

# **NA GROUP REPORT**

## **on the first quarter of fiscal year 2008/09**

**1 October 2008 to 31 December 2008**

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## **Management report**

### **High operating cash flow and significantly negative earnings at Norddeutsche Affinerie AG due to the devaluation of copper inventories in the first quarter of fiscal year 2008/09**

Hamburg, 12 February 2009 – Norddeutsche Affinerie AG (NA) has generated a slightly positive operating result for the first quarter of fiscal year 2008/09 despite difficult general conditions. Earnings before taxes before valuation effects amounted to € 19 million (€ 41 million in the prior year). The decline in the operating result was in particular attributable to the downturn in the product business and scheduled maintenance standstills in Hamburg, Lunen and Pirdop. On account of the drastically reduced copper price, significant write-downs on copper inventories not affecting cash flow had to be carried out that could be partly compensated by positive price hedging transactions and valuation impacts. As at the balance sheet date, earnings had to be reduced by valuation effects of € 143 million. These resulted overall in sharply negative earnings before taxes of € 124 million for the quarter (€ + 88 million in the prior year). The net cash flow from operating activities rose significantly to € 150 million (€ - 9 million in the prior year), thus reflecting NA's financial strength. Despite the considerably lower copper price, revenues increased to € 1.49 billion (€ 1.41 billion in the prior year) on account of the full consolidation of Cumerio sa/nv.

Positive adjusted operating result

High valuation effects weigh on earnings

After peaking at almost US\$ 9,000/t at the beginning of July 2008, the copper price declined significantly over the following months. The crisis in the banking sector spread to the real economy. Copper demand declined. In addition, funds withdrew from their copper commitments to a large extent and thus accelerated the price decline. Neither production cutbacks nor their announcement at copper producers or state packages to support the economy could stop this trend in the reporting period. The copper price fell 55 %, from US\$ 6,379/t at the beginning of October to a closing price for the calendar year of US\$ 2,902/t. By the beginning of February 2009, the copper price had recovered somewhat again to US\$ 3,500/t.

The raw material markets showed divergent trends. The availability of copper concentrates improved considerably and thus resulted in a rise in the treatment and refining charges. The supply of copper scrap deteriorated. The availability of other recycling materials continued to be good.

Volatile copper price


In accordance with the new organisational structure, reporting from the beginning of fiscal year 2008/09 is based on three business units (BU): Primary Copper, Recycling/Precious Metals and Copper Products. When comparing with the prior-year figures, it must be taken into account that Cumerio was first consolidated as of March 2008.

In the BU Primary Copper, 508,000 tonnes of copper concentrates were processed in the first quarter (260,000 tonnes in the prior year). The output of sulphuric acid rose accordingly from 255,000 tonnes to 515,000 tonnes. Cathode production amounted to 229,000 tonnes, up from 96,000 tonnes in the prior year.

Production in the BU Recycling/Precious Metals rose by 4,000 tonnes to 54,000 tonnes of copper cathodes. Gold and silver output was slightly lower than the prior-year level.

Altogether, 283,000 tonnes of cathodes were produced in the two BUs (146,000 tonnes in the prior year).

The BU Copper Products was affected by the weak economic trend. Production output rose due to the consolidation of Cumerio to 159,000 tonnes (107,000 tonnes in the prior year). The output of continuous cast shapes reached the prior-year level of 47,000 tonnes.

The merger of NA and Cumerio will be reflected by the planned change in the company's name from Norddeutsche Affinerie to  **Aurubis** at the Annual General Meeting on 26 February 2009. "Aurubis" is derived from Latin and means "red gold".

NA becomes Aurubis

## 1. CONSOLIDATED KEY FIGURES

before revaluation of LIFO inventories using the average cost method

		12 months 07/08	1st quarter 07/08	1st quarter 08/09	Difference in %
Revenues	€m	8,385	1,415	<b>1,493</b>	<b>+6</b>
Gross profit	€m	851	184	<b>26</b>	<b>-86</b>
Personnel expenses	€m	266	56	<b>69</b>	<b>+23</b>
Depreciation and amortisation	€m	92	14	<b>23</b>	<b>+64</b>
EBITDA	€m	475	106	<b>(86)</b>	<b>-181</b>
EBIT	€m	383	92	<b>(110)</b>	<b>-220</b>
EBT	€m	341	88	<b>(124)</b>	<b>-241</b>
Net income	€m	237	60	<b>(98)</b>	<b>-263</b>
Earnings per share	€	5,82	1,52	<b>(2.41)</b>	<b>-259</b>
Gross cash flow	€m	403	77	<b>216</b>	<b>+181</b>
Net cash flow	€m	461	(9)	<b>150</b>	<b>-</b>
Capital expenditure (excl. financial assets)	€m	114	18	<b>34</b>	<b>+89</b>
Copper price (average)	US\$/t	7,785	7,239	<b>3,940</b>	<b>-46</b>
Human resources (average)		4,106	3,284	<b>4,759</b>	<b>+45</b>

## 2. RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

The NA Group continues to report in accordance with International Financial Reporting Standards (IFRS). The explanations on the results for the first quarter initially ignore the effects of the revaluation of LIFO inventories using the average cost method, which are then reported separately.

### Results of operations

The NA Group is reporting earnings before taxes (EBT) of € -124 million (€ + 88 million in the prior year) in the first quarter of fiscal year 2008/09.

The results were mainly influenced by the devaluation of Cumerio's metal inventories, which had been written up as part of the purchase price allocation. Negative effects of metal price write-downs for these companies alone amounted to € 117 million, which was compensated to some extent by positive derivative valuations. Further valuation effects not affecting cash flow resulted in the rest of the group in the amount of € 26 million.

