereof Cumerio € 1,817 million) in fiscal year 2007/08. After including other operating income, a significantly higher gross profit of € 894 million remains compared with the € 639 million reported in the prior year.

Breakdown of revenues in %	2006/07	2007/08
Germany	60	49
European Union	26	38
Rest of Europe	3	4
Other countries	11	9
Total	100	100

Development of revenues by product groups in € million



RESULTS OF OPERATIONS AFTER REVALUATION OF LIFO INVENTORIES IN ACCORDANCE WITH IAS 2

In accordance with IAS 2, all the Group's available inventories have no longer been measured since fiscal year 2005/06 by the LIFO method that was applied until then, but on the basis of average cost. Thereby, the fluctuations in the metal prices can lead to fictitious results that considerably limit the meaningfulness of the presentation of the operating earnings. This issue has already been discussed in the section on the results of operations. Despite this limitation, the consolidated results of operations after the revaluation of LIFO inventories are set out below in order to comply with legal requirements. As reported in the previous section on results of operations, management however makes particular use of the information and ratios based on the LIFO valuation to control and evaluate the earnings. There were no revaluation effects for the Cumerio Group as at the balance sheet date compared with a valuation in accordance with the LIFO method because of the decline in metal prices since the first consolidation on 1 March 2008 and the resultant necessary metal write-downs.

Development of earnings after revaluation of LIFO inventories

After the revaluation of LIFO inventories using the average cost method, the results of operations are burdened by write-downs on metals totalling € 134 million on account of the decline in the metal prices as at the balance sheet date. This results in a negative effect on earnings of € 98 million from the revaluation of LIFO inventories in the year under review, compared with a positive effect of € 56 million in the prior year. Positive price effects from the reduction of low-valued metal inventories could not be achieved in contrast to the valuation in accordance with the LIFO method. The reduction in the copper price resulted in write-downs on inventories in accordance with the average cost method totalling € 133.7 million, of which Cumerio accounted for € 75.6 million. On account of the overall very good results of operations, earnings before interest, taxes, depreciation and amortisation (EBITDA) for fiscal year 2007/08 amount to € 377 million, which despite everything is slightly up on the prior-year figure of € 374 million.

Taking into account the higher depreciation and amortisation compared with the prior year, earnings before interest and taxes fell from € 316 million in the prior year to € 285 million in the year under review. After deducting interest, earnings before taxes amounts to € 243 million, compared with € 307 million in the prior year. Net of income taxes, consolidated net income for the past fiscal year amounts to € 171 million after revaluation of the LIFO inventories, compared with € 223 million in the prior year. Following the deduction of minority interest from the consolidated net income, basic earnings per share therefore amount to € 4.18 (€ 5.98 in the prior year) after revaluing the LIFO inventories in accordance with the average cost method.

The Cumerio Group's contribution to results has already been shown in the section on results of operations before revaluation of the LIFO inventories.

After revaluation of LIFO inventories

Consolidated income statement in € million	2006/07	2007/08
Revenues	6,469	8,385
Other income	149	48
Cost of materials	(5,923)	(7,636)
Gross profit	695	797
Personnel expenses	(215)	(266)
Depreciation and amortisation	(58)	(92)
Other expenses	(106)	(154)
EBIT	316	285
Net interest expense	(9)	(42)
Earnings before taxes	307	243
Income taxes	(84)	(72)
Consolidated net income	223	171

After revaluation of LIFO inventories

Return on capital employed (ROCE) * in € thousand	30.9.2007	30.9.2008
Equity	913,632	1,140,787
Pension provisions	58,799	66,612
Financial liabilities	298,989	932,674
Less: Cash and cash equivalents	(20,018)	(186,482)
Capital employed	1,251,402	1,953,591
Earnings before taxes (EBT)	306,503	242,998
Net interest expense	9,209	42,031
Earnings before interest and taxes (EBIT)	315,712	285,029
Return on capital employed (ROCE)	25.2%	14.6%

* ROCE was not calculated as in prior years on the basis of the average capital employed ((capital as at 30 September 2008 + capital as at 30 September 2007) divided by 2) but only on the basis of the capital at the end of the respective fiscal year. The prior-year figures have been adjusted accordingly.

After revaluation of LIFO inventories

Value added statement in € thousand	2006/07		2007/08	
Source				
Consolidated operating output	6,592,444	100%	8,370,619	100%
Less: Materials and services	(5,995,352)	(91%)	(7,712,143)	(92%)
Gross value added	597,092	9%	658,476	8%
Less: Depreciation and amortisation	(57,894)	(1%)	(92,042)	(1%)
Net value added	539,198	8%	566,434	7%
Application				
Employees	215,394	40%	266,052	47%
Public sector	83,173	16%	72,223	13%
Banks	17,301	3%	57,384	10%
Shareholders	59,261	11%	124,192	22%
NA Group and outside shareholders	164,069	30%	46,583	8%
Net value added	539,198	100%	566,434	100%

Return on capital

After taking into account the revaluation of the LIFO inventories, capital employed as at the balance sheet date amounts to € 1,954 million, compared with € 1,251 million in the prior year. On EBIT of € 285 million after revaluation of the LIFO inventories, the return on capital employed (ROCE) amounts to 14.6% for the past fiscal year, compared with 25.2% for the prior year.

Source and application of value added

Gross value added amounts to € 658 million (thereof Cumerio € 109 million) for the past fiscal year after including the revaluation of the LIFO inventories, compared with € 597 million in the prior year. After deduction of depreciation and amortisation, net value added amounts to € 566 million (thereof Cumerio € 76 million), having totalled € 539 million in the prior year. The statement of source and application of value added statement shows that the largest portion of net value added (€ 266 million) was distributed to the Group's employees.

Development of revenues

The revenues are not affected by the revaluation of LIFO inventories. Since these were already discussed in the previous section on the results of operations, no further comments will be made here.

The revaluation of LIFO inventories using the average cost method on the other hand had a significant impact on the cost of materials, which amounted to € 7,636 million in fiscal year 2007/08, compared with € 5,923 million in the prior year. This results in a gross profit of € 797 million for the year under review, compared with € 695 million in the prior year.

No difference arises for the Cumerio Group on account of the first-time consolidation and the metal write-downs compared with the LIFO valuation.

FINANCIAL POSITION AND NET ASSETS

Financial position

The task of financial management is the optimal utilisation of the resources available to the NA Group on the basis of ensured liquidity. This requires the balance sheet structure to be in equilibrium. The NA Group uses various financial ratios to monitor and control the individual items. We will first of all discuss these without the effects of the revaluation of LIFO inventories. Any deviations arising after the revaluation of LIFO inventories using the average cost method will then be explained.

Key Group financial ratios	Before revaluation of LIFO inventories		After revaluation of LIFO inventories	
	30.9.2007	30.9.2008	30.9.2007	30.9.2008
Gearing				
= Net borrowings/equity	42.7%	78.8%	30.5%	65.4%
Net borrowings/EBITDA	0.9	1.6	0.7	2.0
EBITDA-interest coverage				
= EBITDA/net interest expense	34.5	11.3	40.6	9.0

Gearing represents the ratio of net borrowings to equity and provides a clear picture of the funding structure. On 30 September 2008 it amounted to 78.8% and was therefore at a higher level than in the prior year (42.7%). The increase in gearing is due to the greater use of loans to finance the investment in Cumerio.

The ratio of net borrowings to earnings before interest, taxes, depreciation and amortisation (EBITDA) shows the number of periods required to redeem the existing borrowings from the Group's income assuming an unchanged earnings situation. Although the current ratio of 1.6 is higher than the prior-year figure of 0.9, it still represents a very good ratio for redemption of the increased borrowings.

The ratio of EBITDA to net interest or EBITDA less interest coverage expresses how net interest expense is covered by earnings before interest, taxes, depreciation and amortisation (EBITDA). The ratio of 11.3 for the past fiscal year shows that earnings before interest, taxes, depreciation and amortisation amount to 11 times the Group's interest obligations. A very good ratio of 34.5 was achieved for the prior year, which deteriorated on account of the increased interest expense for the higher financial liabilities.

The revaluation of the LIFO inventories using the average cost method results in a similar trend: gearing amounts to 65.4%, compared with 30.5% as at 30 September 2007. The ratio of net borrowings to EBITDA amounts to 2.0, after 0.7 in the prior year. The EBITDA less interest coverage at 9.0 has also declined (40.6 in the prior year). The reduced level of both ratios is due to the higher borrowings and interest expense.

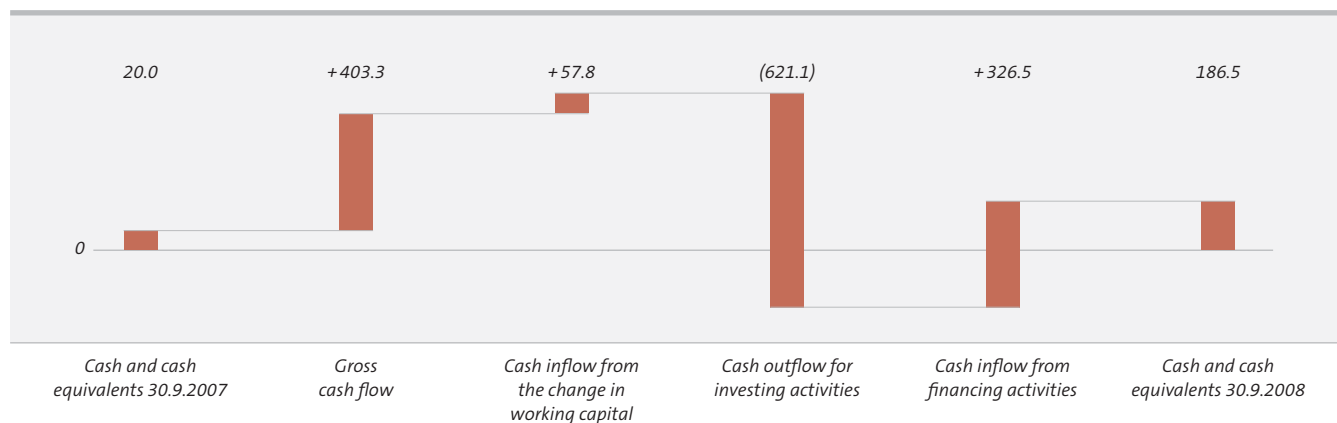
Analysis of liquidity and funding

The cash flow statement shows the cash flows in the Group and how the funds are generated and used.

Cash inflow from the operating activities before changes in working capital (gross cash flow) amounted to € 403 million in fiscal year 2007/08, compared with € 231 million in the prior year. This increase is above all due to the significantly better operating earnings for the past fiscal year and higher depreciation and amortisation on property, plant and equipment and metal inventories that resulted in corresponding cash inflows.

Within the working capital, receivables and inventories were reduced and liabilities fell at the same time. A surplus remained for this sector, so that the cash inflow from operating activities in the fiscal year amounted to € 461 million.

Source and application of funds in € million



Cash outflow for investing activities amounted to € 621 million in the year under review, compared with € 274 million in the prior year. This mainly consisted of payments of € 116 million for purchases of property, plant and equipment and of € 525 million in the reporting period for the acquisition of the investment in Cumerio sa/nv.

Funds of € 98 million from an increase in capital, from the operating business and from taking up bank loans were used to finance the investment. Cash of altogether € 646 million flowed into the NA Group from borrowings in the past fiscal year. At the same time, the Group made payments of € 300 million for the redemption of borrowings that had become due, interest payments of € 57 million and dividend payments of € 61 million to shareholders and the minority shareholders. Net cash inflow from financing activities therefore amounted in fiscal year 2007/08 to € 326 million. The figure for the previous year was € 29 million in the prior year, due especially to the lower net borrowings taken up.

As a result, cash and cash equivalents increased year-on-year from € 20 million to € 187 million. These are mainly used for the redemption of financial liabilities.

The Group's borrowings amounted to € 933 million as at 30 September 2008 (€ 299 million in the prior year). These are due as follows:

<i>in less than 1 year</i>	€ 410 million
<i>in 1 to 5 years</i>	€ 360 million
<i>in more than 5 years</i>	€ 163 million

After deduction of cash and cash equivalents in the amount of € 187 million, net borrowings amounted to € 746 million as at 30 September 2008, compared with € 279 in the prior year.

Net financial liabilities in the Group *in € thousand*

	30.9.2007	30.9.2008
<i>Borrowings</i>	298,989	932,674
<i>Less: Cash and cash equivalents</i>	(20,018)	(186,482)
Net borrowings	278,971	746,192

The NA Group has adequate liquidity reserves on account of unused credit lines. Parallel to this, the Group makes selective use of the sale of receivables without recourse as part of factoring agreements as an off-balance-sheet financial instrument.

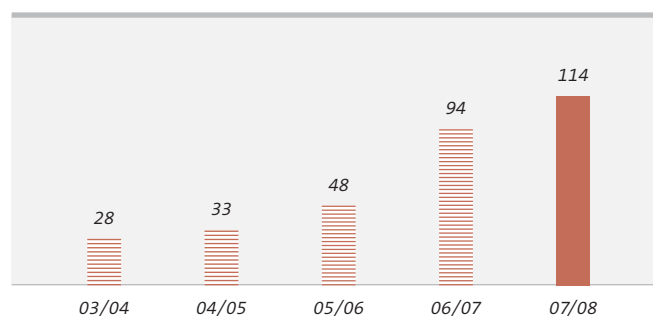
Analysis of capital expenditure

Capital expenditure in the past fiscal year was affected by the Cumerio takeover and was mainly directed into general plant maintenance, the expansion of production capacities and environmental protection.

Copper Production: commissioning of state-of-the-art tankhouse in Pirdop

The currently largest project with an investment volume of about € 80 million was the construction of the new tankhouse in Pirdop with an annual capacity of 180,000 tonnes of cathodes, which was commissioned in July 2008. A further important measure was the expansion of the slag flotation plant in line with increased concentrate throughput in Pirdop.

Capital expenditure in € million



In Hamburg, we completed the Future RWO project, with which we have increased the processing capacity for copper concentrates by about 5% and once again improved the emission situation in the anode furnace sector.

At the Lunen recycling centre, the construction of a new storage facility for dusty KRS feed materials was started after completion of the material preparation plant and electronic scrap sampling facility. At the same time, we received the permit for the construction of a filter plant to reduce emissions further at the KRS.

Copper Processing: expansion to the largest production plant for wire rod worldwide

At the Hamburg site, we are currently expanding our annual rod plant capacity from 330,000 tonnes to more than 400,000 tonnes. This project with a total investment volume of € 6 million is being implemented in three stages. We have successfully completed the first and second stages in the form of the expansions made to the hot sector and the installation of the new coiler and connected packing line. The expansion of the rolling mill is scheduled for 2009.

The continuous casting plants in Hamburg were fitted with a furnace exchange system and the related infrastructure in order to make the casting operations for the production of various copper materials even more efficient and at the same time to further improve the quality.

At Schwermetall Halbzeugwerk, commissioning of the new shaft furnace, which will contribute to the capacity expansion and, in particular, to reducing energy costs, commenced as scheduled in the autumn of 2008. For the coming fiscal year, Schwermetall plans capital expenditure to improve the plant availability and enhance its performance, as well as the renewal of the foundry crane runway. A budget of € 1.2 million has been approved for this.

Prymetall invested € 4 million in the past fiscal year, first and foremost on the modernisation of a rolling line including continuous strip annealing with a jet-air furnace. Apart from the automation and measuring and control technology for the roller, capital expenditure focused especially on new innovative technology for the continuous strip annealing with jet-air furnace. Once the work is completed, the Company will have one of the most modern production plants for high-value strip in Europe. The strategy of focusing on high-value products that has been pursued for several years is thus being resolutely continued.

In Olen, we have started a Conform project to expand the special product sector.

In Avellino, a new reclamation plant for action media was constructed in 2008 for the rod plant there, which significantly reduces the use of auxiliary materials in the rolling and pickling sector and at the same time more than complies with the most stringent environmental requirements.

To increase capacity, Swiss Advanced Materials S.A., Yverdon-les-Bains, has projected a further Conform plant for the production of pure copper profiles, which will be brought into operation in 2009 in Olen.

During the past fiscal year, our joint venture, CIS Solartechnik, continued the development of the production process for flexible solar cells in the existing pilot line. Only limited capital expenditure was carried out on the quality control of solar cells and modules.

NET ASSETS

Total assets amounted to € 3,249 million as at 30 September 2008, an increase of € 928 million compared with the prior-year figure of € 2,321 million. This is primarily due to the first-time consolidation of the Cumerio Group, which accounted for € 1,467 million. Together with other investments, this resulted in an increase of € 311 million in fixed assets. In addition, the increase of € 563 million in inventories is mainly attributable to the first-time consolidation of the Cumerio Group, which accounted for € 508 of the increase in property, plant and equipment and € 628 million of the increase in inventories. These increases were partly compensated by the smaller difference of € 98 million resulting from the revaluation of the LIFO inventories using the average cost method and

the reduction of € 17 million in receivables and other assets. The € 166 million rise in cash and cash equivalents likewise contributed to the increase in total assets.

Equity rose by € 227 million to € 1,141 as at 30 September 2008, mainly on account of the increase of € 98 million in capital and the consolidated net income of € 171 million for fiscal year 2007/08. The difference resulting from the revaluation of LIFO inventories included in equity fell, in contrast, by € 66 million to € 193 million.

Provisions increased overall by € 94 million to € 405 million, also largely due to the first-time consolidation of the Cumerio Group, which accounted for € 114 million.

Consolidated balance sheet structure in %	Before revaluation of LIFO inventories		After revaluation of LIFO inventories	
	2006/07	2007/08	2006/07	2007/08
ASSETS				
<i>Fixed assets</i>	31	31	26	28
<i>Inventories</i>	29	38	40	43
<i>Receivables, etc.</i>	39	25	33	23
<i>Cash and cash equivalents</i>	1	6	1	6
	100	100	100	100
EQUITY AND LIABILITIES				
<i>Equity</i>	34	32	39	35
<i>Provisions</i>	10	11	14	13
<i>Liabilities</i>	56	57	47	52
	100	100	100	100

Apart from the capital increase, bank loans were also taken up to fund the acquisition of the Cumerio Group. In addition, borrowings of the Cumerio Group were taken over as part of the first-time consolidation of the Cumerio Group. Consequently, borrowings as at 30 September 2008 rose year-on-year by € 634 million to € 933 million, of which Cumerio's share amounted to € 222 million.

At € 444 million (thereof Cumerio € 125 million), trade accounts payable were just € 1 million down on the prior year. The income tax liabilities of € 81 million as at 30 September 2008 were however € 23 million higher than as at 30 September 2007, mainly due to the significantly higher earnings of the individual Group companies as reported by their statutory financial statements. Other liabilities fell by € 50 million to € 244 million (thereof Cumerio € 88 million), due especially to the reduction in the negative fair values from metal and foreign currency forward contracts.

Off-balance-sheet obligations

Off-balance-sheet fixed assets, such as IT equipment, forklift trucks and construction machines under operating leases, are used in the NA Group. The expenditure for these in the past fiscal year amounted to € 3 million, as in the prior year.

OVERALL STATEMENT ON THE ECONOMIC SITUATION OF THE NA GROUP

The NA Group once again succeeded in increasing the excellent result of the prior year before revaluation of LIFO inventories using the average cost method. This was attributable to various factors: the markets for copper raw materials showed disparate trends. In the concentrate sector, NA benefited from its long-term procurement agreements, which were based on better conditions than those in the market. The markets for metal scrap and other recycled materials recorded a very good supply of materials with correspondingly high refining charges. In copper processing, the business with wire rod was satisfactory, while the continuous casting sector suffered from price-related material substitution and unfavourable economic impacts. Demand for sulphuric acid showed a positive trend in the fiscal year, so that higher prices could be obtained.

The exploitation of backwardation and the constantly good yield of metals at high metal prices made an important contribution to earnings. Declining metal prices had an opposite effect after the revaluation of LIFO inventories using the average cost method.

Legal disclosure requirements

LAW ON THE DISCLOSURE OF MANAGEMENT COMPENSATION

This requires the compensation paid to members of the Executive Board to be published on an individualised basis, split between non-performance-related and performance-related components as well as components with long-term incentive effect. The total compensation of the Executive Board is also published in the Notes to the Financial Statements of this Annual Report. The detailed report on the compensation paid to the Executive Board is in the Corporate Governance Report, which is part of this Annual Report.

TAKEOVER DIRECTIVE IMPLEMENTATION ACT

The following information is presented in accordance with Section 315 paragraph 4 of the German Commercial Code (HGB).

Composition of subscribed capital

The subscribed capital (share capital) of Norddeutsche Affinerie Aktiengesellschaft amounted to € 104,626,557.44 as at the balance sheet date and was divided into 40,869,749 no-par-value bearer shares each with a notional value of € 2.56 of the subscribed capital.

Each share grants the same rights and one vote at the Annual General Meeting.

Shareholdings exceeding 10% of the voting rights

One indirect shareholding in Norddeutsche Affinerie Aktiengesellschaft exceeds 10% of the voting rights:

Salzgitter AG, Salzgitter, notified the Company in accordance with Section 21 paragraph 1 German Securities Trade Act on 19 September 2008 that its voting interest in Norddeutsche Affinerie Aktiengesellschaft had exceeded the threshold of 15% of the voting rights on 18 September 2008 and had since then amounted to 17.646% of the voting rights (representing 7,212,069 votes). Of this total, 17.646% of the voting rights (representing 7,212,069 votes) are attributed to Salzgitter AG via Salzgitter Mannesmann GmbH, Salzgitter.

Accordingly, one direct investment in the capital of Norddeutsche Affinerie Aktiengesellschaft exceeds 10% of the voting rights: according to the notification of Salzgitter AG, Salzgitter, dated 19 September 2008, Salzgitter Mannesmann GmbH, Salzgitter, has held 17.646% of the voting rights (representing 7,212,069 votes) since 18 September 2008.

Salzgitter AG, Salzgitter, notified the Company in accordance with Section 21 paragraph 1 German Securities Trade Act on 10 October 2008 that its voting interest in Norddeutsche Affinerie Aktiengesellschaft had exceeded the threshold of 20% of the voting rights on 9 October 2008 and amounted to 20.0001% of the voting rights (representing 8,173,987 votes). Of this total, 20.0001% of the voting rights (representing 8,173,987 votes) are attributed to Salzgitter AG via Salzgitter Mannesmann GmbH, Salzgitter.

Accordingly, one direct investment in the capital of Norddeutsche Affinerie Aktiengesellschaft exceeds 20% of the voting rights: according to the notification of Salzgitter AG, Salzgitter, dated 10 October 2008, Salzgitter Mannesmann GmbH, Salzgitter, has held 20.0001% of the voting rights (representing 8,173,987 votes) since 9 October 2008.

Appointment and removal of Executive Board members and amendments to the Articles of Association

The appointment and removal of members of the Executive Board of Norddeutsche Affinerie Aktiengesellschaft is covered by Sections 84 and 85 German Companies Act and Section 31 Co-determination Act in conjunction with Section 6 paragraph 1 of the Articles of Association. Amendments to the Articles of Association are subject to the approval of the Annual General Meeting. The resolution at the Annual General Meeting is passed by a majority that must comprise at least three quarters of the subscribed capital represented in the vote; Section 179 et seq. German Companies Act applies. In accordance with Section 11 paragraph 9 of the Articles of Association, the Supervisory Board is authorised to resolve amendments to the Articles of Association that only relate to their wording.

Power of the Executive Board to issue shares

In accordance with Section 4 paragraph 2 of the Articles of Association, the Executive Board is empowered, with the approval of the Supervisory Board, to increase the Company's subscribed capital in the period until 29 March 2011 by issuing new no-par-value shares in exchange for a cash contribution and/or a contribution in kind once or in several instalments by up to € 38,046,026.24. The shareholders shall be granted a subscription right. The Executive Board is, however, authorised, subject to the approval of the Supervisory Board, to exclude shareholder subscription rights once or on several occasions:

- a) inasmuch as it is necessary to exclude subscription rights for possible fractional amounts,
- b) up to an arithmetical nominal value totalling € 38,046,026.24 if the new shares are issued for a contribution in kind,
- c) for capital increases against cash contributions up to an arithmetical nominal value totalling € 10,462,653.44 or, if this amount is lower, by a total of 10% of the subscribed capital existing when this power was exercised for the first time (in each case taking into account the possible use of

other authorisations to exclude the subscription right in accordance with or in the corresponding application of Section 186 paragraph 3 sentence 4 German Companies Act), if the issuing price of the new shares is not significantly lower than the price of company shares in the same category on the stock exchange at the time when the issuing price is finally fixed,

- d) inasmuch as it is necessary to grant holders or creditors of bonds with warrants or convertible bonds issued by the Company relating to shares a subscription right for new shares to the same extent as they would be entitled after exercising their option or conversion rights.

Power of the Executive Board to repurchase shares

- a) With a resolution of the Annual General Meeting on 29 February 2008, the Company was empowered until 28 August 2009 to repurchase its own shares (treasury shares) up to a total of 10% of the current subscribed capital. Together with other own shares held by the Company or attributable to it in accordance with Section 71a et seq. German Companies Act, the shares acquired by the Company based on this authorisation shall at no time exceed 10% of the Company's current subscribed capital. The acquisition of shares for the purpose of trading with own shares is excluded.

The power may be exercised in full or in instalments, once or several times, in pursuance of one or several purposes, by the Company or by its group companies or by third parties for the account of the Company or its group companies.

The acquisition may be effected at the option of the Executive Board via the stock exchange or by means of a public tender offer directed to all shareholders or by means of a public invitation to submit such an offer. In the case of acquisition via the stock exchange, the consideration paid per share (excluding transaction costs) shall not be more

than 10% higher or 50% lower than the mean value of the closing prices for the Company's shares of the same category in Xetra trading (or a comparable successor system) on the last five trading days at the Frankfurt Stock Exchange before entering into the obligation to purchase. In the case of a public purchase offer or a public invitation to submit a purchase offer, the purchase price offered or the threshold amounts per share (excluding transaction costs) shall not be more than 20% higher or 50% lower than the mean value of closing prices for the Company's shares of the same category in Xetra trading (or a comparable successor system) on the last five trading days at the Frankfurt Stock Exchange before the publication of the offer or the public invitation to submit a purchase offer. If significant fluctuations to the relevant share price occur following the publication of a purchase offer or the public invitation to submit a purchase offer, the offer or the invitation to submit such an offer can be amended. In this case, the relevant share price shall be determined in accordance with the closing price for the Company's shares of the same category in Xetra trading (or a comparable successor system) at the Frankfurt Stock Exchange on the last trading date before publication of the amendment; the 20% limit for a higher offer or the 50% for a lower offer shall be applied to this amount. The volume of the offer or the invitation to submit purchase offers can be limited. If the total acceptances of the offer or the invitation to submit offers by the shareholders exceed this volume, the acquisition or the acceptances must be carried out in proportion to the shares offered in each case. Preferential purchases or preferential acceptances of smaller lots of up to 100 shares in the Company offered per Company shareholder can be foreseen. The purchase offer or invitation to submit such an offer can include further conditions.

