

REPORT on  
Fiscal Year 2010/11

1 October 2010 to 30 September 2011



## MANAGEMENT REPORT

**Aurubis AG generated earnings before taxes (EBT) of €421 million in fiscal year 2010/11 on the basis of IFRS. The operating EBT amounted to €292 million and increased by €133 million compared to the prior year. A dividend of €1.20 is proposed.**

Hamburg, 19 January 2012 – Aurubis AG (Aurubis) achieved earnings before taxes (IFRS) of €421 million (€447 million in the prior year) in fiscal year 2010/11. Operating earnings before taxes, which were adjusted by valuation effects of €129 million, increased to €292 million (€159 million in the prior year). The Company benefited from good economic conditions, higher sulphuric acid prices and higher scrap input with good refining charges. The increase in the net cash flow from €85 million to €418 million also reflects the very good business performance.

The complete annual report was published today on our homepage, [www.aurubis.com](http://www.aurubis.com).

### Raw material markets

The copper price on the LME proved to be very robust during the fiscal year as a result of the fundamental market situation. High Chinese demand, but also European domestic demand driven by customer industries, made for a solid price basis. Accordingly, the price for a tonne of copper increased from US\$ 8,115/t at the beginning of the fiscal year to peak values of over US\$ 10,000/t in some cases, before growing uncertainties on the financial markets caused prices to fall to under US\$ 8,000/t in mid-September 2011.

The supply of copper concentrates showed a positive trend in the course of the fiscal year, which caused TC/RCs in the spot market to increase appreciably. There were also significant improvements in conditions under long-term contracts. We were able to take advantage of this development. In addition to the concentrate market, the markets for blister copper and copper scrap showed a very favourable trend with respect to both material availability and refining charges, which led to additional improvements in the result. Because of the advantageous market trend, we were in a position to provide all sites with a good raw material supply.

Continued economic recovery and firm exchange prices resulted in a high supply of copper scrap. Since China, the strongest competitor in copper scrap purchasing, showed only limited buying interest, we were able to improve the purchasing conditions yet again. The market situation, which was positive for us, continued for almost the whole fiscal year.

### Product markets

Demand for sulphuric acid, which we produce as a by-product of concentrate processing, was high in the fiscal year overall. We achieved good results in our important sales markets in the chemistry and fertiliser sectors as well as in copper recovery via metal leaching, especially in foreign transactions.

The positive trend in the European markets for copper products continued in the first few months of the fiscal year. Strong exports from Germany and high levels of activity in the automotive industry in particular, as well as heavy domestic demand, had a positive effect.

Only at the end of the fiscal year did uncertainties related to the financial market crisis lead to insecurity and restraint among market participants.

### Trend in the Business Units

The good raw material supply ensured high capacity utilisation of our production plants in Business Unit Primary Copper during the entire fiscal year. Overall, a total of 2,057,000 t of concentrates (2,063,000 t in the prior year) were processed at the Hamburg and Pirdop sites, although there was an unscheduled 15-day standstill at the Hamburg site in December 2010. The sulphuric acid output decreased to 2,002,000 t (2,071,000 t in the prior year) due to the concentrate throughput. At 934,000 t (932,000 t in the prior year), the cathode output increased again in the BU's three tankhouses. The operating EBT of BU Primary Copper rose significantly to €169.5 million (€65.4 million in the prior year). This increase in earnings is especially attributed to the favourable market trend for copper and copper raw materials as well as sulphuric acid.

At 213,000 t, the cathode output of BU Recycling/Precious Metals during the past fiscal year slightly exceeded the prior-year value of 212,000 t. The throughput quantity of the Kayser Recycling System (KRS) was raised by 12 %, from 233,000 t in the prior year to 260,000 t. The new production methods resulting from the KRS-Plus unit commissioned in June were already apparent. The good supply of precious metal-bearing input materials allowed us to increase the quantity of recovered silver to 1,367 t (1,339 t in the prior year). The gold output decreased to 35 t (38 t in the prior year) due to the feed but was still at a high level. The BU's operating earnings before taxes doubled to €100.1 million, compared to €49.4 million in the prior year.

In BU Copper Products, the good economic trend resulted in high demand for copper products in the first few months of the fiscal year. The quantity of wire rod produced increased by about 3 % to 785,000 t (766,000 t in the prior year), while at 197,000 t, the output of continuous cast shapes did not quite reach the prior-year value of 210,000 t. The positive economic environment overall was reflected in the BU's good operating EBT, which rose from €47.9 million to €49.7 million.

## Results of operations

The Aurubis Group reports in accordance with international Financial Reporting Standards (IFRS). When the average cost method is applied, metal price fluctuations systematically lead to considerable discontinuities in the presentation of the Aurubis Group's results of operations, financial position and net assets due to the reporting of changes in the carrying amounts of inventories. In our view, these valuation results lead to an economically inaccurate presentation in the management report. Furthermore, the purchase price allocation in the course of the acquisition of Luvata's Rolled Products Division resulted in one-time effects that would also lead to a distortion in the Aurubis Group's presentation of the results of operations, financial position and net assets.