Valuation effects  
particularly for  
Cumerio

Apart from these effects, business performance was primarily influenced by the following factors in comparison with the first quarter of the prior year:

- Decreasing product sales from copper processing
- Increased quantities from the consolidation of Cumerio (since March 2008)
- Reduced throughput of raw materials due to repair and maintenance work in Hamburg, Lunen and Pirdop
- Increased cathode output

Group revenues amounted to € 1,493 million (€ 1,415 million in the prior year). The rise is due to the inclusion of Cumerio while taking into account a parallel decline in revenues owing to lower copper prices.

Gross profit at € 26 million was significantly down on the result of € 184 million for the first quarter of the prior year mainly on account of the aforementioned factors.

Personnel expenses rose from € 56 million in the prior year to € 69 million in the current fiscal year, mainly due to the higher number of employees resulting from the Cumerio acquisition.

Depreciation on property, plant and equipment totalling € 23 million was up year-on-year (€ 14 million in the prior year), of which Cumerio accounted for € 10 million.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to € -86 million (€ +106 million in the prior year). Accordingly, earnings before interest and taxes (EBIT) were also down, amounting to € -110 million (€ +92 million in the prior year).

After deducting net interest, earnings before taxes (EBT) amounted to € -124 million (€ +88 million in the prior year). This reflects the higher interest expense for the financing of the shares acquired in Cumerio sa/nv, Brussels.

After taking into account tax income due to lower deferred taxes, a consolidated loss remains of € -98 million. Consolidated net income of € 60 million was generated in the prior year.

After elimination of the minority interest, earnings per share amount to € -2.41, compared with € 1.52 in the prior year.

### Financial position and capital expenditure

The substantially reduced results reflect the exceptionally high write-downs on inventories. Since this, however, does not affect cash flow, gross cash flow amounted to € 216 million (€ 77 million in the prior year) after including effects from hedge transactions.

At the same time, the change in working capital as at 31 December 2008 resulted in a cash outflow of € 66 million (€ 86 million in the prior year). Consequently, a cash inflow from operating activities (net cash flow) of € 150 million is reported for the first quarter 2008/09, compared with an outflow in the prior year of € 9 million.

**Strong cash flow**

Capital expenditure amounted to € 87 million in the reporting period (€ 18 million in the prior year) and mainly comprised investments of € 34 million in property, plant and equipment at the Hamburg, Pirdop and Lunen sites. The additions of € 53 million to financial fixed assets resulted from the acquisition of securities.

Cash and cash equivalents in the Group amounted to € 107 million as at 31 December 2008.

### Net assets

Total assets declined by 3.2 % from € 2,966 million at the end of the last fiscal year to € 2,870 million as at 31 December 2008. The decline is mainly due to the reduced value of inventories (€ -221 million), and the decreases in trade accounts receivable (€ -75 million) and cash and cash equivalents (€ -79 million). These were partly compensated by the rise in other current receivables and assets (€ + 212 million) and financial fixed assets (€ + 42 million). Current receivables and assets rose mainly due to the measurement of derivatives. The corresponding item is shown in current liabilities.

Group equity declined from € 947 million at the end of the last fiscal year to € 849 million as at 31 December 2008, on account of the write-downs on inventories included in the results for the period. The equity ratio fell from 32 % on 30 September 2008 to 30 % as at 31 December 2008.

Borrowings declined from € 933 million as at 30 September 2008 by € 129 million to € 804 million as at 31 December 2008, of which current borrowings amounted to € 275 million (€ -135 million) and non-current borrowings to € 529 million (€ +6 million). The gearing of 82% was again at a high level as at 31 December 2008. By contrast, trade accounts payable fell significantly by € 55 million to € 389 million. Income tax liabilities also decreased by € 62 million to € 19 million, while other current liabilities rose by € 273 million to € 517 million. The rise is mainly due to the measurement of derivatives.

**Reduced borrowings**

**Effects on valuation due to the new version of IAS 2**

Under the current version of IAS 2, all inventories in the NA Group have had to be measured since 1 October 2005 using the average cost method. This causes considerable discontinuity due to changes in the carrying amounts in the event of metal price fluctuations. These are, however, fictitious earnings, which provide a false impression of the results of operations, financial position and net assets. As a consequence, a true picture is not given of the NA Group's operating performance and it is very difficult to make comparisons with earlier periods.

For this reason, the results of operations, financial position and net assets of the NA Group have so far been reported ignoring the effects of the revaluation of LIFO inventories. The changes in results of operations, financial position and net assets after applying the average cost method is now discussed separately below.

**Results of operations**

After revaluation of LIFO inventories using the average cost method, the gross profit, EBITDA, EBIT and EBT are each reduced by € 234 million (€ 14 million reduction in the prior year). After taking into account deferred taxes, consolidated net income declined by € 159 million (€ 10 million lower in the prior year) after revaluation of the LIFO inventories.

After deducting the minority interest, earnings per share are € 3.89 lower (€ 0.24 lower in the prior year) following the application of the average cost method.

**Financial position**

The revaluation of the LIFO inventories using the average cost method has no impact on cash flow.

**Net assets**

After revaluation of the LIFO inventories, the balance sheet total as at 31 December 2008 declined by 10 % to € 2,917 million, compared with € 3,249 million at the end of the last fiscal year, of which the decline in inventories accounted for € 455 million.

Group equity amounted to € 883 million at the end of the first quarter after revaluation of LIFO inventories, resulting in an equity ratio of 30 %. At the end of the last fiscal year, equity amounted to € 1,141 million, and the resultant equity ratio to 35 %.

On this basis, gearing in the Group amounted to 79 % as at 31 December 2008, compared with 65 % as at 30 September 2008.