- b) The Executive Board is empowered to use shares in the Company that are purchased on account of this power for all legally permitted purposes, and in particular for the following purposes:
 - aa) Own shares that have been acquired can be sold, also in a way other than a sale via the stock exchange or by means of an offer to all of the shareholders, if the shares are sold in return for a cash payment at a price that is not materially lower than the stock market price of the Company's shares of the same category at the time of the sale. The relevant stock market price within the meaning of the above-mentioned rule shall be regarded as the mean value of the closing prices for the Company's shares of the same category in Xetra trading (or a comparable successor system) on the last five trading days at the Frankfurt Stock Exchange before entering into the obligation to sell the shares. The subscription right of the shareholders is excluded. This power shall however only apply on condition that the shares sold excluding the subscription right may not, in accordance with Section 186 paragraph 3 sentence 4 German Companies Act, exceed 10% of the sold shares, either at the time this becomes effect or at the time of exercise of this power. This limit of 10% of the subscribed capital shall include shares that will be issued after this power becomes effective, exercising a power resolved at the time that this power becomes effective, or replacing it, to issue new shares out of authorised, unissued capital in accordance with Section 186 paragraph 3 sentence 4 German Companies Act, excluding the right of subscription. Furthermore, this limit of 10% of the subscribed capital shall include shares that will be or have been issued to serve convertible and/or option bonds, to the extent that these bonds were issued after this power became effective on account of

power existing at the time that this power becomes effective, or replacing it, in commensurate application of Section 186 paragraph 3 sentence 4 German Companies Act, excluding the right of subscription.

- bb) Own shares that have been acquired can be sold, also in a way other than a sale via the stock exchange or by means of an offer to all of the shareholders, if this is carried out in return for a contribution in kind by a third party, especially in conjunction with the acquisition of business entities, parts of business entities or participating interests in business entities by the Company itself or by a business entity dependent on it or majority owned by it, and in conjunction with business combinations or to fulfil conversion rights or obligations of holders or creditors relating to conversion or option rights issued by the Company or Group entities of the Company, in particular however not exclusively on account of the power resolved under Point 8 of the Agenda of the Annual General Meeting on 31 March 2005 to issue option and/or convertible bonds. The subscription rights of the shareholders shall in each case be excluded.
- cc) Own shares acquired can be withdrawn entirely or in part without a further resolution of the Annual General Meeting. They can also be withdrawn applying simplified proceedings without a reduction in capital by adjusting the proportionate notional share of the remaining no-par-value shares in the subscribed capital of the Company. The withdrawal can be limited to a portion of the acquired shares. If the withdrawal is carried out applying simplified proceedings, the Executive Board is empowered in the Articles of Association to adjust the number of shares.

- c) The powers under letter b) and aa) to cc) also include the use of shares in the Company that are acquired on account of Section 71d sentence 5 German Companies Act.
- d) The powers under letter b) can be exploited once or on several occasions, entirely or in part, individually or together; the powers under letter b), aa) and bb) can also be exploited by entities dependent on or majority owned by the Company or for their account or by third parties acting for the account of the Company.
- e) The Supervisory Board can decide that measures performed by the Executive Board on account of this resolution of the Annual General Meeting can only be carried out with its approval.

Power of the Executive Board to issue convertible bonds and shares out of conditional capital

In the resolution passed at the Annual General Meeting on 31 March 2005, the Executive Board was empowered until 30 March 2010, subject to the approval of the Supervisory Board, to issue once or on several occasions registered bonds with warrants and/or convertible bonds with a total face value of up to € 300,000,000 and a maximum term of 20 years and to grant option rights to the warrant holders and conversion rights to the convertible bond holders for new company shares with a proportionate amount of the subscribed capital of up to € 41,500,000 in accordance with the terms of the bonds with warrants and convertible bonds (Conditional Capital II).

The bonds with warrants and convertible bonds (bonds) can also be issued, as well as in euros, in the legal currency of an OECD country, but limited to the corresponding euro counter-value. They can also be issued by companies in which Norddeutsche Affinerie Aktiengesellschaft holds an indirect or direct

controlling interest. In this case, the Executive Board is empowered, subject to the approval of the Supervisory Board, to take over the guarantee for the bonds for Norddeutsche Affinerie Aktiengesellschaft and to grant the holders of such bonds option and/or conversion rights to new shares in Norddeutsche Affinerie Aktiengesellschaft.

Bonds can also be issued in return for a contribution in kind, provided the value of the contribution in kind corresponds to the issue price and this value does not significantly exceed the theoretical market value of the bonds, as calculated using recognised actuarial methods.

The shareholders are entitled to legal subscription rights, when bonds with warrants and convertible bonds are issued. The bonds can also be offered to shareholders as part of the direct subscription right; they will then be taken over by a bank or a banking syndicate with the obligation of offering them to the shareholders for subscription.

The Executive Board is empowered, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights for fractional amounts, which arise due to the subscription ratio, and to exclude the subscription right insofar as is necessary in order that warrant holders and creditors of previously issued convertible bonds (or option and/or conversion rights) can be granted a subscription right to the extent that they as shareholders would be entitled after exercising the option or conversion rights or after fulfilling the option or conversion obligations.

Furthermore, the Executive Board is empowered, with the approval of the Supervisory Board, to exclude the shareholders' subscription right inasmuch as the Executive Board, after due examination, comes to the conclusion that the issue price of the bonds with warrants and/or convertible bonds is not

significantly lower than the theoretical market value determined by means of recognised actuarial methods. This, however, only applies to bonds with a conversion or option right (or an option or conversion obligation) for shares with a proportional amount of the subscribed capital of up to € 8,552,755.00 or, if this amount should be lower, of 10% of the subscribed capital existing at the time that the authorisation was exercised (in each case taking into account the possible utilisation of other authorisations to exclude subscription rights in accordance with or in the respective application of Section 186 paragraph 3 sentence 4 German Companies Act, e.g. for the sale of the Company's own shares or to issue shares from an authorised capital with exclusion of the subscription rights). In addition, the Executive Board is empowered, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right insofar as bonds are issued against a contribution in kind and the exclusion of the subscription rights is in the interests of the Company.

In the event that bonds with warrants are issued, one or several subscription warrants will be attached to each bond, which will entitle the holder to subscribe to the Company's shares in accordance with the warrant conditions laid down by the Executive Board. In the event of warrants denominated in euros, the warrant conditions can stipulate that the warrant price can also be fulfilled by the transfer of the bonds and, if necessary, an extra cash payment. The proportional amount of the subscribed capital of the shares to be subscribed per bond may not exceed the face value of the bonds. In the event that fractions of shares result, it can be stipulated that these fractions can be combined to procure whole shares in accordance with the conditions for the bonds with warrants, if necessary for an extra payment.

In the event that convertible bonds are issued, the holders shall be entitled or, if the convertible bond conditions stipulate this, shall be obliged to exchange their bonds for shares in the Company in accordance with the bond conditions. The exchange ratio results from the division of the face value or the bonds' issue price, if this is below the face value, by the fixed conversion price for one of the Company's shares. In any case the exchange ratio can be rounded up or down to a full currency unit (euros/cents); in addition, it can be agreed that payment will be made in cash. Otherwise, it can be prescribed that fractions shall be combined and/or settled in money. The proportional amount of the subscribed capital of the shares to be issued in the conversion may not exceed the face value of the convertible bonds or a lower issue price.

The warrant or convertible bond terms may also stipulate that the number of shares that can be subscribed for when exercising option or conversion rights or after the fulfilment of warrant or conversion obligations or an exchange ratio in this regard is variable, and/or the warrant exercise price or conversion price can be changed during the term within a range stipulated by the Executive Board depending on the performance of the share price or as the result of anti-dilution provisions.

The respective warrant or conversion price that can be set for a share, also in the event of a variable exchange ratio/conversion price (except if warrant exercise or conversion obligations exist or inasmuch as the Company has been given the right to grant to the bond creditors, in whole or in part, shares in the Company or another quoted company instead of payment of the due amount of money in case of the final maturity of the convertible bonds (this also includes maturity due to cancellation)), must amount to either at least 80% of the volume-weighted average price of the shares of Norddeutsche Affinerie Aktiengesellschaft in Xetra trading on the Frankfurt Stock Exchange (or a corresponding successor system) on the last five trading days before the day when the resolution

is passed by the Executive Board on the issuing of bonds with warrants or convertible bonds, or – in the event of granting a subscription right – correspond to at least 80% of the volume-weighted average of the price of shares of Norddeutsche Affinerie Aktiengesellschaft in Xetra trading on the Frankfurt Stock Exchange (or a corresponding successor system) during the subscription period, with the exception of the last five calendar days before the end of the subscription period. Section 9 paragraph 1 German Companies Act remains unaffected.

Irrespective of Section 9 paragraph 1 German Companies Act, the warrant and conversion price can be marked down due to an anti-dilution clause on closer examination of the warrant or conversion bond terms by payment of a corresponding amount in cash on execution of the option or conversion right (or on fulfilment of warrant exercise or conversion obligations) or by a reduction in the extra charge if Norddeutsche Affinerie Aktiengesellschaft increases the subscribed capital while granting a subscription right to its shareholders or by a capital increase from company funds during the warrant exercise or conversion period, issues further bonds with warrants or convertible bonds or grants other option rights and the holders of option and conversion rights are not granted a subscription right to the extent to which they would be entitled after exercising option or conversion rights. Instead of a cash payment or a reduction in the extra payment, the exchange ratio can also – as far as possible – be adjusted by dividing the issue amount of the bond by a reduced conversion price. In addition, the terms may provide for adjustments to the option and/or conversion rights or warrant exercise/conversion obligations in the event of a capital reduction, share split or other extraordinary measures or events (such as unusually high dividends, control being taken over by third parties). If third parties gain control, an adjustment of the warrant exercise or conversion price can be provided for.

In the event of conversion or exercising of the warrant or fulfilment of the warrant exercise or conversion obligations, the Company may be given the right under the warrant or convertible bond terms not to grant shares but pay a sum of money, which (for the number of shares otherwise to be delivered) corresponds to the volume-weighted average of the price of shares of Norddeutsche Affinerie Aktiengesellschaft in Xetra trading on the Frankfurt Stock Exchange (or a corresponding successor system) during the reference period of ten to thirty trading days immediately before or after declaration of the conversion or exercising the warrant. The warrant or convertible bond terms can also, at the Company's option, provide for the conversion of the warrants or bonds into existing shares in the Company or in another quoted company instead of into new shares from conditional capital, or the fulfilment of the option right by supplying such shares or the fulfilment of option or conversion rights by supplying such shares.

The warrant and convertible bond terms can also provide for a warrant exercise and conversion obligation at the end of the term (or at another point in time) and/or provide the Company with the right to grant the bond creditors, either in whole or in part, shares in the Company or another quoted company instead of payment of the due amount upon final maturity of the subscription warrants or convertible bonds (this also includes maturity due to cancellation). In such cases the bond terms must provide for a warrant exercise price or conversion price of at least 80% of the volume-weighted average of the Company's share price in Xetra trading on the Frankfurt Stock Exchange (or a comparable successor system) during a benchmark period of ten to thirty trading days immediately before or after the due date, even if this average share price is lower than the above-mentioned minimum average stock exchange price (calculation of the 80% limit based on a period of five trading days before the day on which the Executive Board

passes the resolution on the issue of convertible bonds or the subscription period related to the period (with the exception of the last five calendar days before the end of the subscription period)). The proportional amount of the subscribed capital of the shares to be issued on exercising the conversion or option rights may not exceed the face value of the bonds. Furthermore, in the event of a conversion or warrant exercise obligation, the Company shall be entitled to compensate, either in whole or in part, in cash for any possible difference between the face value of the bonds and a company share price to be laid down in the bond terms at the time of the obligatory conversion or exercising the warrant, at least, however, 80% of the share price at the time of issuing the bonds – as described above – multiplied by the conversion ratio or warrant exercise price. Section 9 paragraph 1 in combination with Section 199 paragraph 2 German Companies Act shall be observed in each case.

The Executive Board is empowered, subject to the approval of the Supervisory Board, to define the remaining details of the issue and terms of the bonds with warrants and/or convertible bonds, in particular the interest rate, issue price, term and breakdown between denominations, possible subordination of the bonds, warrant exercise price and conversion price, their adjustment in the event of special occurrences and the warrant exercise and conversion period, or, subject to the approval of the governing bodies of the companies in which Norddeutsche Affinerie Aktiengesellschaft has a majority interest, which issue the bonds with warrants or convertible bonds.

Subsequent events

At the same time, it was resolved at the Annual General Meeting to increase the Company's capital conditionally by up to € 41,500,000.00 by issuing up to 16,210,937 new bearer shares (Section 4 paragraph 3 of the Articles of Association). The conditional increase in capital shall only be carried out in the event of the issuance of bonds with warrants and convertible bonds, and only to the extent that the holders of bonds with warrants and convertible bonds, which are issued by Norddeutsche Affinerie Aktiengesellschaft or one of the companies in which it has a majority interest due to an authorisation valid from 31 March 2005 to 30 March 2010, resolved at the Annual General Meeting on 31 March 2005, make use of their option and conversion rights or holders of bonds, who are obliged to exercise their option or conversion rights, fulfil their obligation to exercise option or conversion rights and the conditional capital is needed in accordance with the option and conversion bond terms. The new shares shall participate in dividends from the beginning of the fiscal year in which they are issued as a result of the exercising of conversion and warrant rights or in the fulfilment of warrant and conversion obligations. The Executive Board is empowered, subject to the approval of the Supervisory Board, to define further details concerning the execution of the conditional capital increase.

Significant conditional agreements concluded by the Company

Norddeutsche Affinerie Aktiengesellschaft has concluded an agreement with a banking syndicate (the "Syndicated Loan") on a credit line totalling € 1.2 billion, which, apart from financing the acquisition of Cumerio sa/nv, serves to finance the working capital of the new group. In the event that a single person or a group of persons acting together should acquire more than 50% of the shares or the voting rights in Norddeutsche Affinerie Aktiengesellschaft, every syndicate lender shall be entitled to cancel its participation in the Syndicated Loan and to demand immediate repayment of the amounts owed to it.

On 1 October 2008, the Supervisory Board appointed Mr Erwin Faust as Chief Financial Officer for a term of three years, i.e. until 30 September 2011.

Dr Bernd Langner retired as a member of the Company's Executive Board with effect from 31 December 2008.

In his letter dated 28 November 2008, Mr Ulf Gänger resigned his seat on the Supervisory Board and all offices in the committees with effect from 31 December 2008. Dr Heinz Jörg Fuhrmann was appointed by the court as a member of the Supervisory Board on 5 January 2009.

On 30 September 2008, an almost two-week standstill for repair and maintenance work began in the concentrate processing facilities in Hamburg. The waste heat boiler, which is connected to the main plant of the concentrate processing facilities – the flash smelting furnace - must be overhauled every three years by law. The standstill for general repairs was again used to carry out other maintenance work and measures to enhance the performance of our production operations.

On 20 November 2008, the management of Cumerio Belgium announced plans to close down one of the five production units at the Olen site, since its production output of continuous cast shapes has halved in the past seven years. With only 30% capacity utilisation meanwhile, the production unit is making a loss. The decline in output is attributable to massive substitution, in particular in the copper piping and roofing copper sectors, which was accelerated on account of the sharp increase in the copper prices in recent years. The measure will probably affect 64 of the total of 497 jobs at the Olen site. The carrying amount of the production plant (€ 7.3 million) was already written off as at 30 September 2008.



Special emphasis will also be placed on the integration of Cumerio in the risk and opportunity management in fiscal year 2008/09.

Risk report

Risk and opportunity management system

NA's expansion into a European Group together with the swiftly changing economic environment was accompanied by tremendous challenges in the past fiscal year, which have increased the demands on our risk and opportunity management system.

NA's risk and opportunity management system must identify changes at an early stage and take suitable remedial action to overcome risks and utilise opportunities. At the same time, developments in NA's general business activity and the business environment are monitored and anticipated within the context of an active risk and opportunity management system.

The risk and opportunity management system is not just limited to the financial area, but covers all corporate segments and companies. The inclusion of the Cumerio companies in the central risk and opportunity management system will continue in the current fiscal year. The action taken is based on the risk policies defined by the Executive Board. Appropriate monitoring and control instruments have been assigned to the identified risks within the sectors. The risks have been classified in accordance with their significance in the core processes of procurement, production and sales as well as risks in support processes, such as IT and communication technology as well as health protection and human resources.

The development of the risks is monitored and assessed in regular management meetings, which are attended by a member of the Executive Board, together with representatives of the business unit management and risk management. The risk management department is a company management function reporting directly to the CFO.

Activities focus on the hedging of exchange rates and metal price exposure as well as accounts receivable management. In addition, new risks are identified as a result of the departments' direct contact with the risk management. Risk management cooperates closely with the internal audit and the Chief Compliance Officer who was appointed during the past fiscal year. The risk management system is documented in a form that can be audited. The integration of the Cumerio companies in NA's risk and opportunity management that has already started will be continued in the new fiscal year 2008/09.

New developments during the past fiscal year

Apart from the international financial market crisis, the acquisition of Cumerio was a particularly relevant topic for risk and opportunity management. Special emphasis will also be placed on the integration of Cumerio in the risk and opportunity management in fiscal year 2008/09.

As a result of the early definition by NA of the financing conditions and long-term financing and provident currency hedging, we remained largely unaffected by the direct impacts of developments on the financial markets in fiscal year 2007/08. The equity ratio of 32% before revaluation of LIFO inventories almost matched the prior-year level of 34%. Favourable interest rates were agreed by arranging the financing conditions for borrowings in good time before the financial market crisis.

We successfully countered the, at times, substantial decline in the copper price in the course of fiscal year 2007/08 thanks to our proven hedging policies.

The Cumerio acquisition on the one hand presents NA with significant opportunities, but also conceals risks. Significant opportunities are available among other things in the

improved processing of the market through the combination of the purchase and sales activities and cost reductions in production and logistics. Higher risks result from hedging and accounts receivable management on account of the increased volume of business. Cumerio's overall risk profile is very similar to that of NA. The ongoing integration of Cumerio has not therefore caused any structural changes in NA's risk and opportunity management system.

Risks and risk management in relation to financial instruments

NA's business model includes the buying and selling of metals and has been influenced by exchange rate fluctuations. Fluctuating metal prices and exchange rates represent a potential risk. The resultant tasks for hedging foreign exchange and metal price exposure were performed intensively. Our aim was to eliminate risks from under-hedging or over-hedging as far as possible. The financial instruments employed therefore focus especially on the hedging of foreign exchange and metal prices. NA's liquidity was assured at all times. The financial instruments were suited to the fulfilment of additional demands on future liquidity in the face of market-related fluctuations in raw material prices as well as NA's expansive business policy, which will also be pursued in future.

Credit risks on trade accounts receivable are primarily hedged by commercial credit insurances. In addition, we use other instruments such as letters of credit and guarantees to hedge receivables. The development of liquidity and trade account receivables and receivables from the pending price-fixed sales agreements at the German companies is monitored at a weekly management meeting, attended by a member of the Executive Board, business unit managers and the risk management officer. We work exclusively with first-class partners in all metal and foreign currency hedging transactions in order to limit the default risk.

We cover risks from metal price fluctuations and foreign currencies as far as possible on a daily basis by means of hedging transactions with various financial instruments. We offset incoming and outgoing metal quantities from underlying transactions against one another each day. Open positions are secured by hedging transactions on a daily basis, using spot and forward contracts to hedge metal and foreign exchange exposures.

We hedge expected receipts from foreign currencies as far as possible by forward contracts and options. This covers in particular the hedging of U.S. dollar receipts. Despite constant hedging, the feasibility of economically justifiable foreign exchange hedging over longer periods is limited.

Trends on the metal and foreign exchange markets as well as NA's price position are also reviewed weekly at a management meeting attended by a member of the Executive Board, business unit managers and the risk management officer. Possible margin calls due to exchange transactions are taken into account. The open nominal volumes of our derivative financial contracts and the fair value of all open contracts are disclosed in the notes to the financial statements. NA offers its customers the opportunity of price-fixing limited metal quantities. If the metal prices change, default risks are possible if the price-fixed volume is not taken up. These risks are not insurable and therefore represented a risk for NA on account of the significantly lower copper price.

No going concern risks were discernible in the metal trading sector and the foreign exchange positions.



The assessment of the current and future risk-related factors does not result in any risks to the continued existence of NA as a going concern.

Further significant individual risks for NA's business

Financial risks

The unlimited availability of sufficient liquidity is a basic requirement for the business operations. This is ensured by strong cash flow generation and the availability of unused short-term and long-term credit lines at the banks. The possible economic repercussions of the financial crisis can also affect the level of future cash flows at NA. In general, the financial crisis has made access to the capital markets more difficult. This could have an impact on the generation of additional liquid funds, i.e. on the further expansion of our business activities. In 2006, Cumerio issued bonds in the amount of € 125 million with a seven-year term. In some cases, borrowings and cash deposits have variable interest rates and are thus subject to interest rate risks, which are constantly monitored. The financing conditions and the maintenance of existing credit lines are dependent on the adherence to certain covenants, which have been complied with.

The plan assets for the financing of the pension obligations are exposed to capital market risks. NA's aim is to invest the assets in real estate, securities and funds in such a way that the pension obligations can be fulfilled long-term by the future income from the investments.

Risks in the business environment and the industry

Insufficient supply of raw materials

The ample supply of the production facilities with suitable raw materials is of paramount importance for NA. Most of the raw materials needed for the production of copper are procured in the form of copper concentrates, while the remainder are fed into the process in the form of various recycled raw materials. We ensure a sufficient supply of copper concentrates, our quantitatively most important raw material, by concluding long-term procurement contracts with a variety of concentrate suppliers in various countries and continents. Our exposure to

production stoppages due to the possible failure of individual suppliers to deliver is thus reduced to a minimum. In addition, long-term agreements on treatment and refining charges reduce the impact on NA's earnings of short-term price fluctuations on the spot market for concentrates. NA only did very limited business on the spot market.

We procure the copper scrap and other recycled materials, which we need as further raw materials for our production processes, on the national and international markets. Our extensive supplier network represents an important success factor for our raw material supply. The decision on the extensions to our Kayser Recycling System (KRS-Plus project) in order to expand the processing capacities for complex secondary raw materials in the autumn of 2008 was an important step in the long-term raw material supply of our Company. This measure will consistently reduce our dependence on the volatile copper scrap market.

An adequate supply of raw materials was ensured throughout the fiscal year.

The supply of copper for our Copper Processing Segment was mainly ensured by our own output of copper cathodes. We were therefore able to control the quality of our copper products throughout the production process from the refining stage to the end product. In addition to continuous full utilization of the Copper Production Segment, we were at the same time able to ensure very high reliability in the supply and quality of our products.

Limited product sales

Because of their impact on unit sales and margins, economic influences or changed market situations represent both risks and opportunities. The tensions on the international financial markets at the end of the fiscal year led to a significant economic downturn in the western industrial nations. The marketing of our products is based on long-standing delivery relationships. We anticipate changes in the sales markets and future demands on our products through intensive and cooperative relationships with our customers. We believe that we are comparatively well placed due to our wide sales markets, even in the difficult economic situation at the end of 2008.

Unfavourable energy markets

An insufficient supply of energy at NA at economical prices poses a central risk to the maintenance of competitive production at our locations. The agreement already concluded in the prior year covering the long-term supply of electricity on a production cost basis to the German sites from January 2010 onwards represents a significant contribution to securing competitiveness at these sites.

*Performance-related risks**Production restrictions*

High capacity utilisation is decisive for the efficient operation of our production plant. Depending on the scale, interruptions to production and poor capacity utilisation represent a significant economic risk.

The achievement of the maximum possible level of plant availability is a key corporate objective. The continuing good cooperation between NA's production and service sectors was responsible for the successful maintenance of a very high level of plant availability, when compared internationally, while at the same time improving plant efficiency. In addition to the generally good maintenance status of the plant and equipment as a result of regular servicing, repair work is also performed quickly and professionally in the event of production problems. This is ensured by the high level of training and the good motivation of our staff in the production and service sectors.

Comprehensive alarm and risk avoidance plans exist to counter possible interruptions to the production process. Employees are given regular training in the form of mock emergency drills and test alarms. Fire insurance and fire business interruption policies have been concluded for all the main production plants in the NA Group, and limit the potential risks resulting from downtimes.

No significant losses due to interruptions to the production process occurred during the reporting period.

The decline in sales of continuous cast shapes resulted in insufficient capacity utilisation in the Olen production plant and in a corresponding write-down in the past fiscal year. In fiscal year 2008/09, the Board of Directors of Cumerio Belgium announced plans to close down this facility.

Negative effects on the environment

We are committed to the environmentally safe operation of our production facilities. Numerous precautionary measures were taken to avoid incidents that could result in environmental damage.

As well as complying with relevant laws, requirements and directives for the operation of our plants, we have also adopted additional measures that ensured that we retained our leading position in environmental standards compared with other copper producers. Among other things, these included voluntary commitments to reduce emissions that are more stringent than the legal requirements. However, despite all the steps taken, it cannot be fully ruled out that incidents could occur during production that might have an adverse impact on the environment.

No significant incidents with repercussions for the environment occurred as a result of production breakdowns during the reporting period.

The new regulation regarding the thermal load plan for the River Elbe might necessitate considerable capital expenditure if the water inlet temperature has to be reduced significantly as required. NA AG is engaged in intensive discussions with the authorities of the City of Hamburg aimed at reaching an acceptable solution jointly on an individual basis for the production site in Hamburg.

It was feared with the new version of the emission trading guidelines that substantial cost increases could result for NA AG due to the acquisition of emission trading certificates. The risks of additional costs for the Group as a whole seem to have been averted for the time being due to the landmark decision of the EU parliament. The existing wording does, however, leave a great deal of scope for interpretation, so that we will not receive final assurance about the basic exemption until mid 2010.

Other risks

Personnel risks

Healthy and motivated employees are the key to a successful business. Occupational safety and health protection have been attributed a high priority for some years at NA and have been maintained at a continuously high standard thanks to the intensive care of the internal departments for occupational safety and health protection. Our employees obtained the necessary qualifications as a result of intensive vocational training at all hierarchy levels. The motivation of our employees was due especially to an incentive-oriented company suggestion scheme and collective performance-related remuneration systems.