In order to be able to present the Aurubis Group's operating success without such valuation effects on internal control systems, internal reporting and control of the Group are carried out on the basis of the operating result.

The operating result is derived from the IFRS results of operations by

- » Adjustment by valuation results from the application of the average cost method in accordance with IAS 2
- » Adjustment by copper price-related valuation effects on inventories
- » Adjustment by effects from purchase price allocations, primarily on fixed assets, starting in fiscal year 2010/11

The results of operations, financial position and net assets in accordance with IFRS are explained in detail in the annual report.

In fiscal year 2010/11 the Aurubis Group generated operating earnings before taxes (EBT) of €292 million (€159 million in the prior year), which reflects the overall good business performance of the Aurubis Group.

The results of operations were primarily influenced by the following factors:

- » Sulphuric acid prices were significantly higher than the prior-year level and had a distinctly positive effect

on consolidated earnings despite lower sales quantities.

- » There was a higher input of scrap and other recycling materials with good refining charges and high material availability.
- » There was high demand for copper products with increased shape surcharges and a rise in the cathode premium.
- » A good metal yield was achieved with high metal prices.

The higher metal prices were mainly responsible for the increase in revenues from €9,865 million to €13,336 million. A gross profit of €944 million (€752 million in the prior year) resulted after deducting the cost of materials, which increased from €9,299 million in the prior year to €12,535 million, also due to the higher metal prices, and after including the inventory build-up and other income.

Personnel expenses rose in the reporting period from €295 million to €312 million, mainly due to increased profit-sharing bonuses, an increase in the number of employees and the personnel costs of the former Luvata RPD companies in September, which were not included in the prior year because of the first-time consolidation.

Depreciation and amortisation amounted to about €113 million and changed only slightly compared to the prior year (€106 million).

Other operating expenses rose from €164 million in the prior-year period to €192 million. The increase in operating expenses compared with the prior year is partially due to the first-time consolidation of the Luvata RPD acquisition as well as various individual circumstances. These include increased consulting expenses and higher expenses in conjunction with scheduled and unscheduled standstills.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) reached about €440 million (€239 million in the prior year). Earnings before interest and taxes (EBIT) amounted to €327 million compared to €187 million in the comparable prior-year period. After incorporating the net interest expense, earnings before taxes amount to €292 million (€159 million in the prior year). Net interest expense increased by €7 million to €35 million (€28 million in the prior year), mainly due to higher average gross debt as well as higher interest.

Consolidated net income of €211 million (€121 million in the prior year) results after deducting the tax expense.

## Financial position and capital expenditure

The good business performance had a positive effect on the IFRS gross cash flow, which at €792 million was €280 million up on the prior-year value (€512 million in the prior year). Cash outflow from the change in working capital amounted to €374 million, about €53 million below the comparable prior-year value. Overall, net cash flow in the reporting period amounted to €418 million, which was €333 million above the prior-year value.

Investments (including financial fixed assets and prior to the acquisition of Luvata RPD) amounted to €116 million (€151 million in the prior year) in the reporting period and primarily consisted of investments in property, plant and equipment. The largest investments were allotted to the expansion of complex secondary material processing (KRS-Plus) at the Lünen site, which went into operation in the past fiscal year, the expansion of concentrate processing at the Hamburg site (Future RWO) and the expansion of anode slime processing at the Hamburg site.

A free cash flow of €302 million results after deducting investments in fixed assets from the net cash flow, which is €368 million above the prior year.

Net payments amounting to €159 million were made in the current fiscal year for the acquisition of interests in affiliated companies of Luvata's Rolled Products Division. Taking interest payments and received dividends into account, there is a cash outflow of €257 million from investing activities.

## Outlook

In the key market of copper and other metal markets, a great deal speaks in favour of ongoing high metal prices despite economic uncertainties. Price volatility is to be expected, however. We expect uncertainty in the further demand trend in our copper product sales. On the other hand, the energy turnaround in Germany may contribute positive impulses due to the rising demand for wire rod. Demand from the agricultural and mining industries will continue to facilitate sulphuric acid sales, although this market reacts sensitively to demand fluctuations.

For copper concentrates, we expect a good market supply owing to the ongoing implementation of mine projects. Negative impacts due to production disruptions in the mines are nonetheless still possible. All in all, we regard ourselves as very well placed on the world markets for concentrates owing to our position and our contract structures.

The copper scrap supply on the market is subject to factors that have a direct effect and can change quickly. With high copper prices and low Chinese buying activities, however, the chances for continuing satisfactory availability are good.

In view of the uncertain trends in the economic environment, we will continue to pursue our strategy and adhere to our objective of expanding the Company's strengths, utilising opportunities and improving our resistance. Risks which cannot be controlled or are hard to control, such as those arising from developments in the energy market or the economy, could nevertheless make this difficult.