### 3. COPPER MARKET

The crisis on the international financial markets intensified at the beginning of the new fiscal year. The real economy was increasingly affected by the negative developments in the banking sector and on the share markets. Extensive state aid and support packages could only provide limited relief. Growth rates in the emerging markets also declined significantly.

The demand for raw materials has declined significantly in line with the global economic downswing and unclear prospects of improvement in 2009. The copper price has come under pressure. This was exacerbated by divestments of institutional investors in the commodity sector. There was hardly any reaction to fundamentally price-supporting news, such as the announcement of production cutbacks in copper output or higher copper imports by China. In a volatile market climate, the copper price fell from US\$ 6,379/t at the beginning of October 2008 to its lowest level for many years of US\$ 2,770/t on 24 December 2008. The closing price for the year amounted to US\$ 2,902/t. In the forward structure, backwardation which indicates a shortage (spot price higher than forward price) has given way to contango (spot price lower than forward price). This reflects in particular reduced demand, caused by the weaker economic trend in the industry, and also seasonal factors. In the run-up to year-end, the copper processing industry cut back its business volume due to the fiscal year-end and the public holidays and reduced its own inventories.

**Economic downswing weighs on raw material demand**

In return, the copper stocks in the warehouses of the London Metal Exchange and the New York Commodities Exchange have risen substantially, and increased from 199,000 tonnes to 340,000 tonnes of copper in the quarter. Stocks at the Shanghai Futures Exchange showed little movement.

### 4. OPERATING SEGMENTS

#### BU PRIMARY COPPER

The BU Primary Copper produces high-purity copper in cathode form from primary raw materials, such as copper concentrates and blister copper. In addition, copper scrap and other raw materials are used to optimise the production processes.

The main production sites include the production site in Pirdop/Bulgaria, the facilities for processing copper concentrates and the tankhouse in Hamburg, as well as the copper production facilities in Olen/Belgium.

The facilities in the BU Primary Copper were well supplied with raw materials. The treatment and refining charges for the processed materials remained overall at a good level, even if they were slightly down on the prior year. In total, 229,000 tonnes of copper cathodes (96,000 tonnes in the prior year) and 515,000 tonnes of sulphuric acid (255,000 tonnes in the prior year) were produced in the first quarter of the fiscal year. Long-standing scheduled maintenance and general repair work at the beginning of the quarter in Pirdop and Hamburg had a negative impact on the throughput and results at both locations.

Revenues in BU Primary Copper amounted to € 771.3 million on sharply reduced metal prices. EBIT amounted to € -101.2 million. This result includes price and devaluation effects of € -114.9 million, which were mainly caused by metal value write-downs in Olen and Pirdop.

**Key figures in accordance with IFRS**

BU PRIMARY COPPER in € million	1st quarter 07/08	1st quarter 08/09	Difference in %
Revenues	512.5	771.3	+ 51 %
EBIT	36.1	(101.2)	- 381 %
EBT	35.4	(109.5)	- 410 %

before revaluation of LIFO inventories using the average cost method

**Raw material markets**

The situation on the market for copper concentrates improved considerably in the last quarter. Some copper smelters in Asia reduced their concentrate throughput. Other smelters announced processing cutbacks. The production restrictions on the smelter side exceeded the quantity reductions on the mining side that were carried out at the same time. As a result, treatment and refining charges for the smelters recovered.

**Positive trend reversal for treatment and refining charges**

The good market climate for blister copper and intermediary products resulted in a satisfactory supply. By contrast, the availability of copper scrap has declined significantly. This was combined with declining refining charges.

The supply of precious metal-bearing raw materials on the markets remained good on account of the high prices for silver and gold.

**Sulphuric acid**

Demand for sulphuric acid declined considerably in the first quarter as a result of the economic crisis. The price level also fell significantly. Extensive production cutbacks were implemented in the chemical industry and the quantities purchased reduced accordingly. There were also massive declines in demand in the fertiliser industry.

**Demand for sulphuric acid significantly reduced**

**Production**

Hamburg

In the first quarter 248,000 tonnes of copper concentrates were processed (260,000 tonnes in the prior year). The reason for the somewhat lower processing throughput was the compulsory maintenance work which is scheduled for every three years and commenced on 30 September 2008. The related 12-day standstill of the concentrate processing facilities was used to implement further maintenance and improvement measures. The cathode output was not affected by this. In the first quarter, 260,000 tonnes of sulphuric acid (255,000 tonnes in the prior year) were produced in Hamburg.

The Hamburg copper tankhouse produced 95,000 tonnes of cathodes in the first quarter, matching the prior-year level (96,000 tonnes).

#### Pirdop

After completion of scheduled maintenance work at the beginning of October, 260,000 tonnes of copper concentrates were processed at our Bulgarian production site, Pirdop, in the first quarter.

**High concentrate processing capacity and new tankhouse in Pirdop**

After the successful commissioning of the new tankhouse with a nominal capacity of 180,000 tonnes of cathodes p.a., the old tankhouse with a capacity of 70,000 tonnes p.a. was taken out of operation as scheduled at the end of November 2008. In the first quarter, 50,000 tonnes of cathodes were produced in Pirdop.

Sulphuric acid production in Hamburg and Pirdop was also at a high level in line with the concentrate processing. In the first quarter, 254,000 tonnes of sulphuric acid were produced in Pirdop.

#### Olen

The Belgian tankhouse is supplied by anodes from Pirdop, anodes from third parties and its own production. The Olen tankhouse produced 83,000 tonnes of cathodes in the course of the first quarter.

## **BU RECYCLING/PRECIOUS METALS**

The BU Recycling/Precious Metals produces high-purity cathodes from a variety of recycled raw materials and precious metals are also extracted from primary and recycled raw materials. The main production sites are the group recycling centre in Lunen as well as the secondary smelter and the precious metal production facilities in Hamburg.