IT risks

Commercial and technical processes must operate without breakdowns. We regard system failures and unsatisfactory data security as the main IT risks.

We were protected in the IT area against possible breakdowns in the operating systems by the appropriate precautions taken by our data processing centre, which involved both internal and external measures. Modifications were carried out as required and in good time in order to fulfil the business and legal demands on the software.

Assessment of risk situation

The assessment of the current and future risk-related factors does not result in any risks to the continued existence of NA as a going concern. Significant risks have been identified and controlled to the greatest possible extent by the respective action taken.

The integration of Cumerio is well advanced and the necessary measures to identify and control risks have been implemented.

A significant production cost risk has been averted on an ongoing basis for the German sites thanks to the long-term electricity supply on a production cost basis that has been secured from 2010 onwards. We are working intensively to hedge the electricity prices at the new sites. Our successful raw material procurement policies are based on a long-term, diversified supply. Dependence on individual suppliers and customers is avoided as far as possible. The corporate concept of an integrated copper producer enables us to react comparably flexibly to changing market situations.

Forecast report

The generation of a sustained cash flow forms a secure basis for providing NA with sufficient liquidity for the ongoing business. In addition, liquidity is secured by short-term and long-term credit lines, which are not exhausted. The possible economic impacts of the financial crisis can also influence the level of the future cash flow and the procurement of the necessary resources to fund further projects for internal growth and acquisitions.

Altogether, we believe that the available risk and opportunity management system provides us with an appropriate instrument to control this area, even in the current tense economic situation. There have been no significant changes compared with the prior year.

The Audit Committee appointed by NA's Supervisory Board also concerned itself intensively with questions relating to risk management in accordance with Section 5.3.2 of the German Corporate Governance Code.

The external auditors have audited the risk management system to make sure that it complies with the statutory provisions. Both the Audit Committee and the auditors have ascertained that the Executive Board has fundamentally taken the measures prescribed by Section 91 paragraph 2 German Companies Act in an appropriate manner and that the monitoring system fulfils the necessary requirements. As part of the integration of Cumerio in the risk monitoring system, necessary potentials for short-term improvements were identified and commensurate action taken.

Future orientation of the NA Group

In the development of the Group, we will continue in the future to rely on our core competence on the production and processing of the base metal, copper. We followed this strategic approach in the acquisition of our competitor, Cumerio. We are characterised by the combination of different value added levels in one Group and the broad raw material and product base, which provide us with a stable foundation, even in difficult times.

In Europe, we are one of our industry's market leaders. This position is supported by many years of experience in our core business of copper, and our continuously developed metallurgical and technological expertise. We will continue to increase this know-how edge in the future by intensifying our research and development work. At the same time, the broader setup of our production sites enables us to exploit a considerable potential for optimisation and to open up new growth markets. In the event of further acquisitions, these markets can also be outside Europe.

Reliability, high quality and environmental awareness and distinct service orientation in combination with advanced technology will continue to form the basic framework for strong supplier and customer loyalty. This is reinforced in addition by the dedication and professional competence of our employees.

Intensification of the international financial crisis burdens global economic growth

Tension on the international financial markets has intensified since the end of fiscal year 2007/08. This was accompanied by a considerable downturn in economic growth in the Western industrial nations. The U.S. economy has been in recession for the past year. Investment and consumption have declined at a rate not seen for the past 25 years.



Following the successes of the past years and the acquisition of Cumerio, we will further enhance our performance, strengthen our market position and examine further growth options in the coming months by selective measures.

While economists in the euro region were still assuming until October 2008 that the economy would grow slightly in 2009, it has meanwhile become clear that the global economic downswing will be stronger than expected. The European Central Bank has forecast a 0.5% decline in economic performance in the euro region for 2009. In Germany, the Deutsche Bundesbank expects a 0.8% decrease in GDP in 2009.

Governments worldwide have responded to the critical developments with extensive interest rate reductions and massive support programmes to improve liquidity and stimulate the economy. The scope and magnitude of these support programmes are unprecedented. In the meantime, prices are stabilising in the euro countries. Developments in China, whose economic output probably increased by 9.4% in 2008, also offer a ray of hope. Despite global economic stagnation, China wants to achieve economic growth of at least 8% in 2009 and is supporting this with a massive package of measures, initially for two years, primarily including increased capital expenditure in raw material-intensive infrastructure.

According to the OECD in November 2008, the economy in most countries should however start to grow again in 2010. The experts expect growth of altogether 1.2% in the 15 states of the euro region. An increase of 1.6% is forecast for the U.S.A. Japanese economic growth should reach 0.6%. The Deutsche Bundesbank expects Germany to grow again by 1.2%.

Financial crisis and economic downswing also affect the copper market

The intensifying financial crisis and the deterioration in the economic climate worldwide have resulted in a substantial fall in prices on the copper market. This development has also affected other non-ferrous metals. Copper prices on the London Metal Exchange fell from US\$ 6,379/t to US\$ 3,075/t (settlement) between the beginning of October and mid-December. The forward structure of the prices has normalised with the return of a contango, which means that the forward prices are higher than the cash prices.

The price decline is attributable to a number of factors. Parallel to the simultaneous economic downturn in many countries, investors believe that the prospects for the global demand for metal have significantly deteriorated. Their withdrawal from the commodity sector has also burdened the copper market. The copper-processing industries in Europe and North America face reduced order receipts, depending on the business sector and varying from one region to another, and have adopted a wait-and-see attitude in recent weeks in view of the uncertainties in the economic climate.

Defensive procurement policies and considerable reductions in inventories are symptoms of this development. As in previous years, the postponement of deliveries at fiscal year-end has also played a part in these tendencies. As a consequence, the copper stocks in the warehouses of the metal exchanges increased from about 224,000 tonnes at the beginning of October to almost 350,000 tonnes by mid-December, of which 42% was in European, 26% in Asian and 32% in U.S. warehouses. The trading volume on the metal exchanges also declined substantially.

With a share of about 27%, China is the largest single market for copper worldwide. Although reduced demand has also been registered there, the country clearly stands out from the subdued trend in demand of Western countries. Investment in raw material-intensive infrastructure is continuing, boosted by the largest economic stimulus programme in the country's history.

The economic package is supported by relaxed monetary policies and export benefits, inter alia for copper products. The national State Reserve Bureau (SRB), which manages China's strategic raw material reserve, also plans copper purchases to support domestic industry. China's copper demand should therefore increase again considerably in 2009 and reach a correspondingly high level.

The output of refined copper was marked by comparably low capacity utilisation in 2008, due to strikes, technical and economic problems or maintenance-related standstills. These impacts will also inhibit copper production in 2009. This will also be exacerbated by the announced production cutbacks in the Chinese and Japanese smelter industry.

Although these probable production restrictions are currently attracting little attention, they could again cause the supply to become tighter, so that the surplus expected in 2009 may decline or even disappear. On this basis, a significant recovery of the copper price from the current level, which is too low, cannot be ruled out.

Copper Production: continuation of growth curve and performance enhancement

To improve our competitive situation, we are pursuing a policy in Copper Production that is aimed at internal and external growth. Cost optimisation as a result of increased productivity and efficiency still enjoys top priority.

Since the acquisition of Cumerio, we have been working intensively on its integration and the development and achievement of synergies in the copper production sector. An extensive know-how transfer has led to substantial synergy effects at all locations. Further measures will considerably improve the competitiveness of our copper production over the next two years.

In addition, we are maintaining our long-term growth policy in concentrate processing. A concept has been developed for Hamburg to increase the processing capacity from 1.1 million tonnes to 1.25 million tonnes per annum by 2010. Planning has also begun to increase the annual concentrate processing capacity in Pirdop from about 1 million tonnes to more than 1.3 million tonnes by 2012.

Recycling: material throughput rises

Increasing numbers of countries in Europe and overseas are building up the structures of a closed loop economy regulated by law. This results in particular in the availability of increasing quantities of material for recycling, particularly in the end-of-life sector. At the same time, demands on the processes used for recycling are increasing. We are preparing for this development and are already today able to treat a wide range of metal-bearing recycled materials in state-of-the-art and particularly environmentally friendly facilities.

We will expand the range of feed materials once again in future, especially at our Lunen recycling centre, and further increase the processing of secondary raw materials. In doing so, we will exploit market opportunities and improve the economic safety net for our raw material supply. The KRS Plus project which was presented to the public on 7 October 2008 covers the main measures to be taken. With a capital expenditure volume of € 62.5 million, it is aimed at expanding the existing KRS recycling plant by adding a second furnace by 2011, and a resultant modification of the process. Once the project has been completed, we will be able to double the input of complex recycled materials.

Copper processing: focusing on high-value products and strengthening customer relationships

The central strategy of the Copper Processing Segment is growth through the production and sale of top quality copper products. Following the successes of the past years and the acquisition of Cumerio, we will further enhance our performance, strengthen our market position and examine further growth options in the coming months by selective measures.

The improvement in the output of the Hamburg rod plant has not only increased the overall capacity, but has also improved our flexibility and productivity. Further capital expenditure and programmes are concentrating on the continuous improvement of the quality of our products and services and their development in collaboration with our customers.

In the product sectors of wire rod, continuous cast shapes and pre-rolled strip with the highest conductivity and other properties oriented to customer specifications, our most important core business in quantity terms will also benefit in future from the tremendous need for investment in infrastructure and logistics. We believe that this market sector will be affected to a comparatively lesser extent by the current downturn in the economic situation. In the case of standard shapes, demand for which in the past fiscal year was affected by the economic downturn and price-related substitutions, much will depend on the unpredictable microeconomic situation in Europe and worldwide, and on exchange rate developments in the export business. The pressure of substitution has, however, declined on account of the sharp fall in the copper price.

CIS solar cell project is continuing

On account of the shortage of natural energy raw material resources, the future prospects of our CIS solar project are excellent. The forecasts on the further development of the photovoltaic market expect stable growth of about 30% per annum. In this environment, the CIS thin-film solar cells developed by us could be well placed as a result of their environmental compatibility and cost-effective production. We intend to build a production plant with a capacity of 30 MWp for our market launch. Our project partner has extensive marketing expertise.

Despite intensive work in our solar cell pilot line, we still do not have all the data, results and experience that are necessary as the technical basis for a production plant. For this reason, we will not take further decisions on the project timetable until 2009, when we have a reliable technical basis.

Expected future results of operations

In assessing the results of operations in the next two years, the price trend on the metal markets must above all be taken into account. Following the price falls in past weeks, we expect higher prices again for the metals processed and produced by us in 2009. Positive price effects from the reduction of low-valued metal inventories and the backwardation prevailing in fiscal year 2007/08 would not be achieved at all, or only to a significantly reduced extent, in the future in the event of sustained low copper prices and a contango situation on the copper market. Increased efficiency in the production of metals would likewise only be achieved to a lesser extent for price-related reasons. Since Cumerio's copper inventories were taken over as at 1 March 2008 at the high copper prices governing at the time, they were already written down as at 30 September 2008 on account of the lower copper prices. Since the

prices have fallen further since then, a renewed negative effect on earnings can initially be expected resulting from the write-down of inventories. An increase in copper prices would then have a commensurate positive impact on earnings. Overall, impacts on earnings will vary in future with volatile copper prices. We expect a somewhat firmer U.S. dollar against the euro than in fiscal year 2007/08 and consequently a positive contribution to earnings.

Copper raw materials with varying profit contributions

The most important raw material for copper production in the group is copper concentrate. Since we ensure the supply of concentrate under our strategic supply policy largely through long-term supply agreements, we were able to a great extent to disengage ourselves from the poor state of the concentrate market.

Other repercussions of the financial and credit crisis for the copper industry are not predictable in every detail. We however expect the concentrate market to recover on account of capacity expansions at existing mines, the opening up of new deposits and the demand behaviour of the smelters, and that treatment and refining charges will consequently increase again. If the current signs of improvement in the spot business do not turn out to be sustained, we will also have to expect lower treatment and refining charges for new future settlements.



Even if we will be unable to match the excellent results of fiscal year 2007/08, we expect profits to continue at a good level in view of the overall strong earning power of the NA Group.

Supplies on the recycling markets, in particular of copper scrap, will also fluctuate significantly in future, with an impact on material availability and refining charges. The uncertain development of the economy, volatility and the copper price, also have a great influence in this connection. The situation on the other non-ferrous metal and steel scrap markets also has an impact on the availability of copper scrap supplies. In addition, distortions in competition result from the trade policy of certain countries with a high demand for raw materials.

We are, however, optimistic that our strategy of technological leadership in material processing and environmental protection, as well as the very wide range of feed materials, will mitigate the repercussions of negative market developments and have a positive impact on the results of operations. The very satisfactory profit contribution in the year under review will however be difficult to repeat in the new fiscal year.

Copper products: stable earnings despite possible decline in unit sales

The tense and very volatile global economic situation will have an unfavourable impact on the growth of European demand for copper products. We therefore expect business in the Copper Processing Segment to be subdued in quantity terms.

A series of factors will however limit the possible sales declines. The burden of borrowing costs along the value added chain will fall in line with the lower copper price. At the same time, the substitution effects will be reduced. The copper stocks at our customers are currently so low that they can scarcely be reduced any further. In addition, a tendency towards a stronger U.S. dollar will offer our customers and us better opportunities for exporting to America and Asia again.

The most important copper applications by far for NA in quantity terms are in energy generation, conversion and distribution and the electronics industry, which we believe are affected to a relatively limited extent by the current crisis. We expect demand to largely remain stable, also in the future. It will, however, be difficult to repeat the high growth rates of the past fiscal year. Our wire rod sales will therefore probably be lower than the record level of the year under review. We expect development in the white goods and automotive sectors to be subdued, which will initially dampen our sales in this sector. We expect only limited momentum from the construction industry in the short term. A possible decline in the sales volume of preliminary products for this sector will not have a significant impact on business, since we have already considerably reduced our activities here.

Sales of our continuous cast shapes will remain stable in the high-conductive copper product sector. We even expect further growth in the specialty product sector. The business with standard shapes is, however, much more dependent on the general economic trend, which, despite all the state support packages, cannot be properly assessed. It is therefore currently impossible to make a firm sales forecast for standard shapes.

Expected future financial position

Cash flows reached record levels in the last year on account of the very positive economic climate for NA and positive one-off effects. We expect the cash flow from operating activities to decline due to the significant deterioration in the conditions, but will be able to compensate this to some degree by taking corrective measures, in particular as regards investing activities and also in the working capital.

We regard the future financial position as secure in view of the solid balance sheet structure and, from today's viewpoint, more than sufficient credit lines for the ongoing business.

Opportunities

Although neither the scale nor the duration of the economic consequences of the financial crisis and economic downswing are predictable, opportunities are starting to emerge in addition to the negative effects.

The merger with Cumerio has enabled us to strengthen our know-how basis and site network significantly. We are therefore capable of operating from a strong position in this difficult economic climate. In addition, extensive synergy effects, with which we can further improve the competitiveness of our Group, will become effective to a greater degree in the current fiscal year. Recent economic developments should increase the consolidation pressure on the fragmented European copper industry. Since we were foresighted in the acquisition of Cumerio in making sure that the funding was on a sound basis, our Group is in a position to participate actively in consolidation options, even if the financial crisis has made access to the capital markets generally more difficult.

Regardless of the current economic distortions, copper, with its high thermal and electrical conductivity, remains an attractive material. This applies not only to the increasing sustainability requirements in the European core market, but also in the emerging markets in Asia or South America that are continuing to grow. Last but not least, our modern recycling facilities provide us with the best prerequisites for participating in the increasing availability of secondary raw materials, for instance from the mandatory recycling of end-of-life appliances.

Overall conclusion on the expected development of the NA Group

A statement on the probable economic development of the NA Group over the next two fiscal years is subject to great uncertainty due to the extraordinary developments and events in the economy as a whole, whose consequences for the markets and our business are not fully predictable.

Following the excellent fiscal year 2007/08, our business situation and results of operations will be in line with the changed general conditions and become weaker. This could be influenced primarily by the very volatile copper scrap business, product sales and the reduced positive price effects. The scheduled maintenance standstills in October 2008 and related interim loss of production will also have an impact on earnings. Valuation effects, e.g. price-related write-downs of inventories, which however do not directly affect cash flow, could possibly play a considerable role.

In the further course of 2009, we should return to a moderate upward trend on the copper market and to a more stable development of the business. In the raw material sector, we expect positive impulses from the concentrate markets and for complex recycled raw materials. In product sales, copper demand, in particular from the energy sector, will become more stable. Moreover, projects to improve performance and reduce the costs will take effect throughout the enlarged Group.

Even if we will be unable to match the excellent results of fiscal year 2007/08, we expect profits to continue at a good level in view of the overall strong earning power of the NA Group. We should like our shareholders to continue to participate in this in an appropriate form.



Consolidated Financial Statements

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CONSOLIDATED INCOME STATEMENT

for the period 1 October 2007 to 30 September 2008 (IFRS)

in € thousand	Note	2007/08	2006/07
Revenues	1	8,384,561	6,468,838
Changes in inventories of finished goods and work in process		(24,582)	119,184
– thereof from revaluation of LIFO inventories using the average cost method		(4,783)	6,221
Own work capitalised	2	10,640	4,422
Other operating income	3	61,629	25,333
Cost of materials	4	(7,635,555)	(5,923,210)
– thereof from revaluation of LIFO inventories using the average cost method		(92,847)	49,289
Gross profit		796,693	694,567
Personnel expenses	5	(266,052)	(215,394)
Depreciation and amortisation	6	(92,042)	(57,894)
Other operating expenses	7	(154,278)	(106,140)
Operational result		284,321	315,139
Result from investments	8	708	573
Interest income	9	15,353	8,092
Interest expense	9	(57,384)	(17,301)
Earnings before taxes		242,998	306,503
– thereof from revaluation of LIFO inventories using the average cost method		(97,630)	55,510
Income taxes	10	(72,223)	(83,173)
– thereof from revaluation of LIFO inventories using the average cost method		31,219	9,043
Consolidated net income		170,775	223,330
– thereof from revaluation of LIFO inventories using the average cost method		(66,411)	64,553
Income attributable to minority interest	11	(1,821)	(1,183)
Consolidated net income after minority interest		168,954	222,147
– thereof from revaluation of LIFO inventories using the average cost method		(66,411)	64,553
Basic earnings per share in €	12	4.18	5.98
– thereof from revaluation of LIFO inventories using the average cost method		(1.64)	1.74
Diluted earnings per share in €	12	4.18	5.98
– thereof from revaluation of LIFO inventories using the average cost method		(1.64)	1.74

CONSOLIDATED BALANCE SHEET

as at 30 September 2008 (IFRS)

ASSETS <i>in € thousand</i>	<i>Note</i>	<i>30.9.2008</i>	<i>30.9.2007</i>
<i>Intangible assets</i>		46,757	28,176
<i>Property, plant and equipment</i>		870,918	364,509
<i>Investment property</i>		30	37
<i>Interests in affiliated companies</i>		246	272
<i>Investments</i>		626	216,441
<i>Other financial fixed assets</i>		1,811	426
<i>Financial fixed assets</i>		2,683	217,139
Fixed assets	13	920,388	609,861
<i>Deferred tax assets</i>		4,164	1,326
<i>Non-current receivables and financial assets</i>		29,336	28,824
<i>Other non-current assets</i>		3,323	6,899
<i>Non-current receivables and other assets</i>	16	32,659	35,723
Non-current assets		957,211	646,910
<i>Inventories</i>	14	1,401,571	935,969
– thereof from revaluation of LIFO inventories using the average cost method		283,801	381,431
<i>Trade accounts receivable</i>	15	391,356	334,872
<i>Income tax receivables</i>	16	10,875	4,013
<i>Other current receivables and assets</i>	16	301,609	379,002
<i>Current receivables and other assets</i>		703,840	717,887
<i>Short-term security investments</i>	17	317	392
<i>Cash and cash equivalents</i>	18	186,482	20,018
Current assets		2,292,210	1,674,266
Total assets		3,249,421	2,321,176

EQUITY AND LIABILITIES*in € thousand*

	Note	30.9.2008	30.9.2007
<i>Subscribed capital</i>		104,627	95,115
<i>Additional paid-in capital</i>		188,759	101,557
<i>Generated group earnings</i>		834,459	733,818
– <i>thereof from revaluation of LIFO inventories using the average cost method</i>		193,306	259,717
<i>Changes in accumulated other comprehensive income</i>		8,680	(19,619)
<i>Equity attributable to shareholders of NA AG</i>		1,136,525	910,871
<i>Minority interest</i>		4,262	2,761
Equity	19	1,140,787	913,632
<i>Pension provisions</i>	20	66,612	58,799
<i>Deferred tax liabilities</i>	21	221,325	143,441
– <i>thereof from revaluation of LIFO inventories using the average cost method</i>		90,495	121,714
<i>Other non-current provisions</i>	22	41,682	33,521
<i>Non-current provisions</i>		329,619	235,761
<i>Non-current borrowings</i>		523,078	153,112
<i>Other non-current liabilities</i>		1,604	0
<i>Non-current liabilities</i>	23	524,682	153,112
Non-current provisions and liabilities		854,301	388,873
<i>Other current provisions</i>	22	74,991	75,400
<i>Current borrowings</i>		409,596	145,877
<i>Trade accounts payable</i>		444,059	444,721
<i>Income tax liabilities</i>		81,341	58,480
<i>Other current liabilities</i>		244,346	294,193
<i>Current liabilities</i>	23	1,179,342	943,271
Current provisions and liabilities		1,254,333	1,018,671
Debt		2,108,634	1,407,544
Total equity and liabilities		3,249,421	2,321,176

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 October 2007 to 30 September 2008 (IFRS)

<i>in € thousand</i>	<i>2007/08</i>	<i>2006/07</i>
<i>Earnings before taxes after revaluation of LIFO inventories</i>	242,998	306,503
<i>Revaluation of LIFO inventories using the average cost method</i>	97,630	(55,510)
Earnings before taxes before revaluation of LIFO inventories	340,628	250,993
<i>Depreciation and amortisation</i>	92,042	57,894
<i>Impairment losses on current assets</i>	77,568	3,114
<i>Change in non-current provisions</i>	2,863	5,250
<i>Net losses on disposal of fixed assets</i>	1,473	1,552
<i>Other non-cash expenses and income</i>	(32,099)	0
<i>Result from investments</i>	(708)	(573)
<i>Net interest expense</i>	42,031	9,209
<i>Income taxes paid</i>	(120,526)	(96,474)
Gross cash flow	403,272	230,965
<i>Change in receivables and other assets, including short-term security investments</i>	441,051	225,980
<i>Change in inventories</i>	116,218	(86,162)
<i>Change in current provisions</i>	3,470	32,126
<i>Change in liabilities (excl. financial liabilities)</i>	(502,913)	(143,907)
Cash inflow from operating activities (net cash flow)	461,098	259,002
<i>Additions to fixed assets</i>	(116,062)	(64,389)
<i>Acquisition of interests in Cumerio sa/nv</i>	(524,756)	(219,252)
<i>Proceeds from disposal of fixed assets</i>	3,680	820
<i>Interest received</i>	15,326	8,092
<i>Dividends received</i>	708	583
Cash outflow from investing activities	(621,104)	(274,146)
<i>Payments/proceeds from capital increases</i>	97,639	(283)
<i>Proceeds from issuance of bonds and taking up borrowings</i>	646,495	170,441
<i>Payment for the redemption of bonds and borrowings</i>	(300,374)	(84,053)
<i>Interest paid</i>	(56,769)	(17,301)
<i>Dividends paid</i>	(60,521)	(40,208)
Cash inflow from financing activities	326,470	28,596
<i>Net change in cash and cash equivalents</i>	166,464	13,452
<i>Cash and cash equivalents at beginning of period</i>	20,018	6,566
Cash and cash equivalents at end of period	186,482	20,018

Further information on the consolidated cash flow statement is provided on page 170 of this report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital	Additional paid-in capital	Generated group equity	Revaluation reserve	Changes in accumulated other comprehensive income	Equity attributable to shareholders of NA AG	Minority interest	Total
<i>in € thousand</i>								
Balance as at 30.9.2006	95,115	101,941	550,683	0	(54,353)	693,386	2,774	696,160
– thereof from revaluation of LIFO inventories using the average cost method			195,164			195,164		195,164
Cost of increase in capital after tax effects of € – 101 thousand		(384)				(384)		(384)
Dividend payments			(39,012)			(39,012)	(1,196)	(40,208)
Consolidated net income			222,147			222,147	1,183	223,330
– thereof from revaluation of LIFO inventories using the average cost method			64,553			64,553		64,553
Market valuation of financial assets and cash flow hedges					63,941	63,941		63,941
Exchange differences					(63)	(63)		(63)
Deferred taxes on changes in accumulated other comprehensive income					(29,144)	(29,144)		(29,144)
Balance as at 30.9.2007	95,115	101,557	733,818	0	(19,619)	910,871	2,761	913,632
– thereof from revaluation of LIFO inventories using the average cost method			259,717			259,717		259,717
Increase in capital	9,512	88,613				98,125		98,125
Cost of increase in capital after tax effects of € 672 thousand		(1,411)				(1,411)		(1,411)
Dividend payments			(59,261)			(59,261)	(1,260)	(60,521)
Consolidated net income			168,954			168,954	1,853	170,807
– thereof from revaluation of LIFO inventories using the average cost method			(66,411)			(66,411)		(66,411)
Market valuation of financial assets and cash flow hedges					37,399	37,399		37,399
Exchange differences					(54)	(54)		(54)
Deferred taxes on changes in accumulated other comprehensive income					(9,046)	(9,046)		(9,046)
Successive acquisition of Cumerio			908	(9,960)		(9,052)	908	(8,144)
Reclassification of revaluation reserve			(9,960)	9,960		0		0
Balance as at 30.9.2008	104,627	188,759	834,459	0	8,680	1,136,525	4,262	1,140,787
– thereof from revaluation of LIFO inventories using the average cost method			193,306			193,306		193,306
Total income and expense for fiscal year 2006/07			222,147	0	34,734	256,881	1,183	258,064
Total income and expense for fiscal year 2007/08			159,902	0	28,299	188,201	2,761	190,962

Further information on changes in equity is provided on page 147 of this report.

