

**NA Group Information**  
on the interim results for the 1<sup>st</sup> half  
of the business year 2000/01  
(October 2000 to March 2001)

## **Good sales of copper products – successful increasing of concentrate processing**

Hamburg, 17 May 2001 – In the 1<sup>st</sup> half of the business year 2000/01 Norddeutsche Affinerie (NA) again showed a stable development in results and achieved a pre-tax profit of 31 million €. In the 2<sup>nd</sup> quarter a significant increase was possible.

The NA Group's consolidated turnover rose to 1 billion € and was therefore 23 % higher than the comparable figure for the previous year.

The strong demand for our copper products continued to sustain the sales side.

As regards metal production, the 1<sup>st</sup> half-year was still impacted by the investment project RWO 2000. The expanded plant capacity for the processing of copper concentrates was constantly being optimised. Due to the standstill in October and November 2000 the throughput, however, was not as high as in the comparable period last year.

The fabrication of the main products in the NA Group, in particular continuous cast shapes with an increase of 17 % to 111,000 tonnes, rose in comparison with the same period in the previous year. The output of the quantitatively strongest product, continuous cast wire rod, was increased by 3 % to 175,000 tonnes.

In the 2<sup>nd</sup> quarter of the business year NA commenced performance-oriented remuneration for its employees, which also included a special bonus for the successful completion of the project „RWO 2000“.

Consolidated key figures		Business year	Business year	Business year
		1999/2000	1999/2000	2000/01
		12 months	6 months	6 months
Turnover	mill. €	1,897	814	<b>1,003</b>
Gross profit	mill. €	342	145	<b>172</b>
Personnel expenses	mill. €	150	67	<b>83</b>
Depreciation	mill. €	33	17	<b>23</b>
Earnings before taxes (EBT)	mill. €	69	36	<b>32</b>
Earnings before taxes (EBT) *	mill. €	65	33	<b>31</b>
EBDIT	mill. €	107	53	<b>58</b>
EBIT	mill. €	74	36	<b>35</b>
DVFA/SG** cash flow	mill. €	78	42	<b>51</b>
Earnings per share	€	1.20	0.65	<b>0.81</b>
Capital expenditure	mill. €	79	35	<b>41</b>
Copper output	1,000 t	702	326	<b>343</b>
Copper price (average)	US\$/t	1,787	1,765	<b>1,806</b>
Number of employees (average)		3,154	2,802	<b>3,202</b>

\* Without minority interests

\*\* As per the German Society of Investment Analysts and Asset Managers/Schmalenbach Gesellschaft

## **Consolidated turnover and profit**

In the 1<sup>st</sup> half-year the consolidated turnover in the NA Group could be increased by 23 % to 1 billion € compared with the previous year (814 million €).

In the same period the NA Group achieved a pre-tax profit of 31 million € without minority interests (previous year: 33 million €).

The slight decline compared with the very good previous year is due to the lower copper concentrate throughput during the scheduled standstill to expand the plant capacity (Project RWO 2000). In addition, the lower refining charges for copper scrap and reduced seasonal earnings at subsidiaries had an impact.

At 58 million € (previous year: 53 million €) the earnings before depreciation, interest and taxes (EBDIT) exceeded the previous year's figure. The earnings before interest and taxes (EBIT) reached 35 million € (previous year: 36 million €).

The earnings per share amounted to 0.81 €

The DVFA/SG cash flow in the amount of 51 million € was largely used for final payments for Project RWO 2000, the installation of the new smelter at Hüttenwerke Kayser in Lünen and the dividend payment.

## **Copper market**

After the decidedly strong growth in copper demand worldwide by about 7 % last year, an increase of 3 % to 15.6 million tonnes is expected for this year.

On account of the slowdown in economic activity in the USA and Japan, growth in Europe with its robust domestic demand should be slightly higher than the global average. Altogether, with a total of more than 4.5 million tonnes, our region represents about 30 % of copper demand worldwide.

After the above-average year 2000, NA's main customers – the electrical engineering and electronics industries – are expecting to develop positively in the current year with a turnover increase of 6 to 7 %.