Revenues in the BU Recycling/Precious Metals fell by nearly 24 % to € 480 million on account of the significantly lower metal prices. By contrast, EBIT rose to € 20.6 million in line with the 4,000 tonne increase in copper cathode output.

#### **Key figures in accordance with IFRS**

BU RECYCLING/PRECIOUS METALS in € million	1st quarter 07/08	1st quarter 08/09	Difference in %
Revenues	629.3	479.5	- 24 %
EBIT	17.4	20.6	+ 18 %
EBT	16.8	19.5	+ 16 %

before revaluation of LIFO inventories using the average cost method

### Raw material markets

The supply of copper scrap declined noticeably in the reporting period as a result of the significantly lower copper prices. Reduced availability at the same time as continuing demand resulted in declining refining charges. In particular, competitors from the Far East were primarily active in overseas markets and made it difficult for us to procure material. Their influence remained limited in the European core markets. The markets for most of the other recycled raw materials were still well supplied. There was still an oversupply of the materials for the Kayser Recycling System (KRS), in particular of electrical and electronic scrap.

**Availability of copper scrap reduced, but still very good for other recycled materials**

The raw material availability enabled all the facilities in Lunen and Hamburg to be utilised.

### Production

#### Lünen

The KRS throughput at almost 50,000 tonnes was slightly down on the prior-year period due to the scheduled standstill to renew the refractory lining.

The tankhouse achieved a new record output of 54,000 tonnes (50,000 tonnes in the prior year).

#### Hamburg

Silver output in the first quarter of 289 tonnes was 7 % down year-on-year due to the raw material contents. Gold production amounted to 8.1 tonnes (8.5 tonnes in the prior year).

### BU COPPER PRODUCTS

The BU Copper Products processes own and bought-in cathodes into wire rod, continuous cast shapes, rolled products and specialty products. The most important production sites are Hamburg (Germany), Olen (Belgium), Avellino (Italy), Emmerich (Germany), Stolberg (Germany) and Yverdon-les-Bains (Switzerland).

Revenues in the BU amounted to € 901.9 million on a strong decline in metal prices. Despite the first-time consolidation of the Cumerio sites and an increase in production of 49,000 tonnes, the result was significantly down on the prior year mainly due to the sharp decline in the copper price. EBIT amounted to € - 26.5 million. This included valuation effects, inter alia € 11.4 million for copper raw materials, and € 14 million for the measurement of derivatives to hedge current transactions for which hedge account is not possible. The effects were mainly related to the strip and shaped wire sectors.

**Overall increased production output in the Group**

**Key figures in accordance with IFRS**

BU COPPER PRODUCTS in € million	1st quarter 07/08	1st quarter 08/09	Difference in %
Revenues	1,093.4	901.9	- 18 %
EBIT	36.8	(26.5)	- 172 %
EBT	35.5	(31.6)	- 189 %

before revaluation of LIFO inventories using the average cost method

**Product markets**

The global economic slowdown has clearly left its mark since November, also in the markets for copper products. Overall, the events on the product markets were influenced by uncertain forecasts and great caution. The effects of the adopted economic programmes on infrastructure and the construction industry have not so far resulted in a market upturn.

The European cable and wire industry however still appeared to be comparatively stable. Utilisation in the largest area of application on the quantity side, the conversion and distribution of energy, remained satisfactory, with only a moderate decline in the connected demand for wire rod. The enamelled wire producers, in particular in Southern Europe, were by contrast more strongly affected by the crisis and reported significantly less business in some instances, of up to 30 %. The smaller "automotive" sales market in quantity terms (cable for vehicle wiring systems) suffered the most in line with the sales crisis at the major car makers. These reported declines of over 50 % in orders in some instances compared with the prior year. The affected customers responded by introducing short-time working.

Capacity utilisation at the semi-finished product fabricators also declined in almost all sectors. There was only little momentum coming from North America and, in particular, from the Far East markets. This also affected demand for high-conductive rolled products for the electrical and electronic industries. The business with specialty products remained stable. The lower copper price helped to stabilise demand for products for architecture and the building trade in Europe. However, it could not compensate the low demand in other sectors. Some of the major European semi-finished product fabricators have adjusted their working hour models to match the changed situation.

**Economic  
downswing results in  
decline in demand  
for copper products**

**Production**

Wire rod output in the four rod plants of NA and Cumerio amounted to 159,000 tonnes in the first quarter (107,000 tonnes in the prior year). Thus we maintained our leading position as a wire rod producer in an overall weak market. Utilisation of the four rod plants did however decline. To counter this, we took action in good time to reduce costs. Apart from extending the Christmas standstill, we also reduced the number of temporary employees.

The Group's continuous casting plants matched the prior-year level with a total output of 47,000 tonnes of shapes. Utilisation of the plants in Hamburg and Olen was however also reduced. An increase in production costs was countered as far as possible by extended Christmas standstills and variable working hour arrangements in collaboration with the workforce. At the same time, preparations were made for the closure of the continuous casting production at the Olen site.

Schwermetall (50 % NA holding) produced altogether 38,000 tonnes of pre-rolled strip, or 25 % less than the comparable period of the prior year. The already apparent weaker demand at the end of the prior fiscal year spread in the first quarter. Many customers wanted to minimise their inventories at the end of 2008 with the result that sales declined particularly strongly in December.

Although utilisation in October still remained good at Prymetall, the orders in the strip sector declined substantially in November. This is mainly due to the downswing in the automotive supplier industry. Since December order receipts for brass wire have also declined. The production output for strip and wire totalling 11,000 tonnes was down on the prior-year output of 14,000 tonnes due to the economic crisis. Demand here was also very low in December since many customers reduced their inventories.