CHANGES IN FIXED ASSETS OF THE GROUP

as at 30 September 2008

<i>in € thousand</i>	<i>Acquisition or construction cost 1.10.2007</i>	<i>Additions due to changes in scope of consolidation (net)</i>	<i>Additions in the fiscal year</i>
Intangible assets			
1. Licenses, industrial property rights and similar rights and assets, and licenses to such rights and assets	24,617	11,271	2,584
2. Goodwill	43,170	0	0
3. Payments on account	437	5,738	4,647
	68,224	17,009	7,231
Property, plant and equipment			
1. Land and buildings	324,841	121,118	5,862
2. Technical equipment and machinery	894,450	286,941	29,013
3. Other equipment, factory and office equipment	65,192	3,552	5,330
4. Leased assets	43,817	222	15
5. Payments on account and assets under construction	38,766	78,826	66,457
	1,367,066	490,659	106,677
Investment property	96	0	0
Financial fixed assets			
1. Interests in affiliated companies	2,297	0	0
2. Loans to affiliated companies	140	0	0
3. Investments in associated companies	0	0	0
4. Other investments	216,937	3,450	0
5. Fixed asset securities	0	15	2,003
6. Other loans	286	0	151
	219,660	3,465	2,154
	1,655,046	511,133	116,062

There were no intangible assets, apart from goodwill, with indefinite useful lives either at 30.9.2007 or at 30.9.2008

<i>Disposals</i>	<i>Transfers</i>	<i>Changes in fair value and exchange differences (net)</i>	<i>Acquisition or construction cost 30.9.2008</i>	<i>Depreciation, amortisation and write-downs 30.9.2008</i>	<i>Carrying amount 30.9.2008</i>	<i>Carrying amount 30.9.2007</i>	<i>Systematic depreciation and amortisation in the fiscal year</i>	<i>Impairment losses in the fiscal year</i>
666	823	190	38,819	23,896	14,923	2,769	2,708	0
0	0	0	43,170	18,200	24,970	24,970	0	0
0	(823)	0	9,999	3,135	6,864	437	0	3,135
666	0	190	91,988	45,231	46,757	28,176	2,708	3,135
2,936	23,185	105	472,175	258,221	213,954	81,021	10,983	5,338
14,184	89,373	54	1,285,647	751,997	533,650	194,256	56,415	6,332
3,967	556	2	70,665	51,576	19,089	14,693	4,246	96
418	0	4	43,640	10,347	33,293	35,773	2,678	0
0	(113,114)	101	71,036	104	70,932	38,766	0	104
21,505	0	266	1,943,163	1,072,245	870,918	364,509	74,322	11,870
0	0	0	96	66	30	37	7	0
26	0	0	2,271	2,025	246	272	0	0
140	0	0	0	0	0	140	0	0
0	0	0	0	0	0	0	0	0
219,265	0	0	1,122	496	626	216,441	0	0
0	0	0	2,018	588	1,430	0	0	588
56	0	0	381	0	381	286	0	0
219,487	0	0	5,792	3,109	2,683	217,139	0	588
241,658	0	456	2,041,039	1,120,651	920,388	609,861	77,037	15,593

CHANGES IN FIXED ASSETS OF THE GROUP

as at 30 September 2007

<i>in € thousand</i>	<i>Acquisition or construction cost 1.10.2006</i>	<i>Additions in the fiscal year</i>	<i>Disposals</i>
Intangible assets			
1. Licenses, industrial property rights and similar rights and assets, and licenses to such rights and assets	23,966	1,063	412
2. Goodwill	43,170	0	0
3. Payments on account	51	386	0
	67,187	1,449	412
Property, plant and equipment			
1. Land and buildings	316,636	9,169	3,071
2. Technical equipment and machinery	881,338	14,098	8,008
3. Other equipment, factory and office equipment	63,877	6,590	5,609
4. Leased assets	14,023	29,832	38
5. Payments on account and assets under construction	16,773	33,042	1,519
	1,292,647	92,731	18,245
Investment property	96	0	0
Financial fixed assets			
1. Interests in affiliated companies	2,297	0	0
2. Loans to affiliated companies	465	0	325
3. Other investments	1,115	219,252	0
4. Other loans	313	41	68
	4,190	219,293	393
	1,364,120	313,473	19,050

There were no intangible assets, apart from goodwill, with indefinite useful lives as at 30.9.2007.

<i>Transfers</i>	<i>Changes in fair value and exchange differences (net)</i>	<i>Depreciation, amortisation and write- downs 30.9.2007</i>	<i>Carrying amount 30.9.2007</i>	<i>Carrying amount 30.9.2006</i>	<i>Systematic depreciation and amortisation in the fiscal year</i>	<i>Impairment losses in the fiscal year</i>
0	0	21,848	2,769	2,885	1,176	0
0	0	18,200	24,970	24,970	0	0
0	0	0	437	51	0	0
0	0	40,048	28,176	27,906	1,176	0
2,118	(9)	243,822	81,021	81,733	6,464	5,525
7,072	(39)	700,205	194,256	212,095	38,188	471
341	(4)	50,502	14,693	11,720	3,809	12
0	0	8,044	35,773	8,191	2,241	0
(9,531)	1	0	38,766	16,773	0	0
0	(51)	1,002,573	364,509	330,512	50,702	6,008
0	0	59	37	45	8	0
0	0	2,025	272	272	0	0
0	0	0	140	465	0	0
0	(3,430)	496	216,441	629	0	10
0	0	0	286	313	0	0
0	(3,430)	2,521	217,139	1,679	0	10
0	(3,481)	1,045,201	609,861	360,142	51,886	6,018

NOTES TO THE FINANCIAL STATEMENTS

BASIS OF PRESENTATION

As required by Regulation (EC) No. 1606/2002 of the European Parliament and the Council dated 19 July 2002 on the application of international accounting standards and Section 315a paragraph 1 of the German Commercial Code (HGB), the consolidated financial statements of Norddeutsche Affinerie AG, Hamburg, as at 30 September 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) approved and published by the International Accounting Standards Board (IASB), as adopted by the European Union. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC) have been taken into account. No accounting policies in accordance with German law that do not comply with IFRS have been applied.

The Executive Board will issue the consolidated financial statements to the Supervisory Board on 9 January 2009. The Supervisory Board's task is to review and approve the consolidated financial statements. At the time of reporting, this was scheduled to be carried out on 15 January 2009.

The consolidated financial statements have been prepared in euros. Inasmuch as nothing to the contrary is indicated, all amounts are shown in currency units of thousand. Current and non-current assets are presented as separate categories in the balance sheet. Current assets and liabilities are expected to be realised within twelve months of the balance sheet date or are held primarily for trading purposes.

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 are measured at fair value. The preparation of consolidated financial statements in accordance with IFRS furthermore requires the Executive Board and authorised employees to make estimates and assumptions in significant areas that have an impact on the measurement and reported amount of the assets and liabilities in the balance sheet, and on income and expenses. Such estimates and assumptions are primarily applied in defining the useful lives of fixed assets, the computation of discounted cash flows in conjunction with impairment tests, and the recognition of provisions for pension obligations and for pending losses and environmental protection. Furthermore, the calculation of the fair values of the acquired assets and liabilities to be determined as part of the first-time consolidation is based on estimates and assumptions. Actual amounts could deviate from these assumptions. Where they had an impact on the measurement, the underlying assumptions are discussed separately under the respective item in these notes.

SCOPE OF CONSOLIDATION

In addition to the parent company, Norddeutsche Affinerie AG, Hamburg, fourteen further companies, in which Norddeutsche Affinerie AG, Hamburg, 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 by way of full consolidation. The consolidated balance date corresponds to the balance sheet date of Norddeutsche Affinerie AG, Hamburg, and all consolidated subsidiaries with the exception of two consolidated companies. The balance sheet date of these subsidiaries is 31 December. Interim financial statements were prepared by these companies as at the consolidated balance date for consolidation purposes.

The companies of the wholly-owned Belgian copper producer Cumerio were consolidated for the first time from 29 February 2008 onwards. These are as follows:

- Cumerio sa/nv, Brussels
- Cumerio Belgium sa/nv, Olen
- Cumerio Med AD, Pirdop
- Cumerio Bulgaria AD, Sofia
- Cumerio Italia S.R.L., Milan
- Cumerio Austria GmbH, Vienna
- Swiss Advanced Materials S.A., Yverdon-les-Bains

All these companies are wholly-owned by the NA Group as at 30 September 2008 with the exception of Cumerio Med AD, in which the Company holds 99.77%.

Acquisition of the Cumerio Group

The acquisition price of the investment in Cumerio amounted to € 782.1 million including directly allocable transaction costs of € 12.9 million. This was paid in cash.

In the takeover process, 29.08% of the shares were acquired in a first step as at 30 September 2007. The fair value of these shares was shown under other investments in the financial statements as at 30 September 2007 in accordance with IAS 39.46. The remaining 70.92% of the shares in Cumerio were acquired in the second step effective 29 February 2008. The acquisition is reported as an acquisition achieved in stages in accordance with IFRS 3 since the shares were acquired at different dates.

In accordance with the requirements of IFRS 3, all assets and liabilities taken over as at the above two dates are measured at the proportionate fair values. This resulted in an increase in the acquired net assets, in particular on account of the disclosure of hidden reserves in fixed assets and inventories. Inasmuch as the net assets stated at the fair value exceed the acquisition price, negative goodwill of € 30.6 million was identified and after reassessing the fair values in accordance with IFRS 3.56 was released and recognised in profit or loss. This amount is reported in other operating income in the income statement for the reporting period. The negative goodwill results mainly from the price increases on the metal exchanges for the acquired metal inventories at the acquisition date. Due to declining metal prices as at the balance sheet date, impairment losses of € 75.6 million had to be recognised on the inventories of the Cumerio companies.

Similarly in accordance with IFRS 3, the changes in the fair values for assets and liabilities between the separate acquisition dates are recognised in equity. The value adjustment resulting from the acquisition of the Cumerio Group amounts to € 10.0 million and was included in the consolidated statement of changes in equity of the NA Group as a revaluation reserve and was set off against the generated group equity as at the balance sheet date.

The contribution of the Cumerio Group to the consolidated net income since the time of full acquisition amounts to € 12.9 million, valuing the inventories using the average cost method and including the negative goodwill and metal value write-downs. If the acquisition had been completed by 1 October 2007, group revenues for the reporting period would have amounted to € 9,910 million. It is not possible to quantify a corresponding income figure due to the different systems for measuring inventories before the acquisition date.

The inclusion of the Cumerio Group from 29 February 2008 onwards had the following impact on the consolidated financial statements:

<i>in € million</i>	<i>Carrying amounts before acquisition</i>	<i>Adjustments per expert opinion</i>	<i>Fair values</i>
<i>Intangible assets</i>	6.9	10.2	17.1
<i>Goodwill</i>	10.2	(10.2)	0.0
<i>Property, plant and equipment</i>	292.2	198.7	490.9
<i>Deferred tax assets</i>	6.4	0.1	6.5
<i>Non-current receivables and other assets</i>	3.5	0.0	3.5
<i>Inventories</i>	447.5	310.3	757.8
<i>Current receivables and other assets</i>	402.0	(1.7)	400.3
<i>Cash and cash equivalents</i>	38.1	0.0	38.1
Acquired assets	1,206.8	507.4	1,714.2
<i>Pension provisions</i>	6.5	0.0	6.5
<i>Deferred tax liabilities</i>	4.7	117.8	122.5
<i>Other non-current provisions</i>	4.9	1.7	6.6
<i>Non-current borrowings</i>	183.0	0.0	183.0
<i>Other non-current liabilities</i>	0.2	0.0	0.2
<i>Other current provisions</i>	3.0	(3.0)	0.0
<i>Current borrowings</i>	103.7	0.0	103.7
<i>Trade accounts payable</i>	270.2	6.8	277.0
<i>Other current liabilities</i>	206.1	4.1	210.2
Acquired liabilities	782.3	127.4	909.7
Acquired net assets	424.5	380.0	804.5
<i>Minority interest</i>			(0.9)
<i>Revaluation reserve from successive acquisition</i>			10.0
<i>Change in equity in the course of the successive acquisition</i>			(0.9)
Equity of Cumerio before consolidation			812.7
<i>Acquisition costs including transaction costs</i>			782.1
<i>Negative goodwill</i>			30.6

The first-time consolidation of the Cumerio Group in the quarterly financial statements as at 31 March 2008 was reported up to now on the basis of provisional expert opinions. The changes to the current final presentation of the fair values of assets and liabilities of the Cumerio Group are as follows:

<i>in € million</i>	<i>31.3. – 30.9. 2008</i>
<i>Property, plant and equipment</i>	(1.8)
<i>Deferred tax assets</i>	(0.4)
<i>Inventories</i>	13.6
<i>Current receivables and other assets</i>	9.6
Acquired assets	21.0
<i>Deferred tax liabilities</i>	(1.5)
<i>Other non-current liabilities</i>	(1.8)
<i>Current liabilities</i>	17.3
Acquired liabilities	14.0
Acquired net assets	7.0

The resultant effect on the negative goodwill recognised in income amounts to € 7.0 million.

Furthermore, KPP Kraftwerk Peute Projektmanagementgesellschaft mbH & Co. KG was deconsolidated in the reporting period since it was sold on 20 December 2007. The deconsolidation resulted in income in the amount of negative assets of € 1,482 thousand. KPP was included proportionately in the previous consolidated statements in accordance with NA's 50% investment.

Accordingly, the results of all significant subsidiaries, in which Norddeutsche Affinerie AG holds legal and/or effective control, are included in these consolidated financial statements.

Schwermetall Halbzeugwerk GmbH & Co. KG, Stolberg, and CIS Solartechnik GmbH & Co. KG, Bremerhaven, were consolidated proportionately in accordance with IAS 31. A 50% investment is held in each of these two entities. They are managed jointly with other partners (joint ventures). The accounting policies applied comply with those for the fully consolidated subsidiaries.

Schwermetall Halbzeugwerk's share of the group's assets as at 30 September 2008 amounted to € 62,951 thousand (€ 69,093 thousand in the prior year), its share of the non-current liabilities to € 13,274 thousand (€ 17,966 thousand in the prior year) and its share of current liabilities to € 13,852 thousand (€ 14,067 thousand in the prior year). The company contributed € 2,788 thousand (€ 9,501 thousand in the prior year) to the group's net income in the reporting period, and € 120,511 thousand (€ 139,748 thousand in the prior year) to its revenues.

CIS Solartechnik's share of the group's assets and current liabilities as at 30 September 2008 amounted to € 3,642 thousand (€ 2,316 thousand in the prior year) and € 319 thousand (€ 309 thousand in the prior year) respectively. The company's contribution to the group's net income in the reporting period amounted to € –346 thousand (€ –292 thousand in the prior year). No revenues were generated, since the company has not to date been operationally active.

CONSOLIDATION PRINCIPLES

The financial statements of companies included in the consolidated financial statements are prepared in accordance with the 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 as at the acquisition date using the purchase method, whereby the acquisition cost of the acquired interest is offset against 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 IFRS 3, goodwill is not systematically amortised. Negative goodwill is immediately recognised in income after the fair values have been reassessed.

Receivables, liabilities and contingent liabilities, and revenues, other income and expenses between group companies are eliminated. Profits resulting from transactions between group companies are eliminated, if significant.

Apart from eight German companies, nine foreign companies are included in the consolidated financial statements. The financial statements of subsidiaries in foreign currencies were translated to euros in accordance with the concept of the functional currency. In accordance with IAS 21, assets and liabilities in the balance sheet are translated at the mid-market rates on the balance sheet date and the income statement is translated at the average rates for the year. Any resultant translation differences are recognised directly in equity until the possible disposal of the subsidiary.

The same consolidated 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.

CHANGES IN ACCOUNTING POLICIES ON ACCOUNT OF NEW STANDARDS AND INTERPRETATIONS

Standards applied for the first time

IFRS 7

The International Accounting Standards Board (IASB) published IFRS 7 Financial Instruments: Disclosures in August 2005. This Standard covers the disclosures on the significance of financial instruments for the company's net assets and results of operations as well as qualitative and quantitative disclosures on the type and extent of risks associated with financial instruments. The Standard was applied by NA Group for the first time in the fiscal year, and the corresponding prior-year disclosures were augmented.

Amendments to IAS 1

The IASB announced an amendment to IAS 1 in August 2005 in connection with the publication of IFRS 7. This requires information to be published in the financial statements, which enables users to evaluate the entity's objectives, policies and processes for managing capital. The amendment to IAS 1 and IFRS 7 have been applied for the first time in the fiscal year.

Interpretations applied for the first time

IFRIC 10/IFRIC 11

The application of the interpretations IFRIC 10 Interim Financial Reporting and Impairment and IFRIC 11 IFRS 2 – Group and Treasury Share Transactions has had no significant impact on the Company's consolidated financial statements.

Standards/Interpretations not adopted early

The IASB has issued the following Standards, Interpretations and amendments to the existing Standards, adoption of which is not yet compulsory, and which are also not being adopted early by NA Group:

IFRS 8 "Operating Segments"

In November 2006, the IASB published IFRS 8 Operating Segments to replace IAS 14 Segment Reporting. IFRS 8 requires entities to disclose financial and descriptive information on their reportable segments. IFRS 8 shall be applied for the fiscal years commencing on or after 1 January 2009. The NA Group is not applying this Standard early. The first application of the Standard will only result in amended disclosure obligations.

The following announcements have been made on accounting principles by the IASB which had not yet been adopted by the EU on the balance sheet date. The NA Group is also not yet applying them. The impacts on accounting policies and on the presentation of the consolidated financial statements are still being investigated.

Amendment to IAS 1 “Presentation of Financial Statements” – disclosures on capital

The IASB published IAS 1 Presentation of Financial Statements (revised) in September 2007. IAS 1 replaces IAS 1 Presentation of Financial Statements (revised in 2003) as amended in 2005. The objective of the revision is to improve the means of analysis and the comparability of financial statements for their users. IAS 1 sets out the principles for the presentation and structure of financial statements. The new Standard must be applied for annual periods beginning on or after 1 January 2009; early application is permitted.

Amendment to IFRS 3 “Business Combinations” and IAS 27

“Consolidated and Separate Financial Statements in accordance with IFRS”

In January 2008, the IASB published the revised Standards IFRS 3 Business Combinations (IFRS 3 (2008)) and IAS 27 Consolidated and Separate Financial Statements in accordance with IFRS (IAS 27 (2008)). Under IFRS 3 (2008), the application of the acquisition method for business combinations has been revised. The main changes relate to minority interests, the measurement of acquisitions achieved in stages and the handling of contingent consideration and acquisition-related costs. In accordance with the new rules, minority interests are measured at fair value (full goodwill method) or at the fair value of the proportionate identifiable assets. For acquisitions achieved in stages, a revaluation through profit or loss of the interests held at the time of obtaining control is foreseen. Gains or losses on the re-measurement of contingent purchase price considerations, which are recognised as liabilities at the acquisition date, must in future be recognised in profit or loss. Acquisition-related costs will be recognised as expenses when they are incurred. The main amendments to IAS 27 (2008) concern the accounting for transactions, as a result of which an entity continues to retain control, and transactions, which result in a loss of control. Transactions, which do not result in a loss of control, are recognised directly in equity as equity transactions. Remaining interests shall be measured at the fair value at the time of loss of control. The revised Standards shall be applied for annual periods beginning on or after 1 July 2009.

Amendments to IFRS 2 “Share-based Payment”

In January 2008 the IASB adopted IFRS 2 Share-based Payment, Vesting Conditions and Cancellations. The amendment states clearly that vesting conditions are only either service conditions or performance conditions. Other elements of a share-based payment are not vesting conditions. In addition, the amendment states that cancellations by parties other than the entity must be recognised in income in the same way as cancellations by the entity. The amendment to IFRS 2 is applicable for annual periods beginning on or after 1 January 2009.

Amendments to IAS 23 “Borrowing Costs”

In March 2007, the IASB published amendments to IAS 23 relating to the treatment of borrowing costs. The option previously available for the capitalisation of borrowing costs incurred in relation to the acquisition or production of qualified assets must in future be applied. The NA Group has to date waived the capitalisation of borrowing costs. The Standard is applicable for all annual periods beginning on or after 1 January 2009.

In addition, the following Interpretations have been published, which were adopted by the EU as of the balance sheet date and were also not applied by NA Group in the past fiscal year:

- IFRIC 12 Service Concession Arrangements (November 2006)
- IFRIC 13 Customer Loyalty Programmes (June 2007)
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding (July 2007)
- IFRIC 15 Agreements for the Construction of Real Estate (July 2008)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (July 2008)

The first-time application of these Interpretations is not expected to result in any significant changes.

ACCOUNTING POLICIES

Recognition of revenues and expenses

Revenues and other operating income are recognised when the services are performed or the significant risks and rewards of ownership of the goods are transferred to the customer. Processing fees are taken into account in line with the stage of completion of the processed material.

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 recognised at the end of the respective 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.

Financial instruments

A *financial instrument* is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets comprise in this connection in particular cash and cash equivalents, equity instruments held in other entities (e.g. investments or share portfolios), trade accounts receivable, other loans and receivables granted, and primary and derivative financial instruments that are held for trading. Financial liabilities generally establish a contractual obligation to deliver cash or other financial liabilities. These include in particular bonds and other securitized liabilities, liabilities to banks, trade accounts payable, financial lease liabilities and derivative financial instruments. Financial instruments are generally recognised as soon as a group company of NA Group becomes a contractual party to the regulations of the financial instrument. In the Group, regular way purchases and sales of financial instruments are generally recorded as of the settlement date, i.e. at the date of delivery and transfer of title, and in metal trading at the trade date. Derivative financial instruments are recognised as of the trade date. Financial assets and financial liabilities are generally reported gross (i.e. without being netted). Under prevailing law, quoted metal futures contracts are reported netted, observing matching maturities.

Financial assets are recognised initially at fair value. Thereby, in the case of financial assets that will not be measured subsequently at fair value through profit or loss, the transaction costs directly attributable to the purchase have to be taken into account. The fair values recognised in the balance sheet generally represent the market prices of the financial assets. If these cannot be determined directly by referring to an active market, they are measured with a normal market procedure (valuation model), applying the market parameters specific to the instrument. Non-interest-bearing financial assets with a term exceeding a year are discounted. For financial assets with a remaining term of less than a year, it is assumed that the fair value corresponds with the nominal value. Financial assets in foreign currency are measured on initial recognition with the valid rate for the day and as at the balance sheet date with the selling rate as at the balance sheet date. Financial assets sold without recourse are derecognised.

The non-current receivables reported in other financial fixed assets are assigned to the category “loans and receivables” and are measured at amortised cost, applying the effective interest method.

On account of their short maturities, *trade accounts receivable* are measured at nominal value, less allowances for bad debts. A distinction is made between specific allowances and lump-sum specific allowances. The allowances take adequate account of the credit risks, which are determined on the basis of historical experience and individual assessments of the risks. Actual defaults result in derecognition of the receivables affected.

Impairments of trade accounts receivable are recorded through an allowance account. The decision as to whether a credit risk should be taken into account by means of an allowance account or a direct reduction of the receivable depends on the reliability of the assessment of the risk situation.

Financial assets held for trading are measured at fair value. These include derivative financial instruments that are not included in an effective hedging relationship in accordance with IAS 39 and therefore have to be classified as held for trading.

In addition, delivery contracts are concluded in the NA Group for non-ferrous metals not only to cover the expected requirement for raw materials and the expected sale of finished products, but also to exploit price fluctuations between short-term and long-term forward prices. Price-fixed metal delivery contracts are therefore also recognised as derivative financial instruments. Since these are not included in an effective hedge relationship in accordance with IAS 39, they are similarly classified as “held for trading”.

Gains or losses resulting from the subsequent measurement of “held for trading” financial assets are recognised in profit or loss.

Other financial assets are allocated to the category loans and receivables and, to the extent that they are non-current, are measured at amortised cost, applying the effective interest method.

The fixed-interest securities reported under the current assets, all of which are pledged, are allocated to the “held-to-maturity category”. These “held-to-maturity financial” instruments are measured at amortised cost.

Cash and cash equivalents have a remaining term on initial recognition of up to three months and are measured at amortised cost.

The “available-for-sale” category represents in the NA Group the residual amount of primary financial assets that fall under IAS 39 and are not assigned to another category. They include the interests in affiliated companies that are reported under financial fixed assets, other investments and fixed asset securities. They are generally measured at fair value, which is derived from the stock market price, provided a price quoted in an active market is available. Subsequent gains and losses resulting from measurement at fair value are recognised directly in equity. This does not apply if these are permanent or significant impairment losses and foreign-currency-related changes in the value of debt instruments, which are recognised in profit or loss. The accumulated gains or losses on measurement at fair value that are recorded in equity are only recognised in profit or loss on disposal of the financial assets. If the fair value of non-quoted equity instruments cannot be reliably determined, the interests are measured at cost, if appropriate net of impairment losses.

No reclassifications of financial instruments into other measurement categories arose either in fiscal year 2007/08 or in fiscal year 2006/07.

An impairment loss is recognised in the NA Group if the carrying amount of a financial asset is higher than the present value of the future cash flows. The test of whether impairment exists is carried out at every balance sheet date. Indications such as considerable financial problems on the part of the debtor can be referred to in order to determine objectively whether impairment has incurred.

For the question of impairment, the existing credit relationships that are assigned to the category “loans and receivables” shall be analysed and they shall then be measured subsequently at amortised cost. In addition, the financial assets of the “held-to-maturity” category shall be investigated. It shall be investigated at every balance sheet date whether there are objective indications of impairment that should be recognised in the financial statements. The amount of the loss is calculated as the difference between the carrying amount of the asset and the present value of the expected future cash flows, discounted with the original effective interest rate of the financial instrument (recoverable amount). Thereby, cash flows from short-term receivables are not discounted for the sake of simplicity. The carrying amount of the asset shall be reduced to the recoverable amount through profit or loss by a direct write-down or by using an allowance account.

For equity instruments of the “available-for-sale” category, an impairment loss is recognised if fair value is permanently significantly lower than the original cost. The loss is the difference between the current fair value and the carrying amount of the financial instrument. While reversals of impairment losses on debt instruments shall be recognised in profit or loss, in the case of equity instruments they may only be recognised in equity.

Financial liabilities are initially recognised at fair value. The directly attributable transaction costs are also recognised for all financial liabilities that are not subsequently measured at fair value and amortised over the term applying the effective interest method. Financial liabilities in foreign currency are valued on initial recognition with the valid rate for the day and as at the balance sheet date with the buying rate as at the balance sheet date.

Primary financial liabilities, which include borrowings, trade accounts payable and other primary financial liabilities, are fundamentally measured at amortised cost. If the interest effect is not insignificant, non-interest-bearing liabilities or liabilities at low interest rates with a term exceeding one year are discounted. In the case of liabilities with a term of less than a year, it is assumed that the fair value corresponds with the settlement value.

Finance lease liability contracts are recognised on inception of the lease at the lower of the present value of the leasing payments and the fair value of the leased asset. In subsequent periods, the redemption portions included in the leasing payments reduce the corresponding liabilities.

Derivative financial instruments that are not included in effective hedge relationships must be classified as “held-for-trading” and therefore recognised at fair value through profit and loss. If these are negative, this results in the recognition of a financial liability.

