

**NA Group Report
on the preliminary results for fiscal year 2004/05
– 1 October 2004 to 30 September 2005 –**

Norddeutsche Affinerie increases earnings and raises dividend

Hamburg, 20 December 2005 – In fiscal year 2004/05 Norddeutsche Affinerie (NA) generated earnings before taxes of € 90 million, almost double the previous year's result (€ 47 million). Revenues rose to € 3 billion (€ 2.5 billion in the previous year). The revenue increase is attributable to stable product sales and strongly increased metal prices.

Due to the very good annual surplus it will be possible at the Annual General Meeting on 30 March 2006 to recommend the payment of a dividend in the amount of € 1 per share (€ 0.65 in the previous year).

The copper market continued to be determined by very high demand, above all in China. Stocks at the metal exchanges reached historical lows and the copper price rose by almost 30 %. The market for copper concentrates showed a very positive trend. In contrast, the availability and margins for copper scrap were only at a satisfactory level. The market for recycling materials developed well.

NA has succeeded again in improving productivity and its cost position. Thus, 1,091,000 tonnes of copper concentrates (1,021,000 tonnes in the previous year) were processed. The copper tankhouses produced 558,000 tonnes of copper cathodes (522,000 tonnes in the previous year).

Output and sales of the main copper products were at a very high level, but under the peak figures of the previous year. Sales of rolled products suffered generally from the difficult economic environment in Europe and the increase in competition.

A total of 375,000 tonnes of continuous cast wire rod (399,000 tonnes in the previous year) was produced. The output of continuous cast shapes in Hamburg amounted to 237,000 tonnes (257,000 tonnes in the previous year). With a total output of 233,000 tonnes of pre-rolled strip, Schwermetall Halbzeugwerk (NA share: 50 %) maintained approximately the previous year's production volume (244,000 tonnes). Prymetall in Stolberg had a significant decline with an output totalling 62,000 tonnes of rolled and wire products (76,000 tonnes in the previous year).

Consolidated key figures of the NA Group in accordance with IFRS (preliminary)		Fiscal 2003/04	Fiscal 2004/05
		12 months 01.10.-30.09.	12 months 01.10.-30.09. preliminary
Revenues	€m	2,481	3,022
Gross profit	€m	388	442
Personnel expenses	€m	180	189
Depreciation and amortisation	€m	70	64
EBITDA	€m	129	163
EBIT	€m	58	99
Earnings before taxes	€m	47	90
Consolidated net income	€m	27	61
Earnings per share	€	0.76	1.77
Gross cash flow	€m	118	137
Capital expenditure	€m	28	33
Copper price (average)	US\$/t	2,607	3,382
Number of employees (average)		3,206	3,158

1. NA Group's financial position and profitability

As in the previous years, the NA Group is reporting for fiscal year 2004/05 in accordance with International Financial Reporting Standards (IFRS). However, the revised standards IAS 1, IAS 32 and IAS 39 as well as the newly published IFRS 2 and IFRS 3 have been included for the first time. The changes affect the presentation of financial statements, the recognition, measurement and presentation of financial instruments as well as the inclusion of share-based remuneration systems and business combinations.

Since 30 September 2004 the number of consolidated companies has been increased by the new addition to the Group, EIP Metals Ltd., Birmingham (UK), and CIS Solartechnik GmbH & Co. KG, Bremerhaven, in which Norddeutsche Affinerie AG holds a 50 % stake.

Profitability

Revenues rose to € 3,022 million (€ 2,481 million in the previous year). The increase was due to stable product sales and the significant rise in metal prices.

Gross profit amounted to € 442 million, up from € 388 million in the previous year.

Personnel expenses in the Group also rose, by € 9 million to € 189 million. The main part of this increase was attributable to provisions within the framework of the performance-oriented remuneration system as well as union wage-scale increases. In addition, the circle of consolidated companies has been enlarged by our English subsidiary EIP Metals and the joint-venture company, CIS-Solartechnik.

Depreciation and amortisation declined to € 64 million from € 70 million in the previous year. This includes impairment losses in the amount of € 8 million on the goodwill of Prymetall GmbH & Co. KG.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) were up € 34 million year-on-year to € 163 million (€ 129 million in the previous year). Earnings before interest and taxes (EBIT) also rose substantially to € 99 million compared with € 58 million in the previous year.