## 5. HUMAN RESOURCES

The NA Group had altogether 4,748 employees at the end of the first quarter (3,284 in the prior year). The substantial increase was mainly due to the integration of Cumerio (1,405 employees).

The employees in the NA Group were spread over the following countries: Germany (3,305), Bulgaria (756), Belgium (503), Italy (106), Switzerland (38), England (28), Slovakia (10) and Turkey (2). Group-wide, 70 % of the workforce was employed in Germany and 30 % in other European countries.

At the end of December, the number of trainees and apprentices in the NA Group amounted to 259 (246 in the prior year). A total of 7.8 % of the workforce at the German production sites was in apprenticeships.

Personnel expenses increased by € 13.4 million compared with the prior year, mainly due to the inclusion of Cumerio.

In view of the noticeable decline in demand for rolled products, steps were initially taken at Prymetall to reduce working hours, such as taking leave to use up overtime and outstanding holiday entitlements. In the meantime, Prymetall has registered short-time work at the Federal Employment Office.

Negotiations to close down the continuous casting plant at the Olen site have been completed. At present, the agreed measures, such as early retirement, severance pay for voluntary redundancies, etc., are being detailed for the affected employees.

## 6. RESEARCH & DEVELOPMENT

Work in the research and development sector focused on process optimisation in the copper production for the BUs Primary Copper and Recycling/Precious Metals. In particular, important by-elements of copper production were examined. The aim was to improve the metal yield and to manufacture new products.

In the BU Copper Products, the work focused on improving the cutting properties of brass materials and the surface coating of copper alloys.

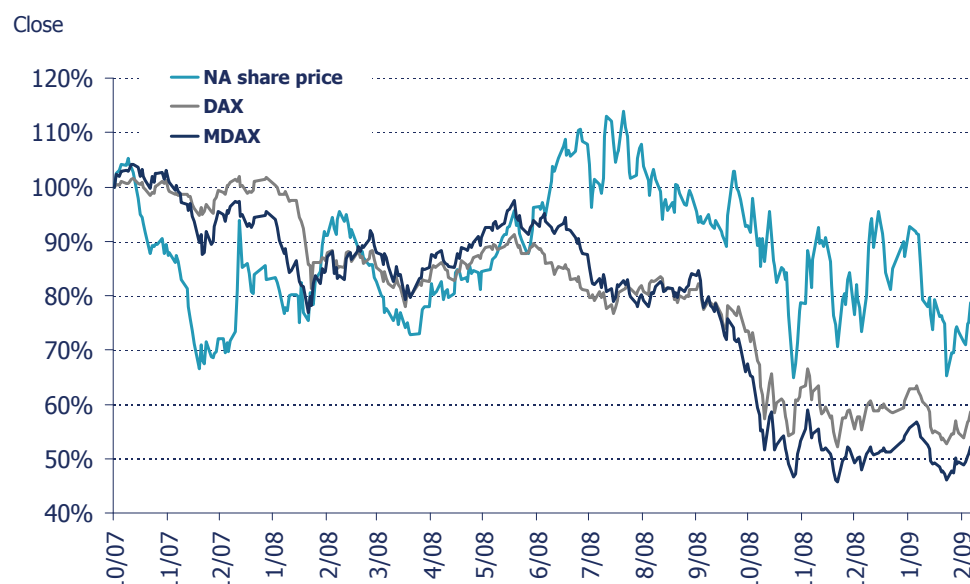
Development work in the CIS pilot plant continued with the aim of improving the process reliability and reproducibility. The decision on the installation of the first production line is still open.

## 7. NA SHARES

The NA share performance was impacted by the worsening of the financial and economic crisis. The uncertainty that increasingly spread on the financial markets resulted in unpredictable price movements. The volatility on the stock markets intensified. As was already the case at the beginning of the financial crisis, NA shares proved to be less vulnerable than the market as a whole.

On 1 October, the beginning of the fiscal year, the price amounted to € 29.75 and climbed to a high for the quarter on 3 October of € 31.43 despite the negative economic data. The further negative announcements on the general economic situation did not spare NA shares, so that the price eased. The announcement on 10 October that Salzgitter AG had increased its investment in NA was unable to prevent a further fall in the share price. NA shares had their weakest trading day in the quarter on 27 October when they closed at € 20.86. The trading volume in the first quarter averaged 343,000 shares per day.

### Share price comparably stable despite generally very weak stock markets





Subsequently, rumours of further bankruptcies and multi-billion losses of American banks resulted in further price declines on the international stock markets. Overall, the stock markets have weakened significantly since the beginning of the fiscal year. The DAX lost about 20% and the MDAX even as much as 21.5%. NA shares were comparatively stable and only lost 14.9 % by 6 February 2009. They were most recently quoted at € 25.30. Market capitalisation amounted to € 1.03 billion.

## 8. CORPORATE GOVERNANCE

With effect from 1 October 2008, the Supervisory Board appointed Mr Erwin Faust as the company's Chief Financial Officer for three years, i.e. until 30 September 2011. Dr Bernd Langner retired on 31 December 2008 after 27 years of dedicated and successful work for NA and has resigned from the company's Executive Board.

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

## 9. OPERATING AND STRATEGIC MEASURES FOR BUSINESS DEVELOPMENT

### **Integration and performance enhancement**

The achievement of synergy potential from the takeover of Cumerio and further performance enhancement programmes is continuing systematically. Above all, in the current difficult market climate, the improvement of the competitive and cost position is a main objective of our activities.

### **Strategic initiatives**

Since the implementation of our new organisational structure, we are operating and reporting in the three Business Units, Primary Copper, Recycling/Precious Metals and Copper Products. Thus, we have also created the structural prerequisites to develop our core business areas even more effectively under the management of a uniform corporate strategy.