The NA Group uses *derivative financial instruments* to hedge interest rate and foreign currency risks and to hedge non-ferrous price risks. The derivative financial instruments are measured at fair value. This represents the market value and can be both positive and negative. If the market value is not available, this is calculated with present value and option price models. As far as possible, the relevant market prices and interest rates observed at the balance sheet date, which are derived from recognised sources, are used as the opening parameters for these models.

Changes in the fair values of derivative financial instruments are recognised either through profit or loss in the income statement or directly in equity. Thereby, what is decisive is whether or not the derivative financial instrument is included in an effective hedge relationship. If no *hedge accounting* exists, the changes in fair values shall be recognised immediately in profit or loss. If on the other hand an effective hedge relationship exists, this will be accounted for as such.

In order to avoid fluctuations in the income statement due to the different measurement of hedged items and hedging instruments, IAS 39 includes special regulations on hedge accounting. The aim of these hedge accounting regulations is to record gains and losses on hedging instruments and hedged items so that they compensate one another as far as possible.

In addition to documentation, IAS 39 requires for the application of the regulations of hedge accounting proof of an effective hedge relationship. Hedge effectiveness means that changes in fair value (for fair value hedges) or changes in cash flow (for cash flow hedges) of the hedged items are compensated by the changes in the opposite direction in the fair value or the changes in the cash flows of the hedging instruments, in each case relating to the hedged risk.

The purpose of derivatives that are used as hedging instruments in conjunction with a *cash flow hedge* is to hedge the exposure to variability in future cash flows. A risk with regard to the amount of future cash flows exists in particular for loans at floating interest rates and planned transactions that are highly likely to occur. Derivative financial instruments used in conjunction with cash flow hedge accounting are recognised at market value. The gain or loss on measurement is split between an effective and an ineffective portion. The effective portion is the portion of the gain or loss on measurement that represents an effective hedge of the cash flow risk. This is recognised directly in equity under a special heading (cash flow hedge reserve), after taking into account deferred taxes. The ineffective portion of the valuation result on the other hand is recognised in profit or loss in the income statement. The general recognition rules for the transactions underlying the hedged cash flows do not change. Following the termination of the hedge relationship, the amounts recorded in the reserve are always transferred to the income statement when gains or losses in connection with the hedged item are recognised in profit or loss.

The purpose of *fair value hedges* is to hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment. The NA Group uses fair value hedges in conjunction with interest rate hedging. Thereby, interest rate swaps are used to hedge changes in the fair value of borrowings. In accordance with the regulations on fair value hedge accounting, the derivative financial instrument used as a hedging instrument is recognised at fair value, whereby gains and losses on measurement are recognised in profit or loss in the income statement. For the hedged asset or the hedged liability, changes in the market value resulting from the hedged risk must also be recognised in profit or loss in the income statement. The gains or losses on measurement from the hedged item relating to the hedged risk are recognised in profit or loss together with the gains or losses on the hedging instrument. Fair value hedge accounting was not applied in the NA Group during the reporting period.

The NA Group furthermore enters into hedge relationships that do not satisfy the strict requirements of IAS 39 and cannot therefore be accounted for in accordance with the regulations on hedge accounting. Despite this, these hedge relationships comply from an economic point of view with the principles of risk management. Moreover, no hedge accounting is applied in the case of the monetary assets and liabilities recognised in connection with the foreign currency hedging, because the gains and losses on the hedged items that have to be realised on the foreign currency translation in accordance with IAS 21 in profit or loss are accompanied by gains and losses on the derivative hedging instruments and more or less compensate one another in the income statement

Financial assets und financial liabilities that fall under IAS 39 could under certain circumstances be allocated irrevocably on initial recognition to the subcategory “fair value option”. The NA Group has not made use of the fair value option either for financial assets or for financial liabilities.

Fixed assets

If intangible assets are acquired, they are recognised at acquisition cost. Internally generated intangible assets that will generate future economic benefit are recognised at their creation cost, if technically feasible. They are amortised systematically straight-line over their expected useful lives of generally three to fifteen years. With the exception of goodwill, the consolidated financial statements do not include any intangible assets with indefinite useful lives.

Property, plant and equipment used in the 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. Borrowing costs are 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

General overhauls or maintenance measures resulting in the replacement of components are recognised as an asset if it is probable that future economic benefits will flow to the Group and the costs can be measured reliably.

Leased property, plant and equipment that satisfy the criteria of IAS 17 for a finance lease are recognised within the fixed assets. This is the case if all significant risks and rewards of economic ownership lie 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 fair value less the costs of disposal or the value in use has fallen below its carrying amount. Impairment is tested at the level of the smallest cash generating unit.

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. In accordance with IAS 2, all interchangeable inventories are valued applying the average cost method. Metal inventories that are tied up permanently in the production process, on the other hand, are measured at historical cost. The net sales price is determined as a general rule on the basis of the exchange or market prices as at the balance sheet date or the higher already contractually agreed sales prices if the price-fixed agreements are not already recognised as derivative financial instruments at their fair value for the respective group company.

Without the provision of additional information, the sequence of consumption procedure prescribed by IAS 2 for the valuation of inventories results in considerable discontinuity and a loss of comparability. The operating activities of the NA Group would accordingly not be appropriately presented. The impact of the revaluation of LIFO inventories on the respective items is therefore presented separately in these consolidated financial statements.

Other non-financial assets

Other non-financial assets are recognised at amortised cost. Any risk in the non-financial assets is provided for by write-downs.

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, provided these differences result in future taxable or deductible amounts and will reverse in the future. Deferred tax assets are recognised to the extent that they can be used. Tax loss carryforwards are capitalised if they are realisable within a foreseeable planning horizon. Deferred tax assets and deferred tax liabilities are offset if they relate to income taxes levied by the same taxation authority and can be set off against each other.

Provisions

Provisions for pension and similar obligations are determined in accordance with the projected unit credit method prescribed by IAS 19 based on actuarial reports. The demographic assumptions applied as well as the expected salary and pension trends and the discount rate to be applied are determined on the basis of current estimates as of the balance sheet date. Accordingly, actuarial gains and losses can result from deviations between the actual parameters and the assumptions used for the calculation. In accordance with the corridor method 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 then comprises the amount exceeding the corridor divided by the remaining working lives of the employees participating in the pension plan. The interest portion included in the pension costs is recorded in the financial result as net interest expense.

Other provisions are recognised for all other uncertain obligations and risks of the NA Group, for which an obligation to third parties results from past events, the settlement of which is expected to result in an outflow of cash resources, and the amount of which can be reliably estimated. If the effect of the time value of money is material, non-current provisions are recognised at their present value.

Other non-financial liabilities

Other non-financial liabilities are recognised at amortised cost.

Share-based compensation components

Since 2004/05, the Executive Board, senior staff and non-tariff staff in the NA Group have been able to participate in a share-based compensation component with cash in lieu, for which the recognition and measurement regulations of IFRS 2 have to be applied. This is a virtual stock option plan.

The resultant liability is measured in accordance at the fair value of the issued options. The resultant personnel expenses are recognised pro rata temporis in profit or loss over the waiting period 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 financial statements for 2007/08 is shown in the explanations on the personnel expenses in Note 5.

NOTES TO THE INCOME STATEMENT

► 1 Revenues

By product groups in € thousand	2007/08	2006/07
<i>Copper cathodes</i>	1,721,908	1,244,051
<i>Continuous cast wire rod</i>	3,489,481	2,473,743
<i>Continuous cast shapes</i>	944,870	939,597
<i>Pre-rolled strip, strips and shaped wires</i>	377,559	400,950
<i>Precious metals</i>	1,345,470	1,157,576
<i>Chemicals</i>	92,611	37,789
<i>Other</i>	412,662	215,132
	8,384,561	6,468,838

The revenues from continuous case wire rod and shapes also include revenues from “Wandelnkathoden” (copper on account), which have already been sold, but cannot be delivered in the required shapes until receipt of the customers’ specifications.

A further breakdown of group revenues by group segments is provided in the segment reporting on pages 171 to 173.

► 2 Own work capitalised

Own work capitalised of € 10,640 thousand (€ 4,422 thousand in the prior year) primarily includes purchased materials and production costs.

► 3 Other operating income

in € thousand	2007/08	2006/07
<i>Reversal of provisions</i>	1,954	1,562
<i>Cost reimbursements and services for third parties</i>	15,328	13,820
<i>Gains on disposal of fixed assets</i>	1,466	230
<i>Damages and indemnities</i>	1,706	929
<i>Other income</i>	41,175	8,792
– of which rent received on investment property	111	113
	61,629	25,333

Other operating income includes both the negative goodwill of € 30,617 thousand resulting from the first-time consolidation of Cumerio and from the gain of € 1,482 thousand on the deconsolidation of KPP Kraftwerk Peute Projektmanagement GmbH & Co. KG.

► 4 Cost of materials

<i>in € thousand</i>	<i>2007/08</i>	<i>2006/07</i>
<i>Raw materials, supplies and merchandises</i>	7,477,722	5,807,272
<i>– thereof from revaluation of LIFO inventories using the average cost method</i>	92,847	(49,289)
<i>Cost of purchased services</i>	157,833	115,938
	7,635,555	5,923,210

Cost of materials increased in line with the higher revenues. Taking into account the changes in inventories, the cost of materials ratio increased to 91.3% (89.9% in the prior year).

► 5 Personnel expenses and human resources

<i>in € thousand</i>	<i>2007/08</i>	<i>2006/07</i>
<i>Wages and salaries</i>	215,601	177,754
<i>Social security, pension and other benefit expenses</i>	50,451	37,640
	266,052	215,394

The pension expenses primarily comprise allocations to the provisions for pensions and to externally funded pension plans.

A share-based compensation component with cash in lieu has been in force for the Executive Board, senior staff and non-tariff staff in the NA Group since fiscal year 2004/05 in the form of a virtual stock option plan. The prerequisite for participation is that the respective senior staff must hold a certain number of NA shares. The options granted can be exercised after a waiting period of three years, at the earliest however after the third ordinary Annual General Meeting since the commencement of the term of the respective tranche. They must be exercised within a year. The right to exercise the options and the amount of the payments to each participant are determined on the basis of two performance criteria, which depend firstly on the absolute increase in the NA share price and secondly on the performance of NA shares compared with the CDAX as the reference index.

The granted entitlements to share options have developed as follows:

Options	2nd tranche	3rd tranche	4th tranche	5th tranche	Total
<i>Outstanding options as at 1.10.2007</i>	415,500	389,600	433,300	0	1,238,400
<i>Options granted in the fiscal year</i>	0	0	0	623,200	623,200
<i>Options realised in the fiscal year</i>	500	7,000	12,200	0	19,700
<i>Options expired in the fiscal year</i>	0	0	0	0	0
<i>Options exercised in the fiscal year</i>	415,000	0	0	0	415,000
<i>Outstanding options as at 30.9.2008</i>	0	382,600	421,100	623,200	1,426,900
<i>Options exercisable as at 30.9.2008</i>	0	0	0	0	0

The weighted average remaining contract term for all options is 27 months. The average value of the options exercised in the past fiscal year amounted to € 8.95 (€ 7.66 in the prior year).

The resultant personnel expenses from the stock option plan are recognised in profit or loss pro rata temporis over the waiting period of the options. In the past fiscal year these amounted to € 4,173 thousand (€ 5,329 thousand in the prior year). The options issued are measured at fair value on the basis of a Black-Scholes option pricing model both for NA shares and for the CDAX reference index. The share and index performance at future dates is simulated as part of a Monte Carlo simulation. Fair value 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 as at 30 September 2008 was between € 5.39 and € 11.66 (between € 5.39 and € 11.46 in the prior year), while the provision for this as of the balance sheet date amounted to € 5,189 thousand (€ 4,786 thousand in the prior year). The following parameters were assumed:

<i>Non-risk interest rate</i>	4.60% – 4.84%
<i>NA share price as at valuation date</i>	€ 29.84
<i>NA share volatility</i>	45.61%
<i>CDAX performance as at valuation date</i>	513.10
<i>CDAX volatility</i>	22.19%
<i>NA AG/CDAX correlation</i>	25.84%

The expected volatility was determined on the basis of the historical development of the share price.

The average number of employees in the group during the year was as follows:

	2007/08	2006/07
<i>Blue collars</i>	2,615	2,042
<i>White collars</i>	1,277	977
<i>Trainees and apprentices</i>	214	200
	4,106	3,219
<i>(thereof number of employees in joint ventures)</i>	143	141

► 6 Depreciation and amortisation

Depreciation and amortisation for the group on intangible assets and property, plant and equipment totalled € 92,042 thousand (€ 57,894 thousand in the prior year). This comprises depreciation of € 86,192 thousand (€ 56,710 thousand in the prior year) on property, plant and equipment, amortisation of € 5,843 thousand (€ 1,176 thousand in the prior year) on intangible assets and depreciation of € 7 thousand (€ 8 thousand in the prior year) on investment property.

In the past fiscal year, these amounts included impairment losses of € 3,135 thousand on intangible assets, which related to software which was being written at Cumerio Belgium, Olen. Since the implementation costs are higher than the budget, the fair value was determined on the basis of the project costing. Costs incurred in addition to this have been written off.

Furthermore, the property, plant and equipment of the vertical casting section at Cumerio Belgium, Olen, were impaired as a result of reduced earnings forecasts and the resultant planned closure. This concerns in particular the land and buildings in the amount of € 5,338 thousand and the technical equipment and machines in the amount of € 1,828 thousand. The value in use of the equipment was determined on the basis of cash flows still expected over the period of the forecast up to the planned closure of the plant. The equipment and connected buildings were written off completely on account of the negative value in use.

In addition, an impairment loss of € 4,504 thousand was recognised on technical equipment and machinery at Norddeutsche Affinerie AG, Hamburg. This relates to a bismuth removal plant which does not achieve the desired process optimisation in the tankhouse. Since the corresponding value in use amounted to zero, the plant was written off completely.

A 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 114 to 117.

► 7 Other operating expenses

<i>in € thousand</i>	2007/08	2006/07
<i>Expenses relating to prior periods</i>	3,852	3,192
<i>Sundry expenses</i>	30,981	29,284
<i>Administrative expenses</i>	55,786	32,179
<i>Selling expenses</i>	61,976	40,594
<i>Other taxes</i>	1,683	891
	154,278	106,140

Expenses relating to prior periods primarily comprise losses on the disposal of fixed assets. The selling expenses mainly comprise freight costs.

► 8 Result from investments

<i>in € thousand</i>	2007/08	2006/07
<i>Income from profit and loss transfer agreements</i>	2	2
<i>Income from investments</i>	706	581
<i>Write-downs on investments</i>	0	(10)
	708	573

Income from investments comprises dividends from non-consolidated subsidiaries.

► 9 Interest, similar income and expenses

<i>in € thousand</i>	2007/08	2006/07
<i>Income from loans reported under financial fixed assets</i>	8	23
<i>Interest income</i>	15,345	8,069
<i>Interest expense</i>	(56,796)	(17,301)
<i>Write-downs on financial fixed assets and fixed asset securities</i>	(588)	0
	(42,031)	(9,209)

Interest and similar expenses include the interest component of the pension expenses in the amount of € 4,167 thousand (€ 3,063 thousand in the prior year). The write-downs on financial fixed assets and fixed asset securities relate to shares. Available-for-sale financial assets were written down through profit or loss to the stock market price as of the balance sheet date on account of the expected permanent impairment.

► 10 Income taxes

Income taxes comprise income taxes paid or owed and deferred taxes. Income tax expense including deferred taxes is made up as follows:

<i>in € thousand</i>	<i>2007/08</i>	<i>2006/07</i>
<i>Current taxes</i>	121,562	96,474
<i>Deferred taxes</i>	(49,339)	(13,301)
<i>– thereof from the revaluation of LIFO inventories using the average cost method</i>	(31,219)	(9,043)
	72,223	83,173

Current taxes include refunds of taxes for prior years of € 192 thousand (back payments of € 1,052 in the prior year), while deferred taxes include the effects from the corrections of the tax base of € 6 thousand (€ –222 thousand in the prior year).

Norddeutsche Affinerie AG, Hamburg, is subject to income tax and trade tax. Since fiscal year 2007/08, a uniform corporate income tax rate of 15% has applied, plus 5.5% solidarity tax on the corporate income tax. Trade tax amounts to 16.44% of the taxable income and is not deductible when determining the income taxes due. A lower trade tax rate is applicable for the other German group companies. The foreign companies are subject to their national income tax. The tax rates amount to 32.99% in Belgium, 10% in Bulgaria, 32.36% in Italy (mixed rate from IRAP and IRES), 28% in the United Kingdom, 19% in Slovakia and 25% in Austria. SAM (Swiss Advanced Materials) S.A., Yverdon-les-Bains, is still exempt from income taxes for a further five years (originally ten years).

Deferred taxes result from the different timing of carrying amounts between the tax bases of the companies and the consolidated balance sheet. They are calculated using the balance sheet oriented liability method and the tax rates expected at the time of realisation. These are generally based on the legal situation applying as of the balance sheet date in the respective countries.

The Corporate Tax Reform Law 2008, which was approved by the Bundesrat (upper house of the German parliament) on 6 July 2007, came into force on 1 January 2008 (the flat withholding tax will apply from 1 January 2009). The main elements of this law are the reduction of the Corporate Tax rate from 25% to 15% and the decrease in the trade tax assessment from 5% to 3.5%, while at the same time making trade tax non-deductible as business expenditure. The income tax rate for Norddeutsche Affinerie AG, Hamburg, was reduced lasting the prior year from 40% to 32%. The resultant revaluation of deferred tax assets and liabilities resulted in tax revenue of € 42,873 thousand. The actual group tax rate for the past fiscal year amounts to 29%.

In accordance with IAS 12.81, the actual tax expense must be reconciled to the tax charge that would have resulted if the theoretical tax rates were applied to the reported consolidated pre-tax earnings.

The group tax position is an international combination for the first time as a result of the inclusion in the consolidated financial statements of the Cumerio sub-group. As a consequence, contrary to the prior years, the German tax rate (40% in the prior year) no longer forms the basis of the calculated group tax rate, but instead a group-wide mixed tax rate of 29%.

Reconciliation in € thousand	2007/08	2006/07
Earnings before taxes	242,998	306,503
Theoretical tax charge at 29% (40% in the prior year)	70,469	122,601
Changes in the theoretical tax charge due to:		
– changes in tax rate	(795)	(42,873)
– non-recognition and correction of deferred taxes	987	1,236
– deviating tax rates	10,502	4,139
– taxes for prior years	(186)	830
– increase (capitalisation) of corporation tax credit	(202)	(3,320)
– non-deductible expenses	3,285	751
– non-taxable income	(242)	(246)
– notional interest deduction (Belgium)	(1,427)	
– amortisation of negative goodwill	(8,879)	
– other	(1,289)	55
Income taxes	72,223	83,173
– thereof from revaluation of LIFO inventories using the average cost method	(1,250)	(9,043)

The following deferred tax assets and liabilities result from recognition and measurement differences in individual balance sheet items and from tax loss carryforwards:

<i>in € thousand</i>	<i>2007/08</i>		<i>2006/07</i>	
	<i>Deferred tax assets</i>	<i>Deferred tax liabilities</i>	<i>Deferred tax assets</i>	<i>Deferred tax liabilities</i>
<i>Intangible assets</i>	4,857	7,833	5,081	8,077
<i>Property, plant and equipment</i>	891	88,155	616	44,616
<i>Financial fixed assets</i>	6	5	185	23
<i>Inventories</i>	274	147,398	227	121,714
<i>– thereof from revaluation of LIFO inventories using the average cost method</i>		90,495		121,714
<i>Receivables and other assets</i>	29,675	82,088	22,834	130,611
<i>Pension provisions</i>	3,444	24	2,673	0
<i>Other provisions</i>	14,892	519	12,241	1,276
<i>Liabilities</i>	95,756	47,990	138,191	20,655
<i>Tax loss carryforwards</i>	7,054	0	2,809	0
<i>Offsetting</i>	(152,685)	(152,685)	(183,531)	(183,531)
Per consolidated balance sheet	4,164	221,327	1,326	143,441

Deferred tax assets are only recognised to the extent to which the respective benefits will probably be realised. Based on the forecast profit expectations of the subsidiaries, it is assumed in accordance with IAS 12.34 that the loss carryforwards will be fully utilised.

The loss carryforwards for Cumerio Austria GmbH, Vienna, in the amount of € 223 thousand were not recognised because it is improbable that the loss carryforward will be realised in the foreseeable future.

Losses in Bulgaria can only be carried forward for five years, in the other countries for an unlimited time. Deferred taxes in the amount of € 7,054 have been formed for loss carryforwards in the amount of € 42,086 thousand.

Most of the deferred taxes on loss carryforwards relate to Cumerio sa/nv, Brussels, (€ 3,222 thousand) and Cumerio Med AD, Pirdop, (€ 2,488 thousand). The latter arose in the reporting period.

In accordance with IAS 12.39, no deferred taxes are recognised in connection with investments in subsidiaries since the timing of the reversal of temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

The amount of deferred taxes resulting from cash flow hedges charged or credited directly in equity has fallen, after offsetting, compared with the prior year (deferred tax assets of € 7,703 thousand) to deferred tax assets of € 1,865 thousand.

The recognition of corporation tax credits on account of Section 37 paragraph 2 German Corporation Tax Act resulted in a refund of € 202 thousand in the year under review.

The income tax charges expected as a result of the audit by the fiscal authorities of the years 1999 to 2003 were fully paid by 30 September 2007. No additional claims are expected, so that no provisions have been set up.

► 11 **Income attributable to minority interest**

Of the reported net income for 2007/08 of € 170,775 thousand (€ 223,330 thousand in the prior year), € 1,821 thousand (€ 1,183 thousand in the prior year) is attributable to shareholders other than the shareholders of Norddeutsche Affinerie AG, Hamburg. This relates to the interests of outside shareholders in Deutsche Giessdraht GmbH, Emmerich and Cumerio Med AD, Pirdop.

► 12 **Earnings per share**

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

<i>in € thousand</i>	<i>2007/08</i>	<i>2006/07</i>
<i>Consolidated net income excluding the minority interest</i>	168,954	222,147
<i>Weighted average number of shares (in thousand)</i>	40,463	37,154
Basic earnings per share in €	4.18	5.98
<i>– thereof from revaluation of LIFO inventories using the average cost method</i>	(1.64)	1.74

Diluted earnings per share are determined by adding to the weighted average of the shares outstanding in the fiscal year the maximum number of shares, which could be issued if all conversion rights on convertible bonds were exercised. Where applicable, the consolidated net income is increased at the same time by the interest expense incurred on convertible bonds less the corresponding taxes.

Since conversion rights on convertible bonds existed neither in the reporting year nor in the prior year, the diluted earnings per share correspond for the NA Group with the basic earnings per share.

On 8 November 2007, the Executive Board with the approval of the Supervisory Board resolved to increase the subscribed capital of Norddeutsche Affinerie AG, Hamburg, on the basis of the powers on authorised, unissued capital granted at the Annual General Meeting on 30 March 2006 by issuing 3,715,430 new no-par-value shares. The new shares were placed on 9 November 2007 and are therefore included pro rata temporis in the earnings per share for fiscal year 2007/08. Further information on the conditional and the authorised, unissued capital is provided in Note 19.

NOTES TO THE BALANCE SHEET

► 13 Fixed assets

The breakdown and development of the group's fixed assets are presented on pages 114 to 117 of this report.

Intangible assets comprise licenses acquired for a consideration and goodwill on consolidation. Most of the goodwill relates in the amount of € 6,322 thousand to the cash generating unit of Prymetall and in the amount of € 17,439 thousand to synergy effects between the Copper Products cash generating business unit at Norddeutsche Affinerie AG, Hamburg, and Schwermetall Halbzeugwerk GmbH & Co. KG, Stolberg.

As part of the purchase price allocation, an intangible asset in the amount of € 10,174 thousand was capitalised for acquired technological know-how at SAM (Swiss Advanced Materials) S.A., Yverdon-les-Bains. The intangible asset will be amortised systematically over an expected useful life of five years. The carrying amount as at 30 September 2008 amounts to € 8,987 thousand.

As prescribed by IFRS 3, goodwill was not amortised in the fiscal year. The regular impairment tests in accordance with IFRS 3 also did not result in a need for any write-downs. These impairment tests are performed on the basis of a measurement of the value in use of the individual cash generating unit applying the discounted cash flow method.

In the course of this, the expected cash flows in the group budgets for the next four years are rolled forward and discounted to the balance sheet date. As at 30 September 2008, the discounting was performed at a uniform interest rate of 7.7% (8.6% in the prior year). In addition to future expectations in the market and industry, the group budgets also refer in forecasting cash flows to historical experience. The underlying growth rate amounts to 0%.

Development costs have been recognised in all the cases where they completely fulfil the criteria of IAS 38 for capitalisation. In the reporting year, these included a share in the development costs in the amount of € 2,353 thousand at CIS Solartechnik GmbH & Co. KG, Bremerhaven.

Rented and leased property, plant and equipment totalled € 33,293 thousand (€ 35,773 thousand in the prior year). This mainly consisted of ships and tanks for the transportation and storage of sulphuric acid, motor-cars and facilities for handling, storing and transporting copper concentrates in Brunsbüttel. Part of the lease payments is adjusted annually to the indexed price trend for commercial products. The remaining leases are generally based on fixed rental arrangements. Collateral has not been provided for them.

As at 30 September 2008, group fixed assets with a carrying amount of € 3,659 thousand were pledged as security for loans (€ 3,728 thousand in the prior year). Purchase commitments for property, plant and equipment amounted at that date to € 5,242 thousand (€ 1,512 thousand in the prior year).

The fair value of all land and buildings held as investment property amounted to € 1,083 thousand. The rental income expected on this as at 30 September 2008 amounted to € 542 thousand, of which € 108 thousand is due within one year. The directly attributable operating expenses are insignificant.

The investments in affiliated companies and other investments included in the financial fixed assets in the amount of € 872 thousand (€ 216,713 thousand in the prior year) are classified as “available-for-sale”. In the past fiscal year, all investments in affiliated companies were measured at amortised cost since it would only be possible to ascertain the market value reliably within the context of concrete sales negotiations. The investments are not quoted and there is no active market. It is not planned to sell the investments at present. In the prior year, the investment in Cumerio sa/nv, Brussels, was measured at the fair value determined from the stock market price in accordance with IAS 39.46.

The other loans reported in financial fixed assets include neither overdue nor impaired items.

A detailed overview of the investments included in the financial assets of Norddeutsche Affinerie AG, Hamburg, is presented on page 181 of this report. Changes in the other investments are explained in the information on the scope of consolidation.

Write-downs on the other financial fixed assets are shown as depreciation, amortisation and write-downs in the schedule of changes in fixed assets in the group.