Overall the NA Group generated earnings before taxes in the amount of € 90 million in fiscal year 2004/05 (€ 47 million in the previous year). This was the result of the following factors:

- Higher treatment and refining charges resulted in increased earnings in the copper production sector.
- Production and sales of continuous cast wire rod and shapes as well as pre-rolled strip remained at a high level.
- Earnings of the subsidiaries Prymetall and Schwermetall Halbzeugwerk significantly improved.
- The effect of prices on the copper market could be utilised.
- Impairment losses in the amount of € 8 million on the goodwill of Prymetall had an adverse impact on earnings.

The consolidated net income including minority interest amounts to € 61 million, up from € 27 million of the previous year. This results in earnings per share in the amount of € 1.77 (€ 0.76 in the previous year).

The annual net income of NA AG, on which the dividend is based, amounts to € 45 million. We will recommend a dividend payment of about € 34 million at the Annual General Meeting. This would correspond to a payout ratio of 75 %, which continues our attractive dividend policy up to now.

The dividend would amount to € 1 per share, which would be a yield of 5.4 % as at 30 September 2005.

Together with the profit carried forward from the previous year (€ 11 million), this would result in € 22 million being allocated to reserves. This step would strengthen the company's equity base.

Financial position and investment

Gross cash flow totalling € 137 million was € 19 million up on the previous year (€ 118 million), primarily attributable to the higher earnings. This again is a reflection of NA's strong cash flow.

At € 33 million, capital expenditure was € 5 million up on the previous year (€ 28 million). Capital expenditure was focused on several projects to reduce costs and enhance energy efficiency as well as on the modernisation of the precious metal processing facilities, a material preparation installation for recycling materials in Lünen and environmental protection measures in the secondary smelter in Hamburg.

The strong operating cash flow has resulted in a further reduction of net financial liabilities by € 58 million to € 95 million.

2. Copper market

The boom on the copper market has gained in strength. The copper price reached new historical highs in the second half of September at US\$ 3,978/t (cash settlement) and US\$ 3,799/t (3-month quotation). Thus, the copper price has risen by almost 30 % over the course of the fiscal year.

Despite the high mining output, the copper supply was unable to keep up with the strongly increasing demand emanating primarily from China. This was additionally aggravated at mines and smelters by technical disturbances and strikes. At times global production was limited by scheduled maintenance standstills.

Copper stocks in the warehouses of the metal exchanges dropped to extreme lows and demonstrated the physical shortage on the market. Also the copper-processing enterprises maintained hardly any stocks due to the high copper price.

Funds and other investors, which target investments in copper futures or raw material securities, strengthened the price rise.

In the 4th quarter of the fiscal year the price did not ease, as expected, due to the summer plant shutdowns in the copper industry of North America and Europe. On the contrary, there was a significant uptrend. This was remarkable because global copper demand in August fell – as usual for the time of year - to an annual low. The reason for the low demand was both unfavourable industrial economic activity as well as the summer break in the processing industry. Regionally there were meanwhile very disparate trends. Demand in the core markets of Europe and the U.S.A. noticeably slowed down in 2005, while two-digit growth rates were registered in the booming markets of China and India.

It was still expected in the first half of 2005 that there would again be substantial excess production in the second half-year. However, according to the statistics of the International Copper Study Group, this did not happen. The copper statistics still show a global production deficit of 114,000 tonnes for the period January to August.

3. NA's Operating Segments

Copper Production Segment

Raw material markets

Developments on the market for copper concentrates are very positive. Production at the mines is high due to the increased copper price. The supply of concentrates substantially exceeds the smelters' processing capacities.

Treatment and refining charges (TC/RCs) for the spot concentrate business rose at times to historical highs and those for long-term agreements also improved noticeably in the course of the year. On the copper concentrate market, there was initially a countermovement in the 4th quarter after the peak TC/RCs of US\$ 200/t and cents 20/lb in the spot business. Strikes adversely impacted the mining output and China's demand for concentrates increased. However, the excess concentrate supplies on the market rose again as production increased. Consequently, TC/RCs in the spot market picked up again.