Due to the slowdown in US economic activity and the resultant drop in demand, the copper stocks declined more slowly in the warehouses of the LME and COMEX, the important metal exchanges for NA. By mid December they had reached a low of 400,000 tonnes and have risen again in the following months until the end of March by about 100,000 tonnes.

As a result, the copper quotation on the London Metal Exchange, which had exceeded the 2,000 US \$ mark for a short time in mid September 2000, dropped to 1,630 US \$ per tonne at the beginning of April. Since then the tendency has been upwards.

Most of the analysts have adjusted their price forecasts slightly in a downwards direction in compliance with the reduced economic expectations. However, they are still anticipating an average quotation for 2001 of 1,850 to 1,900 US \$ per tonne of copper. For the second half of the calendar year, the copper price is expected to rise significantly.

### **Raw material markets**

The terms on the international concentrate markets for long-term agreements remained stable. The treatment and refining charges on the spot markets have meanwhile edged down slightly, but at present have again reached a satisfactory level.

The commissioning of a new large mine in Peru in the middle of the year and the resultant additional concentrate supplies on the market will have a positive effect on treatment and refining charges for us.

The refining charges for copper scrap have deteriorated due to the drop in supplies, above all of copper scrap from Russia and the Ukraine. Our higher production of copper from concentrates after the expansion of the East Smelter (RWO) is to our advantage here.

### **Metal production**

The resumption of production in the RWO at the beginning of November 2000 after the 7 week standstill for repairs and the expansion work ran to schedule.

The new capacity throughput is almost being achieved. In the 1<sup>st</sup> half of the current business year 356,000 tonnes (previous year: 384,000 tonnes) of concentrates could be processed, although the RWO was still at a standstill in the first 6 weeks of the business year.

In the 1<sup>st</sup> half-year 179,000 tonnes of cathodes were produced in the Hamburg tankhouse. Together with the tankhouse in Lünen, the cathode output amounted to almost 270,000 tonnes.

### **Copper products: continuous cast wire rod and shapes**

The production and sales figures for our main products, continuous cast wire rod and shapes, remained at a high level.

For wire rod the strong demand from the cable and wire industry has eased off somewhat compared with the previous year so that the output in the 1<sup>st</sup> half-year could be only slightly increased. However, with a total production of 175,000 tonnes of continuous cast wire rod (previous year: 170,000 tonnes) a very high output could be achieved again.

The production of continuous cast shapes in the 2<sup>nd</sup> quarter was still at a record level. With 111,000 tonnes produced, the already very high output of the previous year (94,000 tonnes) could be exceeded by 17 %. The reason for this was the very good demand for products from the electrical engineering and electronics industries.

### **Human resources**

On average in the 1<sup>st</sup> half-year the NA Group had 3,202 employees. Compared with the same period in the previous year this was an increase of 400 in the Group. This is, above all, due to the integration of Hüttenwerke Kayser AG as per 1.1.2000 as well as the production expansion in NA AG.

The 4<sup>th</sup> tranche of the current share option plan for the management was launched in February 2001. Participation at 97 % is again extraordinarily high and documents the confidence the senior staff have in the company's profitability and strengths.

In March the 1<sup>st</sup> tranche was successfully concluded since the NA share price had outperformed the CDAX. As a result, the senior staff could for the first time as of 26 March exchange the convertible bonds they acquired in the 1<sup>st</sup> tranche for 353,000 new NA shares in accordance with the AGM resolution.

## **Outlook**

The signs for a temporary economic downturn in Germany and in Europe are becoming more apparent. However, the order and earning situation in the German industry, including above all in mechanical engineering and the construction of plants, the chemical industry and electrical engineering hardly reflects this. Overall, their forecasts continue to be very optimistic.

This positive assessment also applies to Norddeutsche Affinerie's customer industries. As in the previous years, the situation in the construction industry is the exception: the lack of demand from the new building sector is still felt.

The present and anticipated order position is at a very high level for our most important products, continuous cast wire rod and shapes; for shapes we are even expecting record figures again.