As regards the other financial fixed assets that are neither written down nor in default of payment, there was no indication as at 30 September 2008 that the debtors will not fulfil their payment obligations.

► 14 Inventories

<i>in € thousand</i>	<i>30.9.2008</i>	<i>30.9.2007</i>
<i>Raw materials and supplies</i>	608,429	459,506
<i>Work in process</i>	498,689	326,249
<i>Finished goods, merchandise</i>	290,350	148,757
<i>Payments on account of inventories</i>	4,103	1,457
	1,401,571	935,969
<i>– thereof from revaluation of LIFO inventories using the average cost method</i>	283,801	381,431

Since fiscal year 2005/06, the revision of IAS 2 has required a change in the sequence of the consumption process. Instead of the LIFO method previously applied, interchangeable inventories are measured in the accompanying financial statements using the average cost method. This results in an increase of € 283,801 thousand (€ 381,431 thousand in the prior year) in the carrying amount of the inventories compared with the LIFO method applied until fiscal year 2004/05.

In the fiscal year, inventories were written down by € 133,671 thousand (€ 4,814 thousand in the prior year) due to the decline in the metal prices. The Cumerio Group accounted for € 75,647 thousand of this amount, which was mainly related to hidden reserves disclosed within the context of the purchase price allocation. The write-downs were performed on the recoverable amount or on a higher value of already price-fixed sales agreements, as long as the price-fixed sales agreements for the respective group companies are not already recognised as derivative financial instruments with their fair value.

► 15 Trade accounts receivable

Receivables and other assets were due within one year as of 30 September 2008 and as of 30 September 2007.

The age structure of trade accounts receivable is as follows:

<i>in € thousand</i>	<i>Carrying amount</i>	<i>thereof: not impaired as at the balance sheet date and due in the following time bands</i>			
		<i>thereof: neither past due nor impaired as at the balance sheet date</i>	<i>in less than 30 days</i>	<i>between 30 and 180 days</i>	<i>more than 180 days</i>
as at 30.9.2008					
<i>Trade accounts receivable</i>	391,356	357,711	29,096	4,281	268
as at 30.9.2007					
<i>Trade accounts receivable</i>	334,872	287,161	41,267	6,102	342

The impairment on trade accounts receivable relates to the total write-down on receivables from customers, mainly comprising receivables at Schwermetall GmbH & Co. KG, Stolberg.

Movements on the allowances for trade accounts receivable are as follows (IFRS 7.16):

<i>in € thousand</i>	<i>2007/08</i>	<i>2006/07</i>
Specific allowances		
<i>Balance at beginning of fiscal year</i>	1,865	2,797
<i>Impairment in the period</i>	61	(745)
<i>Additions</i>	542	93
<i>Reversal</i>	(481)	(838)
<i>Write-offs</i>	0	(187)
Balance at end of fiscal year	1,926	1,865

All expenditure and income from allowances and write-offs of trade accounts receivable are shown under other operating expenses or other operating income.

As regards the trade accounts receivable, which have neither been impaired nor is payment in arrears, there is no indication as at the balance sheet date that the debtors will not fulfil their payment obligations.

Non-payment risks for trade accounts receivable are largely covered by trade credit insurance. The NA Group has no further security.

► 16 Receivables and other assets

Other receivables and other assets are divided into other financial and other non-financial assets.

Other financial assets were made up as follows as at the balance sheet date:

<i>in € thousand</i>	<i>2007/08</i>	<i>2006/07</i>
Non-current (with residual term of more than 1 year)		
<i>Receivables from related parties</i>	0	0
<i>Derivative financial instruments of the held-for-trading category</i>	526	19
<i>Derivative financial instruments as hedging instruments as part of hedge accounting</i>	1,099	1,692
<i>Over-funding of pension funds</i>	27,310	26,730
<i>Other non-current financial assets</i>	401	383
Non-current financial assets	29,336	28,824
Current (with residual term of less than 1 year)		
<i>Receivables from related parties</i>	1,007	2,689
<i>Derivative financial instruments of the held-for-trading category</i>	181,604	358,628
<i>Derivative financial instruments as hedging instruments as part of hedge accounting</i>	14,224	5,704
<i>Over-funding of pension funds</i>	122	0
<i>Other current financial assets</i>	2,503	6,848
Current financial assets	199,460	373,869

Receivables from related parties primarily comprise receivables from Schwermetall Halbzeugwerk GmbH & Co. KG, Stolberg, which is consolidated proportionately, and small amounts of receivables from non-consolidated subsidiaries.

Derivative financial instruments of the “held-for-trading category” with a term of more than one year are reported as non-current due to their economic hedge relationship.

With the exception of the asset amount resulting from the over-funding of pension funds and interest derivatives, there is no risk of a change in interest rates for any receivable or other asset. Further information on the asset resulting from over-funding of pension funds is provided in Note 20 Pension provisions and on the interest derivatives in Note 25 Financial instruments.

The allowances on other financial assets are reported in the following table:

<i>in € thousand</i>	<i>2007/08</i>	<i>2006/07</i>
Specific allowances		
<i>Balance at beginning of fiscal year</i>	300	300
<i>Impairment in the period</i>	100	0
<i>Additions</i>	102	45
<i>Reversal</i>	(2)	(45)
<i>Exchange rate changes</i>	0	0
<i>Write-offs</i>	0	0
Balance at end of fiscal year	400	300

In the fiscal year, allowances of € 100 thousand (€ 0 thousand in the prior year) were recorded on other financial assets. These are included in other operating expenses. Income from the reversal of write-downs is shown under other operating income.

As regards other financial assets that have neither been impaired nor is payment in arrears, there is no indication as of the balance sheet date that the debtors will not fulfil their payment obligations (IFRS 7.36c).

The breakdown of other non-financial assets as at the balance sheet date is as follows:

<i>in € thousand</i>	<i>2007/08</i>	<i>2006/07</i>
Non-current (with residual term of more than 1 year)		
<i>Receivables from income taxes</i>	0	0
<i>Other non-current non-financial assets</i>	3,323	6,899
Non-current non-financial assets	3,323	6,899
Current (with residual term of less than 1 year)		
<i>Receivables from income taxes</i>	10,875	4,013
<i>Other current non-financial assets</i>	102,149	5,133
Current non-financial assets	113,024	9,146

The other current non-financial assets mainly include VAT claims of the Cumerio companies.

Other non-current assets in the prior year included transaction costs for the acquisition of the shares in Cumerio sa/nv, Brussels, to date as well as ancillary costs for the respective necessary funding.

► **17 Short-term security investments**

These are fixed-interest securities, all of which are pledged.

► **18 Cash and cash equivalents**

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

► **19 Equity**

The subscribed capital of Norddeutsche Affinerie AG, Hamburg amounted to € 104,626,557.44 as at 30 September 2008. It is divided into 40,869,749 no-par-value bearer shares, each with a notional interest of € 2.56 in the subscribed capital.

Authorised, unissued capital has existed since the Annual General Meeting on 30 March 2006. Accordingly, the Executive Board is empowered to increase the subscribed capital by 29 March 2011 by up to € 47,557,527.04 by issuing new shares once or in several instalments for a cash contribution or a contribution in kind. On 8 November 2007, the Executive Board resolved, with the approval of the Supervisory Board, to increase the Company's subscribed capital on the basis of this authorisation by issuing 3,715,430 new no-par-value shares for a cash contribution. The new shares were placed at a price of € 26.41 on 9 November 2007. The capital increase was entered in the Commercial Register on 9 November 2007. The subscribed capital was increased in the amount of the arithmetical notional amount per share of € 2.56, thus € 9,512 thousand in total. The share premium from the capital increase of € 23.85 per share totalling € 88,613 thousand was allocated to additional paid-in capital. The new shares were fully entitled to participate in the profit for fiscal year 2006/07. Following this increase in the subscribed capital of € 9,511,500.80, the authorised, unissued capital still amounts to € 38,046,026.24.

In addition, the subscribed capital was conditionally increased by up to € 41,500,000.00. It will be used to grant rights to the holders of bonds with warrants and/or convertible bonds that can be issued by 30 March 2010.

Generated group equity comprises consolidated net income, the retained earnings of all group companies, the accumulated unappropriated earnings of the subsidiaries since their initial consolidation and the accumulated amounts resulting from consolidation adjustments recognised in profit or loss. The legal reserve of € 6,391 thousand, which is not available for dividend payments, is also included in this amount. The change in other revenue reserves of € 505,280 thousand at the beginning of the fiscal year to € 659,114 thousand and as at 30 September 2008 includes the dividend payment in the amount of € –59,261 thousand, the consolidated net income for fiscal year 2006/07 of € 222,147 thousand and changes of € 9,052 thousand resulting from the successive acquisition of Cumerio sa/nv, Brussels.

The revaluation reserve includes the changes in the fair values of the assets and liabilities between various acquisition dates in the event of successive corporate acquisitions. The valuation adjustment in the reporting period resulting from the acquisition of the Cumerio Group amounts to € –10 million and was recognised directly in equity. The revaluation reserve was reclassified to the other revenue reserves as at the balance sheet date.

Changes in accumulated other comprehensive income include gains and losses on market valuations of derivative financial instruments in conjunction with cash flow hedges and other financial assets of € 10,624 thousand (€ –23,867 thousand in the prior year). Deferred tax liabilities of € 1,865 thousand (€ 7,703 thousand in the prior year) were recognised on this. In addition, exchange differences of € –79 thousand (€ –25 thousand in the prior year) are also reported.

The minority interest comprises the interests of non-group shareholders in the equity of a fully consolidated company. As at 30 September 2008 this relates to Deutsche Giessdraht GmbH, Emmerich, and Cumerio Med AD, Pirdop.

A detailed statement of changes in equity is presented on page 113 of this Annual Report.

Proposed appropriation of earnings

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

in €

<i>Net income for the year of Norddeutsche Affinerie AG</i>	248,191,573.30
<i>Allocations to other revenue reserves</i>	124,000,000.00
Unappropriated earnings	124,191,573.30

We will propose to the Annual General Meeting that Norddeutsche Affinerie AG's unappropriated earnings of € 124,191,573.30 be used to pay a dividend of € 1.60 per no-par-value share (= € 65,391,598.40) and that € 58,799,974.90 be carried forward. The dividend paid in the year under review amounted to € 59,261,136.05.

Additional information on capital management

The main aim of management control is to increase the corporate value of the NA Group, in that a positive contribution to the enterprise as a whole is generated beyond the capital costs. The task of the financial management is to utilise the available funds optimally on the basis of ensured liquidity. This requires the balance sheet structure to be in equilibrium. Various ratios are used in the NA Group to control and manage the individual items. No statutory capital requirements are defined in the articles of association.

One of the main ratios used to determine and compare profitability is ROCE (return on capital employed), which reflects the efficiency with which the capital is utilised in the operating business or for investments. ROCE is the ratio of EBIT (earnings before interest and taxes) to capital employed as at the balance sheet date. Since the calculation method has changed in this respect compared with the prior year, when average capital employed was applied, the prior-year figure for ROCE was adjusted accordingly. ROCE in the group as a whole on the basis of the LIFO valuation used by the group management for controlling purposes reached 21.7% in the last fiscal year despite the significantly increased capital employment, compared with 26.2% in the prior year. After revaluation of the LIFO inventories using the average cost method, ROCE declined from 25.2% in the prior year to 14.6% on account of metal value write-downs.

Gearing represents the ratio of net borrowings to equity. On 30 September 2008, it amounted to 78.8% before revaluation of the LIFO inventories and was thus at a higher level than in the prior year (42.7%). The increase in gearing is due to the greater use of loans to finance the investment in Cumerio. After revaluation of the LIFO inventories using the average cost method, gearing amounted to 65.4%, compared with 30.5% as at 30 September of the prior year.

► 20 Pension provisions

Retirement benefits for employed persons are granted in the NA Group based on both defined benefit plans and defined contribution plans. The expenditure incurred for these is included in the personnel expenses.

The majority of pension benefit plans in the NA Group are defined benefit plans. Both funded and unfunded plans exist.

The pension obligations were computed on the basis of the following assumed market discount rates, salary and pension trends:

	30.9.2008	30.9.2007
<i>Discount rate</i>	6.50%	5.25%
<i>Expected income trend</i>	2.0% until 3.5%; 10%	2.80%
<i>Expected pensions trend</i>	6.50% every 3 years	5.50% every 3 years
<i>Expected return on plan assets</i>	4.25% to 5.00%	4.25%
<i>Fluctuation</i>	0.00% to 10.00%	0.00% to 10.00%

The assumption of a salary increase of 10% was only applied for the valuation of the pension provision of Cumerio Med AD, Pirdop.

The retirement age has been assumed to be the earliest possible age at which employees can claim early retirement benefits under the state pension scheme in accordance with the 1999 Pension Reform Act. The corresponding calculations are based on Prof. Klaus Heubeck's mortality tables. Figures based on historical experience were used to calculate the expected return on the plan assets.

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 arrived at as follows:

<i>in € thousand</i>	<i>2007/08</i>	<i>2006/07</i>	<i>2005/06</i>
<i>Present value of unfunded pension obligations</i>	36,566	34,654	38,348
+ <i>Present value of funded pension obligations</i>	230,969	245,271	257,907
= <i>Present value of pension obligations</i>	267,535	279,925	296,255
– <i>Fair value of plan assets</i>	(241,743)	(248,125)	(238,993)
– <i>Unrecognised actuarial gains/losses</i>	13,388	282	(28,724)
– <i>Unrecognised past service cost</i>	0	(13)	0
= <i>Net obligation recorded in the balance sheet</i>	39,180	32,069	28,538
+ <i>Asset in accordance with IAS 19.58</i>	27,432	26,730	26,426
= Net provision per balance sheet	66,612	58,799	54,964

The resultant net provision developed as follows:

<i>in € thousand</i>	<i>2007/08</i>	<i>2006/07</i>
<i>Net provision at the beginning of the fiscal year</i>	58,799	54,964
+ <i>Addition from the first-time consolidation of Cumerio</i>	6,627	0
+ <i>Net expense recognised in the income statement</i>	11,662	9,238
– <i>Payments to beneficiaries during the fiscal year (unfunded plans)</i>	(3,324)	(3,223)
– <i>Payments to pension funds during the fiscal year (funded plans)</i>	(7,275)	(2,180)
+/- <i>Other</i>	123	0
= Net provision at the end of the fiscal year	66,612	58,799

The following amounts were recognised in the income statement:

<i>in € thousand</i>	2007/08	2006/07
<i>Current service cost</i>	5,486	5,922
<i>Interest cost on the pension obligations</i>	14,796	13,011
<i>Expected return on plan assets</i>	(10,629)	(9,948)
<i>Actuarial gains and losses</i>	(74)	253
<i>Compensation for curtailments</i>	2,083	0
Expense recognised in profit or loss	11,662	9,238

The actual return on plan assets was € 13,572 thousand higher than the expected return.

The plan assets developed as follows:

<i>in € thousand</i>	2007/08	2006/07	2005/06
<i>Fair value of plan assets at beginning of fiscal year</i>	248,125	238,993	230,955
<i>Additions from the first-time consolidation of Cumerio</i>	10,273	0	0
<i>Expected return on plan assets</i>	10,629	9,948	10,185
<i>Actuarial gains and losses</i>	(15,169)	7,932	5,531
<i>Pension payments</i>	(19,294)	(10,928)	(10,528)
<i>Contributions made by employer</i>	7,172	2,080	2,650
<i>Other changes</i>	7	100	200
Fair value of plan assets at end of fiscal year	241,743	248,125	238,993

The plan assets had the following structure:

<i>in %</i>	<i>per 30.9.2008</i>	<i>per 30.9.2007</i>
<i>Shares</i>	12	21
<i>Fixed interest securities</i>	44	38
<i>Real estate</i>	27	27
<i>Other</i>	17	14
	100	100

Expenditure for defined contribution plans for the group retirement pensions amounted to € 16,734 thousand in the year under review. These include both voluntary undertakings and the employer's contribution made by the group to the statutory state pension funds.

► 21 Deferred tax liabilities

The breakdown of the deferred tax liabilities is presented in Note 10 Income taxes.

► 22 Other provisions

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

<i>in € thousand</i>	<i>Balance per 1.10.2007</i>	<i>Additions due to changes in the scope of consolidation</i>	<i>Used</i>	<i>Released</i>	<i>Allocated</i>	<i>Balance per 30.9.2008</i>
<i>Personnel provisions</i>	57,577	4,616	12,137	160	12,491	62,387
<i>Environmental provisions</i>	8,567	0	313	96	326	8,484
<i>Expected losses on onerous contracts</i>	29,059	0	2,147	0	10,088	37,000
<i>Sundry provisions</i>	13,718	2,633	10,035	1,698	4,184	8,802
	108,921	7,249	24,632	1,954	27,089	116,673

The allocations to personnel provisions include unwinding of discounting in the amount of € 1,262 thousand.

The personnel provisions consist mainly of obligations to employees relating to Christmas bonuses, outstanding holiday claims, anniversary bonuses, bridging loans, profit-sharing bonuses and from the early retirement scheme. Environmental provisions primarily include clean-up measures at the Hamburg and Lunen sites. Various methods are available to carry out these measures. The probable costs are determined taking into account historical experience in comparable cases, existing surveys and the clean-up methods that will probably be used on the basis of present knowledge.

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 used for the calculation of the provisions, taking into account expected cost increases. Losses expected on the sale of sulphuric acid produced in the course of the smelting process have also been included.

► 23 Liabilities

The financial liabilities were as follows as at the balance sheet date:

<i>in € thousand</i>	2007/08	2006/07
Non-current (with residual terms of more than 1 year)		
<i>Borrowings</i>	492,385	120,265
<i>Lease liabilities</i>	30,693	32,847
<i>Derivative financial instruments as hedging instruments as part of hedge accounting</i>	417	0
<i>Other non-current financial liabilities</i>	1,054	0
Non-current financial liabilities	524,549	153,112
Current (with residual terms of less than 1 year)		
<i>Borrowings</i>	407,005	143,215
<i>Lease liabilities</i>	2,591	2,662
<i>Trade accounts payable</i>	444,059	444,721
<i>Payables to related parties</i>	2,366	2,899
<i>Derivative financial instruments of the held-for-trading category</i>	67,407	212,313
<i>Derivative financial instruments as hedging instruments as part of hedge accounting</i>	2,863	0
<i>Other current financial liabilities</i>	57,954	15,792
Current financial liabilities	984,245	821,602

The finance lease liabilities include the present value of the minimum lease payments and the contractually guaranteed residual values at the end of the lease term. Payments are due as follows:

<i>in € thousand</i>	<i>less than 1 year</i>	<i>1 to 5 years</i>	<i>more than 5 years</i>	<i>Total</i>
<i>Minimum lease payments</i>	3,772	12,268	27,896	43,936
<i>– thereof interest portion</i>	1,181	3,891	5,580	10,652
<i>– thereof redemption portion</i>	2,591	8,377	22,316	33,284

The following table shows the contractually agreed undiscounted interest and redemption payments of the non-derivative financial liabilities and the derivative financial instruments with negative fair values made by the NA Group. Derivatives are shown with their net cash flows. Derivates with positive fair values qualify as assets and are therefore not included.

<i>in € thousand</i>	<i>Carrying amount as at 30.9.2008</i>	<i>up to 1 year</i>	<i>from 1 to 5 years</i>	<i>more than 5 years</i>
<i>Borrowings</i>	899,390	448,554	554,359	14,779
<i>Finance lease liabilities</i>	33,284	3,772	12,268	27,896
<i>Trade accounts payable</i>	444,059	444,059	0	0
<i>Payables to related parties</i>	2,366	2,366	0	0
<i>Derivatives of the "held-for-trading" category</i>	67,407	52,800	14,607	0
<i>Derivatives designated as a hedging instrument for hedge accounting</i>	3,280	3,280	0	0
<i>Other financial liabilities</i>	59,008	57,954	1,054	0
Total	1,508,794	1,012,785	582,288	42,675

<i>in € thousand</i>	<i>Carrying amount as at 30.9.2007</i>	<i>up to 1 year</i>	<i>from 1 to 5 years</i>	<i>more than 5 years</i>
<i>Borrowings</i>	263,480	151,019	102,999	33,009
<i>Finance lease liabilities</i>	35,509	3,931	12,717	30,744
<i>Trade accounts payable</i>	444,721	444,721	0	0
<i>Payables to related parties</i>	2,899	2,899	0	0
<i>Derivatives of the "held-for-trading" category</i>	212,313	132,457	79,856	0
<i>Other financial liabilities</i>	15,792	15,792	0	0
Total	974,714	750,819	195,572	63,753

This presentation does not show plan figures but only the financial instruments held as at 30 September 2008 or 30 September 2007 and existed for the contractual agreements on payments. Foreign currency amounts are translated at the closing rate.

At subsidiaries, bank loans and overdrafts of € 12,876 thousand are secured by mortgages and fixed assets. Financial assets have not been pledged as collateral for bank loans and overdrafts.

Non-financial liabilities as at the balance sheet date are as follows:

<i>in € thousand</i>	2007/08	2006/07
Non-current (with residual term of more than 1 year)		
<i>Other non-current non-financial liabilities</i>	133	0
Non-current non-financial liabilities	133	0
Current (with residual term of less than 1 year)		
<i>Income tax liabilities</i>	81,341	58,480
<i>Advance payments received on orders</i>	13,394	4,501
<i>Social security liabilities</i>	14,519	4,744
<i>Other current non-financial liabilities</i>	85,843	53,944
Current non-financial liabilities	195,097	121,669

► 24 Contingent liabilities and other financial commitments

<i>in € thousand</i>	2007/08	2006/07
<i>Contingent liabilities under discounted bills</i>	599	995
<i>Capital commitments</i>	5,242	1,512
<i>Commitments under tolling agreements</i>	16,430	11,046
<i>Warranty obligations and other contingencies</i>	3,597	2,558
	25,868	16,111

The capital commitments relate exclusively to property, plant and equipment.

Commitments under tolling agreements refer to the value of the metal extracted during the tolling process, which has to be returned by group companies. These obligations are matched by corresponding recourse claims.

In addition, an agreement has been concluded with an energy supplier for the cost-based procurement of one billion kilowatt hours of electricity per annum over a term of 30 years commencing in 2010. The payments are based on price and performance components as well as a contribution to the investment costs of a power plant.

Financial commitments under operating leases

As at 30 September 2008, minimum lease payments under operating leases amounted to € 4,788 thousand (€ 6,327 in the prior year). These are due as follows:

<i>in € thousand</i>	<i>less than 1 year</i>	<i>1 to 5 years</i>	<i>more than 5 years</i>	<i>Total</i>
<i>Minimum lease payments under operating leases</i>	2,609	2,179	0	4,788

Lease payments in fiscal year 2007/08 recognised as an expense amounted to € 3,119 thousand (€ 2,857 thousand in the prior year).

► 25 Financial instruments

The NA Group is exposed to market risks, liquidity risks and credit risks as a result of the use of financial instruments.

Market risks

Market risks arise as a result of a possible change in risk factors that lead to a decrease in the market value of the transactions affected by these risk factors. The following groups of general risk factors are relevant for the NA Group: currency risks, metal price risks and risks related to interest rate changes.

Exchange rate risks

As a result of its business operations, the NA Group is exposed to interest rate fluctuations. Changes in exchange rates can lead to losses in the value of financial instruments. Foreign currency forward and option contracts are concluded to limit currency risks. These mainly cover the U.S. dollar. The daily foreign currency positions from underlying transactions are offset against each other each day and remaining open positions are squared by means of foreign exchange derivatives. We work exclusively with first-class brokers and bankers on all foreign exchange transactions.

Furthermore, foreign currency forward contracts and metal futures contracts were concluded in the past fiscal year to hedge future receipts. Provided the criteria for cash flow hedges were fulfilled, the results of these hedge transactions were recognised in the accompanying financial statements initially in equity in the amount of the effective part of the hedge transaction. These are recognised in profit or loss as soon as the underlying hedged transaction is recognised in profit or loss in the respective fiscal year.

Future receipts in foreign currencies are primarily hedged by forward contracts and options. Fundamental changes in exchange ratios, in particular between the euro and the U.S. dollar, can, however, only be hedged for a limited time.

Information on the management of exchange rate risks is provided in the risk report in the management report.

The exchange risk exposure corresponds to the net amount of the nominal volume of the non-derivative and derivative financial instruments, which are exposed to currency risks. In addition, planned procurement and revenue transactions of the respective following years are included if these are taken into account in the currency risk management. Counter-positions in the same currency are offset against each other.

in € thousand	USD		GBP	
	2007/08	2006/07	2007/08	2006/07
Cash at banks	18,134	32	40	269
Trade accounts receivable	102,004	34,643	36,048	425
Other receivables	21,255	1,939	0	0
Trade accounts payable	(126,246)	(59,411)	(910)	(1,050)
Other liabilities	(21,371)	(2,958)	(734)	(622)
Budgeted revenues	474,672	125,205	6,667	8,578
Forward foreign exchange transactions	(237,097)	7,360	(33,823)	(7,600)
Put option transactions	(66,420)	(55,697)	0	0
Net exposure	164,931	51,113	7,288	0

IFRS 7 requires a sensitivity analysis for each type of risk to indicate the market risks. The use of sensitivity analyses determines for each type of risk what impacts a change in the respective risk variable would have on the profit or loss and on equity as at the balance sheet date. The periodic impacts are determined by relating the hypothetical changes in the risk variables to the amount reported as at the balance sheet date. In doing so, it is assumed that the amount reported as at the balance sheet date is representative for the entire year.

For the exchange rate risk, a sensitivity analysis is performed for the foreign currencies which pose a significant risk for the entity, in this instance, the USD and GBP. For the sensitivity analysis for the currencies, it was assumed that the exchange rate of the euro compared with the foreign currency had changed by $\pm 10\%$.

If the euro had been 10% stronger or weaker on 30 September 2008 or 30 September 2007 than the rate prevailing on the balance sheet date compared with the main currencies for the NA Group, the equity and net profit for the year would have changed to the extent shown in the following table. The same items are used in the calculation as for the assessment of the previously described net exposure.

Currency sensitivity in € thousand	EUR/USD		EUR/GBP	
	2007/08	2006/07	2007/08	2006/07
Exchange rate on balance sheet date	1.4303	1.4184	0.7903	0.6982
Depreciation (EUR against FX)				
Effect on net income	37,171	20,469	812	0
Effect on equity	(9,381)	(7,665)	0	0
Appreciation (EUR against FX)				
Effect on net income	(30,039)	(16,748)	(663)	0
Effect on equity	9,113	7,974	0	0

Interest rate risks

Risks of interest rate changes arise on the basis of potential changes in market interest rates and can result in a change in the fair value of fixed-interest financial instruments and interest payment fluctuations for variable interest rate financial instruments. Interest rate risks are hedged by interest rate swaps. Risks of interest rate changes are mainly of significance in the financial sector, but not in the operating sector. Provided the criteria for cash flow hedges are fulfilled for the hedging of variable interest payments, the results of these hedge transactions are initially recognised in equity in the amount of the effective portion of the hedge transaction. These are recognised in profit or loss as soon as the underlying hedged transaction is recognised in profit or loss in the respective fiscal year.