The situation on the European copper scrap market improved when the Chinese buyers were more reserved in their activities. However, there was again a shortage in supplies, particularly at the end of the quarter. Stock levels in the trade are very low. Although the high copper price ensured that the availability of supplies was good, demand was still strong and came not only from copper smelters but also from the semi-finished product and brass fabricators. The availability of recycling raw materials containing copper and precious metals, i.e. electronic scrap, was satisfactory.

Cathodes and precious metals

Hamburg

In the fiscal year 1,091,000 tonnes of concentrates were processed, a 7 % increase over the previous year's throughput of 1,021,000 tonnes. With good concentrate supplies, the primary smelter was fully utilised during the whole fiscal year. In the 4th quarter 269,000 tonnes of copper concentrates (250,000 tonnes in the previous year) were treated.

Cathode output in the fiscal year amounted to 375,100 tonnes (354,000 tonnes in the previous year). A total of 96,000 tonnes of copper cathodes were produced in the Hamburg copper tankhouse in the 4th quarter (94,000 tonnes in the previous year).

In line with the higher quantity of concentrates processed, the sulphuric acid output at 1,073,000 tonnes significantly exceeded the previous year's production (992,000 tonnes). Since the market for sulphuric acid stayed in relatively short supply, we could substantially increase our year-on-year revenues due to both increased unit sales and prices. Sulphuric acid output in the 4th quarter amounted to 259,000 tonnes (243,000 tonnes in the previous year).

The modernisation of NA's precious metal processing facilities was completed when the silver electrolysis was commissioned in January 2005. As a result, the precious metal content in the raw materials for the primary and secondary smelters could be increased further. Silver output rose by 11 % to 880 tonnes year-on-year (765 tonnes in the previous year). Gold production totalling 29 tonnes was also considerably up on the previous year (21 tonnes).

Lünen

The recycling facilities in Lünen were utilised to capacity. The throughput in the Kayser Recycling System (KRS) exceeded the previous year's quantity by 9 %. The processing of electric and electronic scrap could also be considerably increased.

With a good copper scrap supply, anode production rose 8 % compared with the previous year. Together with the anode supply from Hamburg, the tankhouse capacity could be utilised to the full. 182,000 tonnes of cathodes were produced (168,000 tonnes in the previous year). In the 4th quarter cathode output amounted to 46,000 tonnes (46,000 tonnes in the previous year).

The total cathode output in the NA Group amounted to 558,000 tonnes of cathodes (522,000 tonnes in the previous year) and was thus an all-time high.

Copper Processing Segment

Product markets

Demand for NA's wire rod and strip from the European capital goods industry, power generation and distribution as well as the drive engineering industry were stable. In contrast, demand from the construction industry and the refrigeration and air conditioning sectors did not meet expectations.

The constantly rising copper price over the last fiscal year weighs on our product markets: the danger of substituting copper for plastic or aluminium is increasing, in addition, our customers' financial requirements are rising significantly. This forces fabricators to conduct very tight inventory management and order at very short notice.

The order intake in the 4th quarter indicated that the economic environment would improve.

Wire rod (ROD)

The production quantities achieved were at a stable level. However, due to weaker demand in the cable and wire industries, they were 6 % down on the previous year's all-time highs. Despite the stagnating Central European sales market and the partial relocation of cable manufacturers for the car industry to Eastern Europe, we succeeded in keeping our market share and in some sectors even enhancing this. In total, output amounted to 375,000 tonnes (399,000 tonnes in the previous year). In the 4th quarter, the NA Group produced 84,000 tonnes of wire rod (98,000 tonnes in the previous year).

Continuous cast shapes and pre-rolled strip (CAST/ROLL)

Our high-grade continuous cast products were in demand, particularly for applications in telecommunications, but also for the electrical engineering and electronic industries. The weakening of the Euro against the U.S. dollar improved the competitiveness of our export-oriented customers on the export markets.

The continuous casting facilities in Hamburg produced 237,000 tonnes of shapes, some 7.5 % down on the previous year's level (257,000 tonnes). In the 4th quarter 58,000 tonnes were produced (68,000 tonnes in the previous year).

After weak demand for pre-rolled strip in the fiscal year, demand began to pick up again mid September. This uptrend has come from many industrial sectors and areas of application, but is also impacted by short delivery terms. Also demand for alloys, e.g. for the production of coins has increased.