In the reporting period, we continued to work on our group-wide innovation project and the preparation of a uniform project management system for all production sites to create the basis for strengthening our innovative power and the effective and rapid implementation of improvement measures and expansion projects.



## Aurubis

The growing joint identity is also being expressed in the new name of our corporate group, **Aurubis** which was announced during the past quarter and will become legally effective subject to the approval of the Annual General Meeting. When selecting it, attention was paid that “Aurubis” has a positive connotation in the main language areas and is easy to communicate. Thus, the new name also reflects the Group’s global growth ambitions.

NA becomes Aurubis

## 10. RISK AND OPPORTUNITY MANAGEMENT

In addition to continuing setting up a group-wide risk management system, the repercussions of the economic and financial crisis were in particular the dominant issues in risk management. Receivables were constantly intensively monitored. In addition, we have taken out trade credit insurance for most customers. There were no significant bad debts. Activities also continued to focus on the creation of a group-wide risk management system.

We covered the fluctuating metal prices by suitable hedging measures. Write-downs on production-related copper inventories are consciously accepted since they do not have a negative effect on cash flow.

The raw material supply in the group was mostly secured through the long-term orientation. Factors influencing production as a result of the deterioration in the market for sulphuric acid were insignificant. For copper products, we could limit the burden on earnings from reduced sales by a comparatively high portion of variable costs. The reduction of overcapacities in the continuous casting sector was quickly implemented by the scheduled closure of the plant in Olen.

NA’s risk and opportunity management system continues to be an appropriate instrument for controlling the relevant topics in the expanded NA Group.

## 11. OUTLOOK

It is currently difficult to assess the economic trends. In particular, predictions vary with regard to the duration of the current slowdown and the effectiveness of the implemented economic packages. Reduced raw material prices have reduced the effects of inflation and increased available real incomes. Investments in base material-intensive infrastructure projects are being subsidised as part of the state support programmes, which should have a positive effect on the demand situation on the metal markets.

### Raw material markets

On the raw material markets, we initially expect a continuation of the trend observed in the first quarter. The treatment and refining charges for copper concentrates in the spot sector have risen considerably. We therefore expect a significant improvement in the conditions of our long-term agreements.

**Rising treatment and refining charges for copper concentrates expected**

The market for copper scrap is still adversely affected by the weak copper prices, with the result that it is in very short supply. Our processing capacities for this type of raw material will therefore not be fully utilised over the next few months. We expect the supply and utilisation to continue to be good in the other recycling material sector, which includes electrical and electronic scrap.

### Copper markets

The long-term prospects are intact on the copper market even if the factors dampening demand predominate. Europe and the U.S.A. are in particular battling with the consequences of the financial and economic crisis. This is manifested on the copper market by the continuing rise in European and American stocks on the metal exchanges.

On the demand side, momentum can be expected in particular from China as the year continues. With copper demand of more than 5 million tonnes, China accounts for almost 30 % of global demand. The country's economic growth will probably slow down in 2009, but be clearly positive. This also applies to Chinese copper demand, which could be strengthened further as a result of purchases for its strategic copper reserves.

On the copper production side, the pressure to adjust production has grown due to the sharp decline in demand and more difficult financing opportunities. Asian smelters in particular have announced production cutbacks in the recent weeks for 2009. Capital expenditure on expansion is being postponed. When copper demand picks up again, it could cause stocks at the metal exchanges to decline and even result in shortages.

From the price viewpoint, copper seems to have found a base at just over US\$ 3,000/t after the strong corrections in the second half of 2008. The price trend on the LME has followed a corridor since the beginning of January of between US\$ 3,100/t and US\$ 3,600/t. Contango for three-month contracts is primarily between US\$ 30/t and US\$ 60/t.

### Product markets

In view of the difficult environment, it is not expected that the sales sector will recover significantly in the near future. The economic packages adopted should increasingly trigger positive stimuli for copper demand. The programmes are focusing on the expansion and improvement of the infrastructure. Positive repercussions are also expected for the construction industry and car sales due to the state subsidies. The sales situation should recover again overall in the second half of the year. The sales level of the current fiscal year is however expected to be considerably lower than in the prior year. Short-time work, as already agreed for Prymetall, cannot be ruled out for some sub-sectors.

**Recovery of product demand expected in 2nd half-year**

The continuing trend is difficult to predict on the sales markets for sulphuric acid. We currently expect the market situation to improve in the medium term.

### Expected earnings

After the considerable uncertainties that impacted the first half of fiscal year 2008/09, a slow recovery should take place in the second half of the year. However, all forecasts are currently burdened with considerable uncertainty in the current volatile environment. We expect that the operating result will be significantly lower than the record results in the prior year.

**Expected earnings:**  
**decline compared**  
**with prior year in**  
**volatile environment**

## FINANCIAL CALENDAR

DVFA analyst conference	12 February 2009
Annual press conference	12 February 2009
Annual General Meeting	26 February 2009
Dividend payment	27 February 2009
Interim report on first 6 months	13 May 2009
Interim report on first 9 months	12 August 2009
Publication of preliminary results for fiscal 2008/09	16 December 2009

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**Consolidated balance sheet (IFRS) (in € thousand)**

<b>ASSETS</b>	<b>31.12.2008</b>	<b>30.9.2008</b>
Intangible assets	47,220	46,757
Property, plant and equipment	881,769	870,918
Investment property	30	30
Financial fixed assets		
Interests in affiliated companies	246	246
Investments	626	626
Other financial fixed assets	43,903	1,811
	44,775	2,683
Fixed assets	973,794	920,388
Deferred tax assets	11,071	4,164
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	(2,233)	0
Non-current receivables and financial assets	27,979	29,336
Other non-current assets	9,351	3,323
	37,330	32,659
Non-current assets	1,022,195	957,211
Inventories	946,882	1,401,571
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	49,869	283,801
Current receivables and other assets		
Trade accounts receivable	316,052	391,356
Other current receivables and assets	524,271	312,484
	840,323	703,840
Short-term security investments	317	317
Cash and cash equivalents	107,482	186,482
Current assets	1,895,004	2,292,210
	2,917,199	3,249,421