In order to benefit from the low level of short-term interest rates, part of a loan of Cumerio Austria in the amount of € 125,000 thousand, which has a fixed interest warrant of 4.875%, is covered by an interest rate swap. This swap converts the fixed interest warrants into variable interest rate obligations and is designated as a fair value hedge. The changes in the fair value of the interest rate swap are recognised in the income statement just as are changes in the fair value of the underlying instrument attributable to the hedged risk.

Details of how interest rate risks are managed are provided in the risk report in the management report.

The following table shows the net exposure for variable and fixed interest-bearing financial instruments which will expire in the following periods.

Variable interest financial instruments in € thousand	Total amount		up to 1 year		1 to 5 years		more than 5 years	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Loans / fixed deposits	140,000	14,800	140,000	14,800	0	0	0	0
Borrowings	(732,272)	(211,289)	(366,965)	(131,091)	(352,807)	(53,949)	(12,500)	(26,249)
covered by interest rate swaps	62,917	79,583	4,167	1,667	46,250	51,667	12,500	26,249
floated by interest rate swaps	(62,500)	0	0	0	(62,500)	0	0	0
Net exposure	(591,855)	(116,906)	(222,798)	(114,624)	(369,057)	(2,282)	0	0

Interest rate risks are presented in a sensitivity analysis in accordance with IFRS 7, which reflects the effects of a change in market interest rates on interest income and interest expense, on trading profit and trading loss and the equity.

In the event of an increase (decrease) in all relevant interest rates by 100 basis points, the equity and earnings as at 30 September 2008 and 30 September 2007 would be changed as shown by the following table. The same items have been included in the calculation as for the determination of the aforementioned net exposure.

Interest rate sensitivity in € thousand	2007/08		2006/07	
	+ 100 BP	– 100 BP	+ 100 BP	– 100 BP
Effect on earnings	(5,940)	5,970	(1,123)	1,125
Effect on equity	1,344	(1,384)	1,941	(1,991)

Other price risks

As a result of its business operations, the NA Group is exposed to non-ferrous metal price risks. Non-ferrous metals futures contracts and metal options are entered into in order to mitigate these risks. The contracts are mainly focused on the hedging of the copper price. Incoming and outgoing metal quantities from underlying transactions are offset against each other each day and remaining open positions squared by exchange transactions. We work exclusively with first-class brokers and banks on all metal hedge transactions.

Since delivery agreements for non-ferrous metals 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 matching maturities, price-fixed metal delivery agreements have also been recognised in profit or loss as derivative financial instruments. Gains and losses from the contrary development of the fair value of the hedged items and the hedge transactions are therefore recognised directly in profit or loss.

Details of metal price risk management are provided in the risk report in the management report.

The notional amounts for derivative financial instruments for copper, silver and gold, which result from the total of the notional amounts for the individual purchasing and sales contracts, are as follows:

Notional amounts of derivatives in € thousand	2007/08	2006/07
Copper	2,887,245	1,816,714
Silver	34,577	22,974
Gold	46,108	56,687
	2,967,930	1,896,375

Metal price risks are shown in the form of a sensitivity analysis in accordance with IFRS 7, which reflects the effects of a change in the metal price risks on the net income for the period and on equity.

In the event of a 10% increase (decrease) of all relevant metal prices, the equity and earnings for the year would be changed as at 30 September 2008 and 30 September 2007 as shown in the following table. The calculation includes all derivatives for the metals, copper, silver and gold.

	Copper		Silver		Gold	
Metal price sensitivity in € thousand	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Price increase						
Effect on earnings	10,906	27,440	130	1,072	(407)	(5,458)
Effect on equity	(1,414)	(3,350)	(257)	0	(495)	0
Price decrease						
Effect on earnings	(10,906)	(27,440)	(130)	(1,072)	407	5,458
Effect on equity	1,414	3,350	257	0	495	0

The effect on earnings shown as the metal price sensitivity are compensated in part or entirely by the valuation of the purchase or sales contracts that are not yet fixed since these positions are valued provisionally at the respective price on the reporting date.

Derivative financial instruments

The NA Group uses derivative financial instruments to hedge currency, interest rate and commodity price risks. Provided the criteria for the application of hedge accounting are fulfilled, these are reflected by cash flow hedges.

Financial derivatives in € thousand	2007/08		2006/07	
	Carrying amount	Notional amount	Carrying amount	Notional amount
Assets				
<i>Interest swaps</i>				
<i>without hedging relationship</i>	107	10,278	19	1,400
<i>as cash flow hedges</i>	990	62,917	1,161	79,583
<i>Foreign exchange forward contracts</i>				
<i>without hedging relationship</i>	18,763	393,593	24,285	475,012
<i>as cash flow hedges</i>	3,370	146,732	6,435	85,540
<i>Foreign currency options</i>				
<i>as cash flow hedges</i>	2,452	65,764	3,072	58,441
<i>Metal futures contracts</i>				
<i>without hedging relationship</i>	163,229	1,686,165	334,345	891,140
<i>as cash flow hedges</i>	10,440	34,953	2,624	23,671
<i>Metal options</i>				
<i>as cash flow hedges</i>	12	5,082	47	19,491
<i>Other transactions</i>				
<i>without hedging relationship</i>	31	81	0	0
<i>as cash flow hedges</i>	0	0	364	5,102

Financial derivatives in € thousand	2007/08		2006/07	
	Carrying amount	Notional amount	Carrying amount	Notional amount
Equity and liabilities				
<i>Interest swaps</i>				
<i>without hedging relationship</i>	37	1,500	0	0
<i>as cash flow hedges</i>	1,342	62,500	0	0
<i>Foreign exchange forward contracts</i>				
<i>without hedging relationship</i>	35,762	752,121	27,418	427,472
<i>as cash flow hedges</i>	3,825	88,593	0	0
<i>Metal futures contracts</i>				
<i>without hedging relationship</i>	31,964	1,238,185	189,433	1,033,513
<i>as cash flow hedges</i>	6,806	20,330	33,270	28,050

The notional volume of the derivative financial instruments is the sum of the notional amounts of the individual purchase and sales contracts. By contrast, the fair value is based on the measurement of all contracts at the prices on the measurement date. It indicates the potential impact on income of the prompt settlement of all derivatives as at the balance sheet date, ignoring the underlying transactions.

The impact on the earnings of changes in the fair value of financial derivatives, which relate to a cash flow hedge, is recognised directly in equity in the amount of the effective portion. The effective portion of the changes in the value of derivative financial instruments, which was recognised directly in equity, amounts to € 30,589 thousand (€ 24,274 thousand in the prior year). The amount that was transferred during the period from equity into the income statement as part of cash flow hedge accounting amounts to € –2,126 thousand (€ –47,140 thousand in the prior year) and is mainly included in the income statement items “Cost of materials” and “Other operating expenses”.

The ineffective portion of the fair value change is by contrast recognised directly in income.

The ineffective portion of the change in fair value of the hedge instrument amounts to € –436 thousand (€ 0 thousand in the prior year). This amount is recognised in the income statement in “Cost of materials”.

The following two tables show when the cash flows from cash flow hedges occur and when they influence the income statement:

Cash flow hedges as at 30 September 2008

Occurrence and impact on income statement in € thousand	Carrying amount	Notional amount	up to 1 year	1 to 5 years	more than 5 years
Interest swaps					
<i>Asset value</i>	990	62,917	4,167	46,250	12,500
<i>Liabilities</i>	0	0	0	0	0
Foreign exchange forward contracts					
<i>Asset value</i>	3,370	146,732	125,592	21,140	0
<i>Liabilities</i>	3,825	88,593	44,774	43,819	0
Foreign currency options					
<i>Asset value</i>	2,452	65,764	47,098	18,666	0
<i>Liabilities</i>	0	0	0	0	0
Metal future contracts					
<i>Asset value</i>	10,440	34,953	29,577	5,376	0
<i>Liabilities</i>	6,806	20,330	18,446	1,884	0
Metal options					
<i>Asset value</i>	12	5,082	5,082	0	0
<i>Liabilities</i>	0	0	0	0	0
Other transactions					
<i>Asset value</i>	0	0	0	0	0
<i>Liabilities</i>	0	0	0	0	0

Cash flow hedges as at 30 September 2007

Occurrence and impact on income statement in € thousand

	<i>Carrying amount</i>	<i>Notional amount</i>	<i>up to 1 year</i>	<i>1 to 5 years</i>	<i>more than 5 years</i>
Interest swaps					
<i>Asset value</i>	1,161	79,583	1,667	51,667	26,249
<i>Liabilities</i>	0	0	0	0	0
Foreign exchange forward contracts					
<i>Asset value</i>	6,435	85,540	67,574	17,966	0
<i>Liabilities</i>	0	0	0	0	0
Foreign currency options					
<i>Asset value</i>	3,072	58,441	41,820	16,621	0
<i>Liabilities</i>	0	0	0	0	0
Metal future contracts					
<i>Asset value</i>	2,624	23,671	17,259	6,412	0
<i>Liabilities</i>	33,270	28,050	24,362	3,688	0
Metal options					
<i>Asset value</i>	47	19,491	14,355	5,136	0
<i>Liabilities</i>	0	0	0	0	0
Other transactions					
<i>Asset value</i>	364	5,102	5,102	0	0
<i>Liabilities</i>	0	0	0	0	0

The net result of fair value hedges from the measurement of hedge transactions in the reporting period amounted to € –2,016 thousand. The net result of connected underlying transactions recognised in the income statement amounted to € 2,020 thousand in the reporting period.

Liquidity risks

Liquidity risks represent the risk that the Company cannot meet its own obligations. The contractual residual term of financial liabilities are shown under Note 23.

The adequate supply of the group with cash and cash equivalents is ensured not only by the group's strong cash flow but also by the existing short-term and long-term credit lines at our banks. Fluctuations in cash flow can therefore be cushioned. An autonomous executive committee, under the supervision of the Executive Board, monitors NA Group's liquidity position, regularly and promptly. Further management measures taken regarding liquidity risks are described in the risk report in the management report.

Credit risks

Credit risks exist for all classes of financial instruments, in particular for trade accounts receivable. The NA Group is not exposed to any significant credit risk as regards an individual contractual party. The concentration of the credit risk is limited on account of the wide and heterogeneous customer base. The credit risk from derivative financial instruments is limited since the corresponding contracts are only concluded with contractual parties and banks with good credit rating.

The customers are classified by their credit rating as part of credit risk management and each customer is given a certain limit.

The carrying amount of the financial assets in the balance sheet, less any write-downs, represents the maximum potential credit risk without taking into account the value of obtained securities or other risk-mitigating agreements.

Furthermore, to minimise credit risks, we monitor the receivables from our business associates on a daily basis. Apart from the instruments customary on the market, such as letters of credit and guarantees, we also use commercial credit insurance to hedge potential bad debts. If receivables are sold under factoring agreements, this is done without recourse.

Additional disclosures on financial instruments

	Measurement category under IAS 39	Carrying amount 30.9.2008	Balance sheet valuation under IAS 39			Balance sheet valuation under IAS 17	Balance sheet valuation under IAS 19	Fair value 30.9.2008
Carrying amounts, valuations and fair values in measurement categories in € thousand			Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss			
ASSETS								
Interests in affiliated companies	AfS	246	246	0	0	0	0	246
Investments	AfS	626	626	0	0	0	0	626
Fixed asset securities	AfS	1,430	0	1,430	0	0	0	1,430
Other financial fixed assets								
Loans to affiliated companies	LaR	0	0	0	0	0	0	0
Other loans	LaR	381	381	0	0	0	0	381
Trade accounts receivable	LaR	389,415	389,415	0	0	0	0	389,415
Other receivables and financial assets								
Receivables from related parties	LaR	1,007	1,007	0	0	0	0	1,007
Over-funding of pension funds	n/a	27,432	0	0	0	0	27,432	27,432
Other financial assets	LaR	2,904	2,904	0	0	0	0	2,904
Derivative financial assets								
Derivatives without hedging relationship	FAHfT	182,130	0	0	182,130	0	0	182,130
Derivatives with hedging relationship (hedge accounting)	n/a	17,264	0	17,264	0	0	0	17,264
Short-term security investments	HtM	317	317	0	0	0	0	317
Cash and cash equivalents	n/a	186,482	186,482	0	0	0	0	186,482
EQUITY AND LIABILITIES								
Borrowings	FLAC	899,390	899,390	0	0	0	0	904,535
Liabilities from finance leases	FLAC	33,284	0	0	0	33,284	0	33,284
Trade accounts payable	FLAC	435,010	435,010	0	0	0	0	435,010
Payables to related parties	FLAC	2,366	2,366	0	0	0	0	2,366
Other non-derivative financial liabilities	FLAC	59,008	59,008	0	0	0	0	59,008
Derivative financial liabilities								
Derivatives without hedging relationship	FLHfT	67,763	0	0	67,763	0	0	67,763
Derivatives with hedging relationship (hedge accounting)	n/a	11,973	0	10,631	1,342	0	0	11,973
Thereof accumulated into measurement categories under IAS 39:								
Loans and receivables (LaR)		393,707	393,707	0	0	0	0	393,707
Available-for-sale (AfS)		2,302	872	1,430	0	0	0	2,302
Held-to-maturity (HtM)		317	317	0	0	0	0	317
Financial assets held for trading (FAHfT)		182,130	0	0	182,130	0	0	182,130
Financial liabilities at amortised cost (FLAC)		1,429,058	1,395,774	0	0	33,284	0	1,434,203
Financial liabilities held for trading (FLHfT)		67,763	0	0	67,763	0	0	67,763

	Measurement category under IAS 39	Carrying amount 30.9.2007	Balance sheet valuation under IAS 39			Balance sheet valuation under IAS 17	Balance sheet valuation under IAS 19	Fair value 30.9.2007
			Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss			
Carrying amounts, valuations and fair values in measurement categories in € thousand								
ASSETS								
Interests in affiliated companies	AfS	272	272	0	0	0	0	272
Investments	AfS	216,441	619	215,822	0	0	0	216,441
Other financial fixed assets								
Loans to affiliated companies	LaR	140	140	0	0	0	0	140
Other loans	LaR	286	286	0	0	0	0	286
Trade accounts receivable	LaR	328,565	328,565	0	0	0	0	328,565
Other receivables and financial assets								
Receivables from related parties	LaR	2,689	2,689	0	0	0	0	2,689
Over-funding of pension funds	n/a	26,730	0	0	0	0	26,730	26,730
Other financial assets	LaR	14,014	14,014	0	0	0	0	14,014
Derivative financial assets								
Derivatives without hedging relationship	FAHfT	358,647	0	0	358,647	0	0	358,647
Derivatives with hedging relationship (hedge accounting)	n/a	13,703	0	13,703	0	0	0	13,703
Short-term security investments	HtM	392	392	0	0	0	0	392
Cash and cash equivalents	n/a	20,018	20,018	0	0	0	0	20,018
EQUITY AND LIABILITIES								
Borrowings	FLAC	263,480	263,480	0	0	0	0	261,959
Liabilities from finance leases	FLAC	35,509	0	0	0	35,509	0	35,509
Trade accounts payable	FLAC	406,913	406,913	0	0	0	0	406,913
Payables to related parties	FLAC	2,899	2,899	0	0	0	0	2,899
Other non-derivative financial liabilities	FLAC	15,792	15,792	0	0	0	0	15,792
Derivative financial liabilities								
Derivatives without hedging relationship	FLHfT	216,851	0	0	216,851	0	0	216,851
Derivatives with hedging relationship (hedge accounting)	n/a	33,270	0	33,270	0	0	0	33,270
Thereof accumulated into measurement categories under IAS 39:								
Loans and receivables (LaR)		345,694	345,694	0	0	0	0	345,694
Available-for-sale (AfS)		216,713	891	215,822	0	0	0	216,713
Held-to-maturity (HM)		392	392	0	0	0	0	392
Financial assets held for trading (FAHT)		358,647	0	0	358,647	0	0	358,647
Financial assets at amortised cost (FLAC)		724,593	689,084	0	0	35,509	0	723,072
Financial liabilities held for trading (FLHfT)		216,851	0	0	216,851	0	0	216,851

The trade accounts receivable and trade accounts payable reported in the balance sheet include respectively derivative financial instruments of € 1,941 thousand (€ 6,307 thousand in the prior year) and € 9,049 thousand (€ 37,808 thousand in the prior year) as at 30 September 2008. These derivative financial instruments hedge foreign exchange and price risks from future receivables for processing fees.

The market value of financial instruments to be recognised at the fair value is as a general rule determined on the basis of quotations on the metal exchanges. If no quotations are available, it is measured applying the process customary on the market (measurement methods) based on instrument-related market parameters.

The fair value is determined on the basis of the discounted cash flow method, which takes into account the individual financial standing and other market aspects in the form of credit and liquidity spreads for the determination of present value.

For derivative financial instruments such as foreign currency forward contracts, metal futures contracts, swaps and options, the fair value is calculated applying present value and option price models. The market prices and interest rates applicable on the balance sheet date that are taken from reliable sources are used as far as possible as input parameters for these models.

No liquid markets exist for loans and receivables that are valued at amortised cost. It is assumed for short-term loans and receivables that the fair value corresponds with the carrying amount. For all other loans and receivables, the fair value is determined by discounting the cash flows expected in the future. The interest rates for which new loans with a corresponding risk structure, original currency and maturity could be taken up are used in this connection for loans.

It is assumed for investments in partnerships and non-quoted limited liability companies that the carrying amount corresponds to the fair value. The fair value could only be reliably determined from concrete sales negotiations.

Trade accounts payable and the other current financial liabilities generally have a residual term of less than one year, so that the carrying amount approximates the fair value.

The fair values for quoted bonds correspond to the notional values multiplied by the price quotations on the balance sheet date.

The fair values of bank loans and overdrafts are determined as the present values of the payments connected with the liabilities using the respective applicable interest rate structure curve and the NA Group credit spread curve which is broken down into different currencies.

Net earnings in accordance with measurement categories in € thousand	2007/08	2006/07
Loans and receivables (LaR)	4,949	(505)
Available-for-sale (AfS)	118	581
Financial instruments held for trading (FAHfT and FLHfT)	(23,388)	7,255
Financial liabilities at amortised cost (FLAC)	16,631	(139)
Total	(1,690)	7,192

The financial instruments held-for-trading in the net earnings include the earnings on metal futures contracts on the exchanges and the foreign exchange forward contracts. The portion of price-fixed metal delivery transactions, which result in a negative effect in earnings, is not included. Dividends are included in the calculation, but not interest.

As part of the directly recognised change in the value of the financial assets available-for-sale, valuation results of € 3,430 thousand net (€ –3,430 thousand in the prior year) are included in equity.

► 26 Research and development

Research and development costs of € 5.8 million were recognised in profit or loss for the NA Group for fiscal year 2007/08.

The research work of CIS Solartechnik GmbH & Co. KG, Bremerhaven has been subsidised by non-refundable subsidies. The portion attributable to the NA Group amounted to € 1,308 thousand. This consisted of an investment subsidy of € 612 thousand, which has been deducted from the fixed assets, and a subsidy for ongoing costs of € 696 thousand, which is recognised in profit and loss under other operating income. The subsidies have been granted on condition that regular business activities continue at the facility in Bremerhaven during the period covered by the subsidies.

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement reports the cash flows in the NA Group in fiscal year 2007/08 and in the prior year comparative period. In accordance with IAS 7, a distinction is made between the cash outflow and inflow from operating activities, the cash outflow from investing activities and the cash inflow or outflow from financing activities.

Gross cash flow is first of all reported, starting off from the result from ordinary activities, and adjusting for depreciation and amortisation, non-cash expenses and income, as well as net financial expenses and income taxes paid. Net interest consists of interest and similar income in the amount of € 15,353 thousand (€ 8,092 thousand in the prior year) and interest and similar expenses in the amount of € 57,384 thousand (€ 17,301 thousand in the prior year).

The cash inflow from operating activities (net cash flow) is arrived at by adjusting the gross cash flow for changes in working capital.

The cash outflow from investing activities mainly results from the purchase of fixed assets. In detail, € 7,231 thousand (€ 1,449 thousand in the prior year) was invested in intangible assets, € 106,677 thousand (€ 62,899 thousand in the prior year) in property, plant and equipment and € 2,154 thousand (€ 219,293 thousand in the prior year) in financial fixed assets.

Contrary to the additions to fixed assets reported in the changes in the fixed assets of the group on page 116, these figures only include investments that have caused an outflow of cash. Thus, any finance leases entered into have no impact on cash outflow from investing activities, whereas they are included in the additions to the fixed assets.

The cash inflow from financing activities in fiscal year 2007/08 resulted from proceeds and payments from taking up and redeeming financial liabilities, dividend payments and interest paid. This item also included the proceeds from the capital increase carried out on 9 November 2007.

SEGMENT REPORTING

	Copper Production Segment		Copper Processing Segment		Other		Group total	
<i>in € thousand</i>	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
<i>Revenues</i>								
Total revenues	6,245,627	4,474,074	6,273,112	5,053,116	3,728	3,551		
Inter-segment revenues	4,081,394	2,994,104	56,512	67,799	0	0		
Revenues with third parties	2,164,233	1,479,970	6,216,600	4,985,317	3,728	3,551	8,384,561	6,468,838
EBIT	256,142	184,091	129,689	84,481	(3,172)	(8,370)	382,659	260,202
EBITDA	322,593	229,756	153,496	96,016	(1,388)	(7,676)	474,701	318,096
Result from investments	700	411	6	7	2	155	708	573
Fixed assets	763,915	297,610	152,623	92,987	3,850	219,264	920,388	609,861
Capital expenditure on intangible assets and property, plant and equipment	91,279	77,672	20,745	13,767	1,884	2,741	113,908	94,180
Depreciation and amortisation	66,451	45,665	23,807	11,535	1,784	694	92,042	57,894
Other non-cash expenses	44,248	26,481	10,638	6,787	(3,084)	7,222	51,802	40,490
Segment assets	1,910,183	1,073,536	858,267	617,509	6,524	227,356	2,774,974	1,918,401
Segment liabilities	793,306	758,400	155,189	202,733	6,140	3,981	954,635	965,114
Average number of employees	2,802	2,083	1,293	1,125	11	11	4,106	3,219
Personnel expenses	182,040	146,040	83,495	68,854	517	500	266,052	215,394

Segment reporting is oriented to the NA Group's internal organisation and reporting. The classification of the segments reflects the process cycles that are in place and the production structure in the Group. The "Other" column includes all those amounts and results that cannot be allocated to one of the two defined segments.

The segment information was determined applying the same accounting policies as for the remaining financial statements, but using the LIFO method for the valuation of inventories. This is because internal reporting to management for decision-making and group management control purposes is also based on the figures obtained by the application of the LIFO method. These figures are regarded as the most appropriate for the external presentation of the two segments, since they are much less influenced by metal price fluctuations.

The reconciliation of the segment results to the earnings before taxes reported in the income statement after revaluation of LIFO inventories using the average cost method is as follows:

After revaluation of LIFO inventories using the average cost method

in € thousand	Copper Production Segment		Copper Processing Segment		Other		Group total	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Difference in earnings resulting from revaluation of LIFO inventories	(45,468)	42,869	(52,162)	12,641	0	0	(97,630)	55,510
EBIT	210,674	226,960	77,527	97,122	(3,172)	(8,370)	285,029	315,712
EBITDA	277,125	272,625	101,334	108,657	(1,388)	(7,676)	377,071	373,606
Segment assets	2,052,807	1,335,490	999,444	736,986	6,524	227,356	3,058,775	2,299,832

The Group generates most of its revenues with business associates 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	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Germany	42.9	57.3	51.0	60.2	100.0	100.0	49.0	59.6
Other European Union states	34.1	22.3	38.9	27.3	-	-	37.6	26.1
Rest of Europe	4.6	1.6	4.1	3.8	-	-	4.3	3.3
Non-European countries	18.4	18.8	6.0	8.7	-	-	9.1	11.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Revenues by regions

in € thousand	Group total	
	2007/08	2006/07
Germany	4,104,464	3,851,366
Other European Union states	3,155,371	1,689,272
Rest of Europe	361,493	212,435
Non-European countries	763,233	715,765
	8,384,561	6,468,838

Information on regions

in %	Capital expenditure		Segment assets		Segment assets after revaluation of LIFO inventories	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Germany	78,321	92,862	1,329,088	1,900,873	1,612,889	2,282,300
Belgium	8,220	0	468,791	0	468,791	0
Bulgaria	24,785	0	825,816	0	825,816	0
Rest of Europe	2,582	1,318	151,279	17,528	151,279	17,532
Group total	113,908	94,180	2,774,974	1,918,401	3,058,775	2,299,832

The locations in the rest of Europe are mainly production sites in the European Union.

Copper Production Segment

- Primary copper production
- Recycling/Precious metals

The Copper Production Segment includes all sectors from the procurement of copper and precious metal-bearing raw materials to the production of marketable metals. The raw materials used for this comprise in particular copper concentrates, copper-bearing recycled materials and precious metal-bearing raw materials. The segment produces tradable copper cathodes as well as marketable gold, silver and platinum group metal products. At the same time, the natural by-products extracted from the raw materials are also processed into products, such as sulphuric acid and iron silicate stone, and marketed.

The vast majority of the copper cathodes produced are passed on to the Copper Processing Segment, where they are processed into copper products and sold to external customers. This accounts for most of the revenues in the Copper Processing Segment. Thus, the Copper Production Segment generates most of its revenues within the Group.

Precious metals, sulphuric acid and iron silicate stone on the other hand are sold especially to external customers.

Furthermore, the Copper Production Segment is also engaged in 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

► Copper products

The Copper Processing Segment includes all of the business units 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 vast majority of the Copper Processing Segment's products are sold to customers in Europe.

Segment data

The revenues of the individual segments consist of inter-segment revenues and of revenues with third parties outside the Group. The total third party revenues of the individual segments correspond with the consolidated revenues of the Group. The prices and conditions for products and services exchanged between group companies and segments correspond to those with non-related parties.

EBIT (earnings before interest and taxes) represents earnings before taxes, adjusted for the net interest allocated to the segment. EBITDA (earnings before interest, taxes, depreciation and amortisation) is EBIT plus depreciation and amortisation. The sum of the EBIT and EBITDA of the segments results in the EBIT and EBITDA of the Group.