We believe we are well positioned with our business model and look confidently to the next few years despite the difficult environment.

		Fiscal year 10/11	Fiscal year 09/10	Difference in %
<b>BU Primary Copper</b>				
Concentrate throughput	t	2,057,000	2,063,000	-
Scrap input	t	216,000	179,000	+ 21%
Sulphuric acid output	t	2,002,000	2,071,000	- 3%
Cathode output	t	934,000	932,000	-
<b>BU Recycling/Precious Metals</b>				
Scrap input	t	130,000	117,000	+ 11%
KRS throughput	t	260,000	233,000	+ 12%
Cathode output	t	213,000	212,000	-
<b>BU Copper Products</b>				
Wire rod output	t	785,000	766,000	+ 3%
Continuous cast shapes output	t	197,000	210,000	- 6%

## GROUP KEY FIGURES

### II. OVERVIEW OF GROUP KEY FIGURES (IFRS)

		4th quarter			Fiscal year		
		2010/11	2009/10	Difference	2010/11	2009/10	Difference
Revenues	€ mill.	<b>3,574</b>	2,817	+ 27%	<b>13,336</b>	9,865	+ 35%
Gross profit	€ mill.	<b>150</b>	288	- 48%	<b>1,084</b>	1,040	+ 4%
Personnel expenses	€ mill.	<b>82</b>	82	0%	<b>312</b>	295	+ 6%
Depreciation and amortisation	€ mill.	<b>41</b>	27	+ 50%	<b>124</b>	106	+ 17%
EBITDA	€ mill.	<b>7</b>	156	- 96%	<b>580</b>	581	- 0,4%
Operating EBITDA*	€ mill.	<b>117</b>	73	+ 61%	<b>440</b>	293	+ 50%
EBIT	€ mill.	<b>(34)</b>	129	- 127%	<b>456</b>	475	- 4%
Operating EBIT*	€ mill.	<b>87</b>	46	+ 96%	<b>327</b>	187	+ 75%
EBT	€ mill.	<b>(48)</b>	120	- 140%	<b>421</b>	447	- 6%
Operating EBT*	€ mill.	<b>73</b>	37	+ 99%	<b>292</b>	159	+ 84%
Consolidated net income			96	- 116%	<b>322</b>	326	- 1%
Operating consolidated net income	€ mill.	<b>53</b>	33	+ 61%	<b>211</b>	121	+ 75%
Earnings per share	€	<b>0.42</b>	2.33	- 82%	<b>7.33</b>	7.93	- 8%
Gross cash flow	€ mill.	<b>300</b>	128	+ 134%	<b>792</b>	512	+ 55%
Net cash flow	€ mill.	<b>147</b>	293	- 50%	<b>418</b>	85	+ 392%
Capital expenditure (excl. financial fixed assets)	€ mill.	<b>38</b>	26	+ 40%	<b>116</b>	151	- 23%
Copper price (average)	US\$/t	<b>8,982</b>	7,242	+ 24%	<b>9,096</b>	7,036	+ 29%
Human resources (average)		<b>5,387</b>	4,779	+ 13%	<b>5,009</b>	4,754	+ 5%

\* Adjusted by:

1) valuation results from the application of the average cost method in accordance with IAS 2

2) copper price-related valuation effects

3) valuation effects from the purchase price allocation, mainly on property, plant and equipment for acquisitions starting fiscal year 2010/11

### V. DATES AND CONTACTS

#### FINANCIAL CALENDAR

Interim report on the first three months 2011/12	14 February 2012
Annual General Meeting 2012	1 March 2012
Dividend payment 2012	2 March 2012
Interim report on the first half-year 2011/12	14 May 2012
Interim report on the first nine months 2011/12	14 August 2012

#### INVESTOR RELATIONS CONTACTS

Angela Seidler  
Head

Tel. +49 40 7883-3178  
e-mail: [a.seidler@aurubis.com](mailto:a.seidler@aurubis.com)

Dieter Birkholz

Tel. +49 40 7883-3969  
e-mail: [d.birkholz@aurubis.com](mailto:d.birkholz@aurubis.com)

Ken Nagayama

Tel. +49 40 7883-3179  
e-mail: [k.nagayama@aurubis.com](mailto:k.nagayama@aurubis.com)

#### GROUP COMMUNICATIONS CONTACTS

Michaela Hessling  
Head

Tel. +49 40 7883-3053  
e-mail: [m.hessling@aurubis.com](mailto:m.hessling@aurubis.com)

Matthias Trott

Tel. +49 40 7883-3037  
e-mail: [m.trott@aurubis.com](mailto:m.trott@aurubis.com)

---

#### **Disclaimer:**

##### *Forward-looking statements*

*This information contains forward-looking statements based on current assumptions and forecasts. Various known and unknown risks, uncertainties and other factors could have the impact that the actual future results, financial situation or developments differ from the estimates given here. We assume no liability to update forward-looking statements.*