**Consolidated balance sheet (IFRS) (in € thousand)**

<b>EQUITY AND LIABILITIES</b>	<b>31.12.2008</b>	<b>30.9.2008</b>
Equity		
Subscribed capital	104,627	104,627
Additional paid-in capital	188,759	188,759
Generated group earnings	577,054	834,459
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	34,234	193,306
Changes in accumulated other comprehensive income	8,088	8,680
Equity attributable to shareholders of NA AG	878,528	1,136,525
Minority interest	4,349	4,262
	882,877	1,140,787
Non-current provisions		
Pension provision	67,831	66,612
Deferred tax liabilities	117,698	221,325
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	13,402	90,495
Other non-current provisions	41,877	41,682
	227,406	329,619
Non-current liabilities		
Non-current borrowings	529,527	523,078
Other non-current liabilities	3,493	1,604
	533,020	524,682
Non-current provisions and liabilities	760,426	854,301
Other current provisions	73,781	74,991
Current liabilities		
Current borrowings	274,910	409,596
Trade accounts payable	389,254	444,059
Income tax liabilities	18,916	81,341
Other current liabilities	517,035	244,346
	1,200,115	1,179,342
Current provisions and liabilities	1,273,896	1,254,333
Debt	2,034,322	2,108,634
	2,917,199	3,249,421

**Consolidated income statement (IFRS) (in € thousand)**

	1st quarter 2008/09	1st quarter 2007/08
Revenues	1,492,759	1,414,938
Changes in inventories of finished goods and work in process	(276,218)	78,000
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	(136,413)	5,632
Own work capitalised	4,436	1,377
Other operating income	7,820	7,594
Cost of materials	(1,436,479)	(1,331,700)
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	(97,519)	(19,709)
Gross profit	(207,682)	170,209
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	(233,932)	(14,077)
Personnel expenses	(68,961)	(55,527)
Depreciation and amortisation	(23,457)	(13,805)
Other operating expenses	(43,541)	(23,182)
Operational result	(343,641)	77,695
Interest income	3,717	2,154
Interest expense	(18,058)	(5,563)
Earnings before taxes (EBT)	(357,982)	74,286
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	(233,932)	(14,077)
Income taxes	100,696	(23,974)
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	74,860	4,504
Consolidated net loss (income in the prior year)	(257,286)	50,312
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	(159,072)	(9,573)
Income attributable to minority interest	(119)	(292)
Consolidated net loss (income in the prior year) after minority interest	(257,405)	50,020
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	(159,072)	(9,573)
Basic earnings per share (in €)	(6.30)	1.27
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	(3.89)	(0.24)
Diluted earnings per share (in €)	(6.30)	1.27
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	(3.89)	(0.24)

**Consolidated cash flow statement (in € thousand)**

	1st quarter 2008/09	1st quarter 2007/08
Earnings before taxes after revaluation of LIFO inventories	(357,982)	74,286
Revaluation of LIFO inventories using the average cost method	233,932	14,077
<b>Earnings before taxes before revaluation of LIFO inventories</b>	<b>(124,050)</b>	88,363
Depreciation and amortisation	23,456	13,805
Impairment losses on current assets	313,332	694
Change in non-current provisions	1,412	316
Gain/loss from disposal of fixed assets	291	(12)
Other non-cash expenses and income	2,735	(1,482)
Income from investments	0	0
Net interest expense	14,341	3,409
Income taxes paid	(15,191)	(28,083)
<b>Gross cash flow</b>	<b>216,326</b>	77,010
Change in receivables and other assets, including short-term security investments	(133,196)	303,670
Change in inventories	(92,113)	(150,545)
Change in current provisions	(2,284)	877
Change in liabilities (excl. borrowings)	161,523	(240,256)
<b>Cash inflow (outflow in prior year) from operating activities (net cash flow)</b>	<b>150,256</b>	(9,244)
Additions to fixed assets	(87,444)	(17,591)
Acquisition of interest in Cumerio sa/nv	0	(4,615)
Proceeds from disposal of fixed assets	225	389
Interest received	3,717	2,154
Dividends received	0	0
<b>Cash outflow from investing activities</b>	<b>(83,502)</b>	(19,663)
Proceeds from capital increases	0	96,709
Proceeds from taking up borrowings	131,413	5,877
Payment for the redemption of borrowings	(259,064)	(2,381)
Interest paid	(18,058)	(5,563)
Dividends paid	0	0
<b>Cash outflow (inflow in prior year) from financing activities</b>	<b>(145,709)</b>	94,642
Net change in cash and cash equivalents	(78,955)	65,735
Cash and cash equivalents at the beginning of period	186,436	20,018
<b>Cash and cash equivalents at end of period</b>	<b>107,481</b>	85,753