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

Segment fixed assets are also reported. Goodwill from consolidation is allocated to its respective segment. Depreciation and amortisation of fixed assets are reported accordingly.

Other non-cash expenses and income consist of allocations to provisions, to the extent that they can be allocated to the segments, and write-downs on current assets, and other non-cash expenses and income. The latter resulted in particular, in the past fiscal year, from the release of negative goodwill from the first-time consolidation of Cumerio.

Segment assets totalling € 2,774,974 thousand (€ 1,918,401 thousand in the prior year) comprise all assets with the exception of deferred tax assets of € 4,164 thousand (€ 1,326 thousand in the prior year) and cash and cash equivalents of € 186,482 thousand (€ 20,018 thousand in the prior year). Inventories were also recognised here using the LIFO method. The reconciliation to the values after revaluation of the LIFO inventories using the average cost method is presented separately.

Impairment losses of altogether € 93,161 thousand (€ 6,018 thousand in the prior year) were recognised on assets, of which € 62,069 thousand (€ 5,544 thousand in the prior year) related to the Copper Production Segment, € 30,504 thousand (€ 474 thousand in the prior year) to the Copper Processing Segment and € 588 thousand to "Other". The impairment losses in the Copper Production Segment comprise write-downs on property, plant and equipment of € 6,239 thousand (€ 5,544 thousand in the prior year) and write-downs on the current assets in the amount of € 55,830 thousand. In the Copper Processing Segment, write-downs were recognised on property, plant and equipment in the amount of € 8,766 thousand (€ 474 thousand in the

prior year) and of € 21,738 thousand on current assets. After application of the average cost method, write-downs on current assets amounted to € 130,539 thousand (€ 10,832 thousand in the prior year), of which € 81,683 thousand (€ 9,619 thousand in the prior year) was attributable to the Copper Production Segment and € 48,856 thousand (€ 1,213 thousand in the prior year) to the Copper Processing Segment.

Segment liabilities consist of the provisions allocated to the segments, trade accounts payable and other liabilities for each segment. The total liabilities of the group are arrived at after including borrowings and deferred taxes.

<i>in € thousand</i>	<i>30.9.2008</i>	<i>30.9.2007</i>
<i>Total segment liabilities of the individual segments</i>	954,635	965,114
<i>Deferred taxes</i>	221,325	298,989
<i>Borrowings</i>	932,674	143,441
Total Group liabilities	2,108,634	1,407,544

The average number of employees for each segment includes the employees of all the companies which were fully or proportionately consolidated in the accompanying financial statements. Employees of the proportionately consolidated companies have been included in accordance with the Group's holding. Employees, who became part of the Group in the course of the fiscal year, are included in accordance with the duration of their employment in the Group. Personnel expenses were reported accordingly.

OTHER DISCLOSURES

Related parties

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

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

The following contributions from related companies were not consolidated:

<i>in € thousand</i>	<i>Income</i>	<i>Expenses</i>	<i>Receivables</i>	<i>Liabilities</i>
<i>Joint ventures</i>	8,491	29,132	1,007	478
<i>Subsidiaries</i>	1,052	51,323	0	1,889

No individual shareholders of Norddeutsche Affinerie AG, Hamburg, exercise a significant influence on the NA Group. The relationships to the Executive Board and Supervisory Board are disclosed below:

Disclosures on the Executive Board and Supervisory Board

Total compensation

The total compensation of the active Executive Board members for fiscal year 2007/08 amounted to € 4,478,665 and included a fixed component for the past fiscal year of € 1,478,975, fringe benefits of € 136,045, a variable component of € 2,543,440 and a payment from the incentive plan of € 320,205. The proportional fair value of the 180,200 options acquired by the Executive Board as part of an incentive plan amounted to € 662,762.

Dr Werner Marnette, who resigned from the Executive Board on 9 November 2007, received compensation of € 1,013,659 since 10 November 2007 and € 1,431,745 has been provided for his compensation entitlement until 31 March 2010.

Former members of the Executive Board and their surviving dependents received a total of € 1,067,449, while € 10,595,784 has been provided for their pension entitlement (excluding Dr Marnette).

The compensation of the Supervisory Board for fiscal year 2007/08 amounted to € 1,678,960.

Details of the individual compensation of the members of the Executive Board and the Supervisory Board are provided in the Management Report on page 37 to 40.

Shareholdings

Members of the Supervisory Board hold 5,090 shares and members of the Executive Board 21,001 shares in Norddeutsche Affinerie Aktiengesellschaft.

Directors' dealings

The Executive Board members, Dr Bernd Drouven, Dr Michael Landau, Dr Bernd Langner, Mr Peter Willbrandt and Dr Stefan Boel, informed the Company that they had transacted notifiable business during the period from 1 October 2007 to 30 September 2008, in that they had purchased altogether 5,400 no-par-value shares in the Company during that period.

The Supervisory Board member, Dr Peter von Foerster, informed the Company that he had sold 1,000 no-par-value shares in the Company during the period from 1 October 2007 to 30 September 2008 and the Supervisory Board member, Mr Rolf Schwertz, purchased 300 no-par-value shares during the same period.

The Company has reported this information to the Federal Authority for Financial Services Supervision and has published it.

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 issued by the Executive Board and the Supervisory Board and has been made permanently accessible to the shareholders on the Company's website.

Notification pursuant to Section 160 paragraph 1 No. 8 German Companies Act

Dimensional Fund Advisors LP (Investment Manager), Santa Monica, USA, notified us on 25 January 2005 pursuant to Section 21 paragraph 1 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650 had exceeded the 3% threshold of voting rights in shares on 21 January 2008 and now amounted to 3.01% (representing 1,229,941 voting rights).

The voting rights are attributed to Investment Manager pursuant to Section 22 paragraph 1 sentence 1 No. 6 German Securities Trading Act.

Dimensional Holdings Inc. (General Partner of Investment Managers Dimensional Fund Advisors LP), Santa Monica, USA, notified us on 30 January 2008 pursuant to Section 21 paragraph 1 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650 had exceeded the 3% threshold of voting rights in shares on 21 January 2008 and now amounted to 3.01% (representing 1,229,941 voting rights).

The voting rights are attributed to General Partner pursuant to Section 22 paragraph 1, sentence 1, No. 6 in conjunction with sentence 2 German Securities Trading Act.

Dr Mirko Kovats, Vienna, notified us on 21 February 2008 pursuant to Section 21 paragraph 1 German Securities Trading Act that

1. his voting interest in Norddeutsche Affinerie AG, Hamburg, entered in the commercial register of the Hamburg District Court under HRB 1775 had exceeded the 3.5% and 10% thresholds on 15 June 2007 and amounted to 10.00045% at that time. This represented 3,715,600 votes, of which Dr Mirko Kovats, Vienna was attributed 10.00045% of the voting rights (3,715,600 votes) pursuant to Section 22 paragraph 1 sentence 1 No. 1 German Securities Trading Act, via M.U.S.T. Privatstiftung, Vienna, and A-TEC Industries AG, Vienna;
2. his voting interest in Norddeutsche Affinerie AG, Hamburg, had exceeded the 15% threshold on 27 June 2007 and amounted to 15.1277% at that time. This represented 5,620,600 votes, of which Dr Mirko Kovats, Vienna, was attributed 15.1277% of the voting rights (5,620,600 votes) pursuant to Section 22 paragraph 1 sentence 1 No. 1 German Securities Trading Act, via M.U.S.T. Privatstiftung, Vienna, and A-TEC Industries AG, Vienna;
3. his voting interest in Norddeutsche Affinerie AG, Hamburg, had fallen below the 15% threshold on 9 November 2007 and amounted to 13.75% at that time. This represented 5,621,447 votes, of which Dr Mirko Kovats, Vienna, was attributed 13.75% of the voting rights (5,621,447 votes) pursuant to Section 22 paragraph 1 sentence 1 No. 1 German Securities Trading Act, via M.U.S.T. Privatstiftung, Vienna, A-TEC Industries AG, Vienna, and A-TEC Investment GmbH, Dusseldorf.

On 27 February 2008 Morgan Stanley & Co. Incorporated, New York, USA informed us pursuant Section 21 paragraph 1 German Securities Trading Act, and Section 24 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650 had fallen below the 3% threshold on 22 February 2008 and now amounted to 2.79% (1,140,359 voting rights).

On 27 February 2008 Morgan Stanley, The Corporation Trust Company, Delaware, USA informed us that its voting interest in Norddeutsche Affinerie AG, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650 had fallen below the 3% threshold on 22 February 2008 and now amounted to 2.79% (1,140,359 voting rights).

This voting interest is attributed to Morgan Stanley, The Corporation Trust Company, Delaware, USA pursuant to Section 22 paragraph 1 sentence 1 German Securities Trading Act via its subsidiary Morgan Stanley & Co. Incorporated.

Commerzbank Aktiengesellschaft, Frankfurt, Germany, notified us on 29 February 2008 that it was retracting its voting right notification dated 15 June 2007 pursuant to Section 21 German Securities Trading Act as regards falling below the 10%, 5% and 3% thresholds in Norddeutsche Affinerie AG, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650, published on 20 June 2007.

In its letter dated 29 February 2008, Commerzbank Aktiengesellschaft, Frankfurt, Germany, notified us pursuant to Section 21 paragraph 1 German Securities Trading Act that

1. the voting interest of Commerzbank Aktiengesellschaft, Frankfurt, Germany, in Norddeutsche Affinerie AG, Hamburg, Germany, had fallen below the 10% threshold on 9 November 2007 and amounted to 9.43% (representing 3,853,705 shares) at that time;
2. the voting interest of Commerzbank Aktiengesellschaft, Frankfurt, Germany, in Norddeutsche Affinerie AG, Hamburg, Germany, had exceeded the 10% threshold on 7 February 2008 and amounted to 10.02% (representing 4,095,451 shares) at that time;
3. the voting interest of Commerzbank Aktiengesellschaft, Frankfurt, Germany, in Norddeutsche Affinerie AG, Hamburg, Germany, had fallen below the 10% threshold on 8 February 2008 and amounted to 9.50% (representing 3,881,296 shares) at that time;
4. the voting interest of Commerzbank Aktiengesellschaft, Frankfurt, Germany, in Norddeutsche Affinerie AG, Hamburg, Germany, had exceeded the 10% threshold on 19 February 2008 and amounted to 11.39% (representing 4,655,670 shares) at that time;

These voting right notifications were issued against the background of the resolution of the Federal Cartel Office of 27 February 2008 (file reference B 5-27442-Fa-198/07).

Dr Mirko Kovats, Austria, notified us on 4 March 2008 that he was retracting his voting right notification dated 21 February 2008 with regard to Norddeutsche Affinerie AG, Hamburg, Germany, pursuant to Sections 21, 22 German Securities Trading Act, published on 26 February 2008.

A-TEC Industries AG, Vienna, Austria, notified us on 6 March 2008 that it was retracting its voting right notification dated 26 November 2007 with regard to Norddeutsche Affinerie AG, Hamburg, Germany, pursuant to Sections 21, 22 German Securities Trading Act, published on 26 November 2007.

A-TEC Industries AG, Vienna, Austria, notified us on 6 March 2008 that it was retracting its voting right notification for A-TEC Investment GmbH, Dusseldorf, dated 26 November 2007 with regard to Norddeutsche Affinerie AG, Hamburg, Germany, pursuant to Sections 21, 22 German Securities Trading Act, published on 26 November 2007.

A-TEC Industries AG, Vienna, Austria, notified us on 6 March 2008 that it was retracting its voting right notification for A-TEC Minerals & Metals Holding GmbH, Vienna, Austria, dated 27 December 2007, with regard to Norddeutsche Affinerie AG, Hamburg, Germany, pursuant to Sections 21, 22 German Securities Trading Act, published on 2 January 2008.

M.U.S.T. Privatstiftung, Vienna, Austria, notified us on 6 March 2008 that it was retracting its voting right notification dated 26 November 2007 with regard to Norddeutsche Affinerie AG, Hamburg, Germany, pursuant to Sections 21, 22 German Securities Trading Act, published on 26 November 2007.

Commerzbank Aktiengesellschaft, Frankfurt, Germany, informed us in its notification dated 24 July 2008 pursuant to Section 21 paragraph 1 German Securities Trading Act that the voting interest in Norddeutsche Affinerie AG, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650 had fallen below the 5% threshold on 4 July 2008 (representing 2,043,487 voting rights) and had fallen below the 3% threshold on 10 July 2008 and subsequently amounted to 0.00% (representing 0 voting rights).

This voting right notification was issued against the background of the resolution of the Federal Cartel Office dated 27 February 2008 (file reference B 5-27442-Fa-198/07).

HSH Nordbank AG, Hamburg und Kiel, Germany, informed us in its notification dated 19 September 2008 pursuant to Section 21 paragraph 1 German Securities Trading Act in conjunction with Section 24 German Securities Trading Act that the voting interest of its subsidiary, Lamatos GmbH, Hamburg, Germany, in Norddeutsche Affinerie AG, Hamburg, Germany (ISIN: DE0006766504, WKN: 676650), had fallen below the 3% threshold on 18 September 2008 and now amounted to 0.00% (0 voting rights of a total of 40,869,479 voting rights in Norddeutsche Affinerie AG).

HSH Nordbank AG, Hamburg und Kiel, Germany, informed us in its notification dated 19 September 2008 pursuant to Section 21 paragraph 1 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, Hamburg, Germany (ISIN: DE0006766504, WKN: 676650) had fallen below the 3% threshold on 18 September 2008 and now amounted to 0.00% (0 voting rights of a total of 40,869,749 voting rights in Norddeutsche Affinerie AG).

Salzgitter Aktiengesellschaft, Salzgitter, Germany, informed us in its notification dated 10 October 2008 pursuant to Sections 21 paragraph 1 and Section 24 German Securities Trading Act that the voting interest of its subsidiary, Salzgitter Mannesmann GmbH, Salzgitter, Germany, in Norddeutsche Affinerie AG, Hamburg, Germany (ISIN: DE0006766504, WKN: 676650), had exceeded the 20% threshold on 9 October 2008 and now amounted to 20.0001% (representing 8,173,987 voting rights).

Salzgitter Aktiengesellschaft, Salzgitter, Germany, informed us in its notification dated 10 October 2008 pursuant to Section 21 paragraph 1 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, Hamburg, Germany (ISIN: DE0006766504, WKN: 676650), had exceeded the 20% threshold on 9 October 2008 and now amounted to 20.0001% (representing 8,173,987 voting rights). 20.0001% of the voting rights (representing 8,173,987 voting rights) are attributed to Salzgitter Aktiengesellschaft by Salzgitter Mannesmann GmbH pursuant to Section 22 paragraph 1 sentence 1 No. 1 German Securities Trading Act.

No voting rights are directly held by Salzgitter Aktiengesellschaft.

Grantham, Mayo, Van Otterloo & Co. LLC, Boston, USA notified us on 18 December 2008 pursuant to Section 21 paragraph 1 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650 had exceeded the 3% threshold in shares on 11 November 2008 and now amounted to 3.05% (representing 1,247,011 voting rights).

Auditors' fees

The following fees were recorded as expenses for the fiscal year 2007/08 for services rendered by the group auditors, KPMG AG Wirtschaftsprüfungsgesellschaft:

<i>in T€</i>	2007/08	2006/07
<i>Audit services</i>	434	380
<i>Other assurance and valuation services</i>	287	191
<i>Tax services</i>	122	29
<i>Other services</i>	77	64

The fees for other assurance and valuation services mainly include fees for the review by the auditors of interim financial statements and auditing services as part of the capital increase.

Events after the balance sheet date

After the end of fiscal year 2007/08, the Company on 20 November 2008 announced plans to shut down the vertical casting plant at the Olen site. The production was making a loss on account of the strong decline in production output. The production plant and related buildings were already written off in fiscal year 2007/08 due to the negative cash flow.

Hamburg, 9 January 2009

Norddeutsche Affinerie AG

Hovestrassse 50
20539 Hamburg

The Executive Board



Dr Bernd Drouven



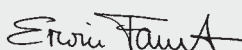
Dr Michael Landau



Peter Willbrandt



Dr Stefan Boel



Erwin Faust

INVESTMENTS AS PER SECTION 285 NO. 11 HGB AS AT 30 SEPTEMBER 2008

Company name and registered office		% of capital held by	Currency	Held directly by	Equity in '000	Net earnings in '000
1	Norddeutsche Affinerie AG, Hamburg		EUR			
2	Cumerio sa/nv, Brussels	100	EUR	1.8	545,352	266,823 *
3	Cumerio Austria GmbH, Vienna	100	EUR	1	133,246	(157) *
4	Prymetall GmbH & Co. KG, Stolberg	100	EUR	1	33,100	11,010
5	RETORTE GmbH Selenium Chemicals & Metals, Rothenbach	100	EUR	1	3,684	973
6	SAM (Swiss Advanced Materials) S.A., Yverdon-les-Bains	100	CHF	1	14,252	(2,213) *
7	CABLO Metall-Recycling & Handel GmbH, Fehrbellin	100	EUR	1	7,174	1,995
8	Peute Baustoff GmbH, Hamburg	100	EUR	1	831	702
9	Deutsche Giessdraht GmbH, Emmerich	60	EUR	1	9,106	4,682
10	E.R.N. Elektro-Recycling NORD GmbH, Hamburg	70	EUR	1	2,576	1,496
11	Prymetall GmbH, Stolberg	100	EUR	1	31	1
12	Hüttenbau-Gesellschaft Peute mbH, Hamburg	100	EUR	1	87	0
13	CIS Solartechnik GmbH & Co. KG, Bremerhaven	50	EUR	1	640	(3,587) **
14	C.M.R. International N.V., Antwerp	50	EUR	1	1,684	214
15	VisioNA GmbH, Hamburg	50	EUR	1	21	1
16	PHG Peute Hafen- und Industriebetriebsgesellschaft mbH, Hamburg	7	EUR	1	85	3
17	Cumerio Belgium sa/nv, Olen	100	EUR	2	379,029	779 *
18	Cumerio Italia S.R.L., Milan	100	EUR	2	26,310	115 *
19	Cumerio Med AD, Pirdop	99.77	EUR	3	394,698	(14,046) *
20	Cumerio Bulgaria AD, Sofia	100	EUR	3	331	13 *
21	EIP Metals Ltd., Smethwick (UK)	100	GBP	4	1,363	180 *
22	Prymetall Slovakia s.r.o., Dolný Kubín (SK)	100	SKK	4	25,500	(1,784) *
23	Schwermetall Halbzeugwerk GmbH, Stolberg	50	EUR	4	61	9
24	Schwermetall Halbzeugwerk GmbH & Co. KG, Stolberg	50	EUR	4	39,530	6,630 **
25	JoSeCo GmbH, Kirchheim/Schwabia	33	EUR	5	201	17
26	Agropolychim AD, Devnya	1	EUR	19	44,218	12,527 *

* The equity and net earnings are based on the IFRS reporting package since country-specific financial statements related to commercial law are not available as yet.

** Companies 13 and 24 were consolidated proportionally.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

The Executive Board



Dr Bernd Drouven



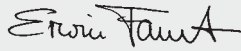
Dr Michael Landau



Peter Willbrandt



Dr Stefan Boel



Erwin Faust

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by Norddeutsche Affinerie AG, comprising the balance sheet, the income statement, the statements of changes in equity and cash flows and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 October 2007 to 30 September 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB are the responsibility of the Company's executive board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

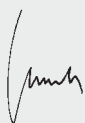
We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB ["Handelsgesetzbuch": German Commercial Code] and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the executive board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a paragraph 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 9 January 2009

KPMG Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

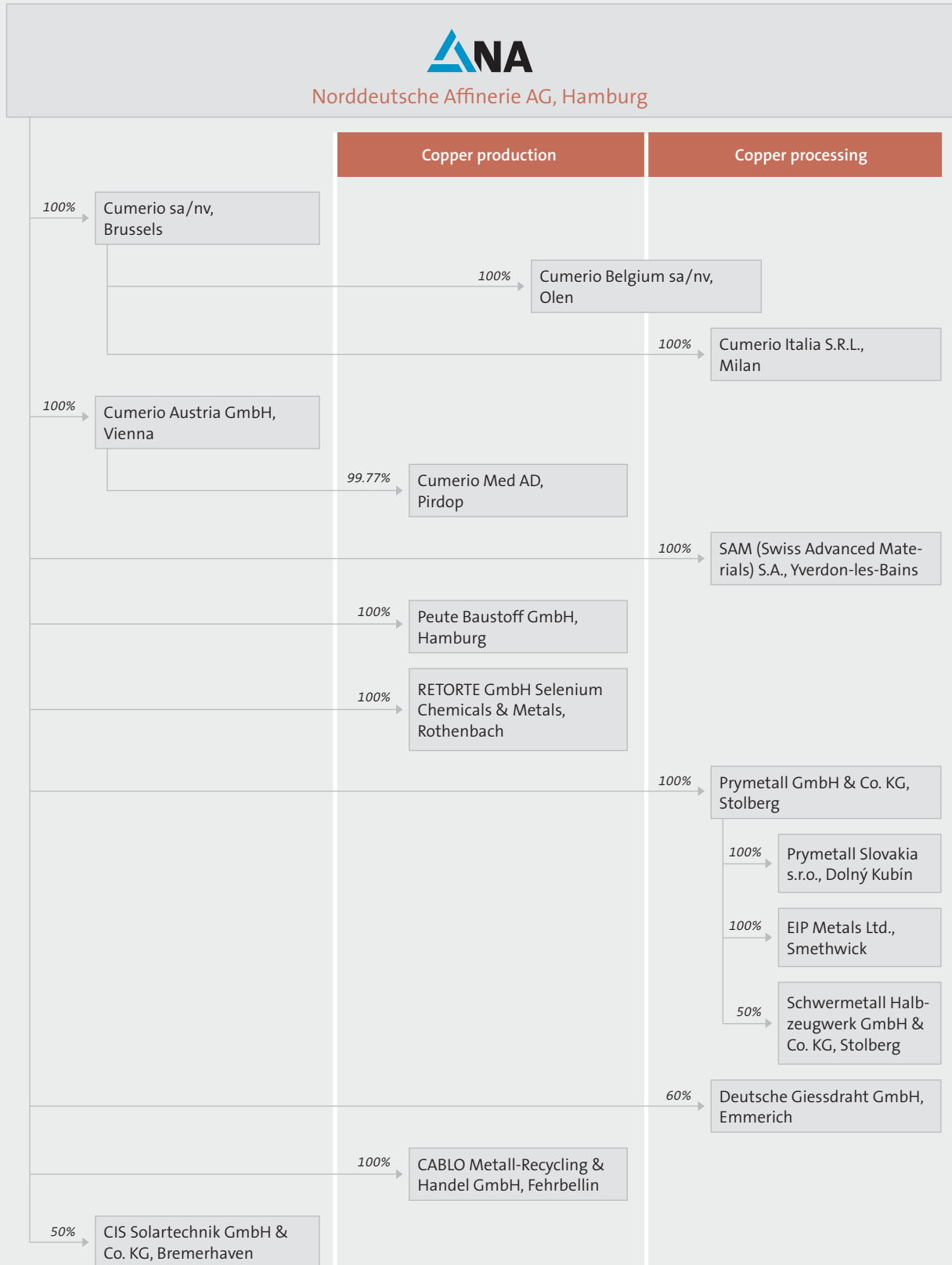


Krall
Wirtschaftsprüfer



Heckert
Wirtschaftsprüfer

MAIN INVESTMENTS



GLOSSARY

SPECIFIC NA TERMS

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 metre 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 pretreated and processed in the Lunen 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.

Compliance

Compliance means conforming to a specification or policy that has been clearly defined. Apart from laws, directives and other standards, it also refers to corporate guidelines (e.g. code of conduct).

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 the 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 Lunen 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.

Recycled 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 recycled 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

When 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 business

Daily business; market for prompt deliveries.

Stainless steel

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.

GLOSSARY OF FINANCIAL TERMS**EBIT**

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

EBITDA

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.

EBT

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

ROCE

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

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

Gearing

Gearing is the ratio of net financial liabilities to equity.

Net financial liabilities

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

Gross cash flow

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

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

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.

5-YEAR OVERVIEW

NA Group (IFRS)		2003/04	2004/05 ¹⁾	2005/06 ¹⁾	2006/07 ¹⁾	2007/08 ¹⁾²⁾
<i>Copper price LME settlement (average)</i>	US\$/t	2,607	3,382	6,033	7,088	7,785
Results						
<i>Revenues</i>	€ million	2,481	3,022	5,753	6,469	8,385
<i>EBITDA</i>	€ million	129	163	163	318	475
<i>EBIT</i>	€ million	58	99	111	260	383
<i>EBT</i>	€ million	47	90	103	251	341
<i>Net income</i>	€ million	27	61	60	159	237
<i>Gross cash flow</i>	€ million	118	137	112	231	403
Balance sheet						
<i>Total assets</i>	€ million	990	1,128	1,811	1,940	2,966
<i>Non-current assets</i>	€ million	396	366	360	610	920
<i>Capital expenditure</i>	€ million	28	33	48	94	114
<i>Depreciation and amortisation</i>	€ million	70	64	52	58	92
<i>Equity</i>	€ million	409	442	501	654	947
NA shares						
<i>Market capitalisation³⁾</i>	€ million	432	625	705	1,146	1,232
<i>Earnings per share</i>	€	0.76	1.77	1.64	4.24	5.82
<i>Dividend per share</i>	€	0.65	1	1.05	1.45	1.6
Human resources						
<i>Number of employees (average)</i>		3,206	3,158	3,187	3,219	4,106
<i>Personnel expenses</i>	€ million	180	189	194	215	266
Production						
<i>Cathodes</i>	1,000 t	522	558	551	572	852
<i>Continuous cast wire rod</i>	1,000 t	399	375	423	451	740
<i>Continuous cast shapes</i>	1,000 t	257	237	266	232	222
<i>Pre-rolled strip</i>	1,000 t	122	116	130	120	108
<i>Strips</i>	1,000 t	63	50	54	46	44
<i>Shaped wires</i>	1,000 t	13	12	13	16	16,3
<i>Special profiles</i>	t	-	-	-	-	2,540
<i>Gold</i>	t	21	29	35	33	34
<i>Silver</i>	t	759	880	985	1,255	1,280

¹⁾ before revaluation of LIFO inventories using the average cost method

²⁾ including Cumerio as of 29 February 2008

³⁾ at fiscal year-end on 30 September

FINANCIAL CALENDAR

12 February 2009	Interim report on 1st quarter 2008/09
12 February 2009	Annual press conference and DVFA analyst conference
26 February 2009	Annual General Meeting
27 February 2009	Dividend payment
13 May 2009	Interim report on 2nd quarter 2008/09
12 August 2009	Interim report on 3rd quarter 2008/09

IMPRINT

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Disclaimer

This Annual Report 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.

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