NA's supply of copper concentrates is almost fully assured beyond the current business year, with stable treatment and refining charges. In contrast, the secondary copper markets are quantitatively under pressure due to the metal prices and the severely restricted export of scrap from the CIS states. This also affects Hüttenwerke Kayser in Lünen. This situation on the scrap markets can be combated by the NA Group's targeted concentration on more profitable, complex secondary raw materials and the optimisation of the material flow between the Hamburg works and the Lünen works. The new smelter at Hüttenwerke Kayser is aiming at this raw material segment.

After the capacity expansion in the 1<sup>st</sup> half of the business year, it was not yet possible to compensate fully for the loss of concentrate throughput resulting from the standstill at the beginning of this business year. However, since we are now approaching the sustained higher throughput capacity and with the further optimisation of the production plant for oxygen-free copper qualities, which was started up in autumn 2000, we are expecting additional earning potential compared with the 1<sup>st</sup> half-year.

In the 2<sup>nd</sup> half of the current business year we shall steadily continue our measures to reduce costs and increase efficiency further. This applies, above all, to our energy savings programme eNergiA, which will be completed in December 2001 after a lifetime of 3 years.

Our estimation for the 2<sup>nd</sup> half of the current business year and thus for the whole of the business year is therefore positive despite the slowdown in economic activity. From today's viewpoint, we are expecting a profit which will be near the previous year's profit, taking into account the loss of concentrate throughput due to the standstill.

## Consolidated cash flow statement

('000 €)	1 <sup>st</sup> half-year 2000/2001	1 <sup>st</sup> half-year 1999/2000
1. Group profit	26,276	22,134
2. Balance from depreciation on and additions to fixed assets	22,834	17,231
3. Changes in long-term provisions	2,579	2,703
4. Other expenses and income not affecting cash flow	-650	-11
<b>5. DVFA/SG cash flow</b>	<b>51,039</b>	<b>42,057</b>
6. Changes in short-term provisions	-21,972	-1,085
7. Cash flow movements due to investments in associated undertakings	-357	-51
8. Profits and losses from the disposal of fixed assets	-224	-146
9. Changes in inventories	-56,227	-46,285
10. Changes in trade accounts receivable and sundry assets	-17,697	-27,481
11. Changes in trade accounts payable and sundry liabilities	23,571	11,102
<b>12. Cash outflow from current operating activities</b>	<b>-21,867</b>	<b>-21,889</b>
13. Disposals of fixed assets	430	244
14. Additions to fixed assets (including changes in the circle of consolidated companies)	-41,305	-71,609
<b>15. Cash outflow from investing activities</b>	<b>-40,875</b>	<b>-71,365</b>
16. Receipts from the issuing of loans and bank loans and overdraft	92,909	84,052
17. Payments from the redemption of loans and bank loans and overdraft	-5,624	-4,517
18. Dividend payments of the AG	-24,000	0
19. Dividend payments from subsidiaries to third parties	-2,139	0
<b>20. Cash inflow from financing activities</b>	<b>61,146</b>	<b>79,535</b>
21. Changes in financial resources	-1,596	-13,719
22. Financial resources at beginning of period	9,764	24,565
<b>23. Financial resources at end of period</b>	<b>8,168</b>	<b>10,846</b>

## Consolidated profit and loss account

('000 €)	1 <sup>st</sup> half-year 2000/01	1 <sup>st</sup> half-year 1999/00
Turnover	1,002,674	814,021
Variations in inventories of finished goods and work in process	79,835	62,735
Own work capitalised	2,529	2,631
Other operating income	22,053	5,484
Cost of raw materials and supplies	(935,473)	(739,608)
Gross profit	171,618	145,263
Personnel expenses	(83,422)	(66,956)
Depreciation on fixed assets	(23,224)	(17,151)
Other operating expenses	(30,720)	(25,399)
Income from investments	349	(29)
Net interest	(2,939)	(159)
Result of ordinary activities	31,662	35,569
Taxes on income	(5,386)	(13,435)
Profit for the period	26,276	22,134
Profits/losses attributable to minority interests	(482)	(1,251)
Consolidated profit	25,794	20,883