	Sub- scribed capital	Addi- tional paid-in capital	Generated group equity	Changes in accumu- lated other compre- hensive income	Equity attributable to share- holders of NA AG	Minority interest	Total
Balance as at 30.9.2007	95,115	101,557	733,818	(19,619)	910,871	2,761	913,632
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<i>0</i>	<i>0</i>	<i>259,717</i>	<i>0</i>	<i>259,717</i>	<i>0</i>	<i>259,717</i>
Capital increase	9,512	87,197	0	0	96,709	0	96,709
Market valuation of financial assets and cash flow hedges	0	0	0	20,147	20,147	0	20,147
Exchange differences	0	0	0	(53)	(53)	0	(53)
Deferred taxes on changes in accumulated other comprehensive income	0	0	0	(5,686)	(5,686)	0	(5,686)
Changes in equity not recognised in income	9,512	87,197	0	14,408	111,117	0	111,117
Consolidated net income	0	0	50,020	0	50,020	292	50,312
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<i>0</i>	<i>0</i>	<i>(973)</i>	<i>0</i>	<i>(973)</i>	<i>0</i>	<i>(973)</i>
Changes in equity recognised in income	0	0	50,020	0	50,020	292	50,312
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<i>0</i>	<i>0</i>	<i>(973)</i>	<i>0</i>	<i>(973)</i>	<i>0</i>	<i>(973)</i>
Balance as at 31.12.2007	104,627	188,754	783,838	(5,211)	1,072,008	3,053	1,075,061
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<i>0</i>	<i>0</i>	<i>258,744</i>	<i>0</i>	<i>258,744</i>	<i>0</i>	<i>258,744</i>
Total income and expense for Q1 of fiscal 2007/08	0	0	50,020	14,408	64,428	292	64,720
Total income and expense for Q1 of fiscal 2008/09	0	0	(257,405)	(592)	(257,997)	128	(257,869)

**Consolidated statement of changes in equity in the NA Group (in € thousand)**

	Sub- scribed capital	Addi- tional paid-in capital	Generated group equity	Changes in accumu- lated other compre- hensive income	Equity attributable to share- holders of NA AG	Minority interest	Total
Balance as at 30.9.2008	104,627	188,759	834,459	8,680	1,136,525	4,262	1,140,787
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<i>0</i>	<i>0</i>	<i>193,306</i>	<i>0</i>	<i>193,306</i>	<i>0</i>	<i>193,306</i>
Dividend payments	0	0	0	0	0	(41)	(41)
Market valuation of financial assets and cash flow hedges	0	0	0	664	664	9	673
Exchange differences	0	0	0	241	241	0	241
Deferred taxes on changes in accumulated other comprehensive income	0	0	0	(1,497)	(1,497)	0	(1,497)
Changes in equity not recognised in income	0	0	0	(592)	(592)	(32)	(624)
Consolidated net loss/income	0	0	(257,405)	0	(257,405)	119	(257,286)
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<i>0</i>	<i>0</i>	<i>(159,072)</i>	<i>0</i>	<i>(159,072)</i>	<i>0</i>	<i>(157,072)</i>
Changes in equity recognised in income	0	0	(257,405)	0	(257,405)	119	(257,286)
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<i>0</i>	<i>0</i>	<i>(159,072)</i>	<i>0</i>	<i>(159,072)</i>	<i>0</i>	<i>(159,072)</i>
Balance as at 31.12.2008	104,627	188,759	577,054	8,088	878,528	4,349	882,877
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<i>0</i>	<i>0</i>	<i>34,234</i>	<i>0</i>	<i>34,234</i>	<i>0</i>	<i>34,234</i>

**Notes to the consolidated financial statements**

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies of the financial statements as at 30 September 2008 have been applied without amendment, with the exception of the first-time application of IFRS 8 "Operating Segments". The segment reporting therefore complies with the new internal organisational and reporting structure of the NA Group. The figures for the comparable periods were adjusted accordingly.

**Write-downs**

In the reporting period, after revaluation of LIFO inventories, the inventories were written down by € 349,249 thousand (€ 39,402 thousand in the prior year), of which € 206,221 thousand (€ 8,963 thousand in the prior year) was attributable to the Primary Copper Production Segment, € 29,329 thousand (€ 6,912 thousand in the prior year) to the Recycling/Precious Metals Segment and € 113,699 thousand (€ 23,527 thousand in the prior year) to the Copper Products Segment.

**Segment reporting for the NA Group (in € thousand)**

	Business Unit Primary Copper		Business Unit Recycling / Precious Metals		Business Unit Copper Products		Other		Total Group	
	1st quarter 2008/09	1st quarter 2007/08	1st quarter 2008/09	1st quarter 2007/08	1st quarter 2008/09	1st quarter 2007/08	1st quarter 2008/09	1st quarter 2007/08	1st Quarter 2008/09	1st Quarter 2007/08
Revenues										
Total revenues	771,271	512,469	479,510	629,320	901,859	1,093,398	360	1,343		
- Inter-segment revenues	479,346	494,232	176,276	309,307	4,619	18,053	0	0		
Revenues with third parties	291,925	18,237	303,234	320,013	897,240	1,075,345	360	1,343	1,492,759	1,414,938
EBIT*	(101,196)	36,062	20,559	17,435	(26,544)	36,845	(2,528)	1,430	(109,709)	91,772
Earnings before taxes*	(109,497)	35,362	19,543	16,822	(31,597)	35,462	(2,499)	717	(124,050)	88,363

\* before revaluation of LIFO inventories using the average cost method

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:

	Business Unit Primary Copper		Business Unit Recycling / Precious Metals		Business Unit Copper Products		Other		Total Group	
After revaluation of LIFO inventories using the average cost method	1st quarter 2008/09	1st quarter 2007/08	1st quarter 2008/09	1st quarter 2007/08	1st quarter 2008/09	1st quarter 2008/09	1st quarter 2007/08	1st quarter 2008/09	1st quarter 2007/08	1st quarter 2008/09
Difference in earnings resulting from revaluation of LIFO inventories using the average cost method	(58,092)	(3,826)	(46,147)	6,793	(129,693)	(17,044)	0	0	(233,932)	(14,077)
Earnings before taxes	(167,589)	31,536	(26,604)	23,615	(161,290)	18,418	(2,499)	717	(357,982)	74,286

**Disclaimer: Forward-looking statements**

This interim 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.