At 233,000 tonnes the total output of pre-rolled strip for the fiscal year was some 5 % down on the previous year's figure (244,000 tonnes). 57,000 tonnes were produced in the 4th quarter (64,000 tonnes in the previous year).

Strip and wire (Prymetall)

Prymetall's situation has improved but is still unsatisfactory. In total, 62,000 tonnes of strip and wire were produced, almost 20 % less than in the last fiscal year (76,000 tonnes). This drop was almost only due to a decrease in sales of mass products for export with low profit margins. The overall higher margins and the success of our cost cutting programme enabled a very positive result to be generated despite the decline in sales. Prymetall's output in the 4th quarter totalled 15,000 tonnes (21,000 tonnes in the previous year). This positive result is, however, still unsatisfactory when assessed on the basis of our business targets.

The integration of the slitting centre EIP Metals Ltd, Birmingham, was completed on schedule. It has weighed on the annual results due to restructuring costs.

4. Human resources

At the end of the fiscal year the NA Group had 3,187 employees including apprentices (3,185 in the previous year). Last fiscal year two companies were consolidated for the first time: EIP Metals (33 employees) and CIS Solartechnik GmbH & Co. KG (50 %: 4 employees).

Personnel expenses increased by € 9 million year-on-year. The rise in personnel expenses is due to the tariff wage-scale increase, provisions within the framework of the performance-oriented remuneration system and the extension of the circle of consolidated companies.

The Group's tariff employees were given the opportunity to acquire NA shares at a discount. More than 1,000 employees took advantage of this offer and acquired a total of 21,279 shares.

This year NA is again going to fulfil its obligations as a major provider of apprenticeships for young people. With 220 apprentices at the end of the fiscal year, the share of apprentices in the workforce could once again be increased from the previous year's 6.7 % to 6.9 % this year.

On 14 December 2005 the Supervisory Board appointed Dr Bernd Drouven as a full member of NA's Executive Board effective 1 January 2006. Within the framework of his activities on the Board, he will assume responsibility for all the financial and accounting operations in the NA Group.

5. Corporate Governance

The Corporate Governance Code has been revised (status 2 June 2005). NA welcomes the new regulations in the Code and will apply these within the Group. As one of the new main features, the Code recommends that the Supervisory Board has a sufficient number of independent members. The Supervisory Board has examined this circumstance and has reached the conclusion that it has a sufficient number of independent members in terms of the Code.

6. Research and Development

The construction of a CIS pilot plant has begun. An existing building in the Hamburg site will be adapted to accommodate the pilot plant by March 2006. Commissioning is scheduled for autumn 2006. It is planned that the pilot phase of the project will be completed by the end of 2007.

7. Operating and strategic measures to increase enterprise value

Operating measures

Projects have been implemented in the NA Group in the last two years to enhance performance with a potential of some € 80 million. All the measures have taken effect and have contributed to the positive trend in NA's earnings.

The current trend on the German energy markets also represents an increasing threat for NA. Together with federations and other German industrial enterprises, NA is therefore campaigning against the energy price trend in Germany both in public and at a political level.

On the operating side we are working with urgency on further measures to reduce energy consumption and increase energy efficiency. The most important step in reducing energy costs is the erection of a 100 MW substitute fuel (SF) power plant. NA has succeeded in winning over the Hamburg Sanitary Department, which is wholly-owned by the City of Hamburg, as a strategic partner for this project. The official and public licensing procedure for the SF power plant will be initiated soon. From fiscal year 2008/09 onwards, the power plant will supply both NA sites in Hamburg and Lünen with electricity at a price which is significantly less than today's price on the Leipzig Energy Exchange.

Strategic measures

NA is working intensively on the internationalisation of its business and on its entry into growth regions. Thus, a Letter of Intent was signed between NA and the Chinese private investors on 14 December 2005 for a joint venture on a copper smelter and rod plant in China. In NA's view, the project offers good prospects for entering the booming Chinese market. Essential aspects of the project must still be clarified with the Chinese investors during the joint venture negotiations, which are to be held at the beginning of 2006. These include the financing side, the smelter's long-term supply of copper concentrates as well as the inclusion of a power plant for the works' power supply.

8. Outlook

The strong demand for copper and copper products will also last through 2006. This applies for the markets in North America and, first and foremost, in Asia. An overall improved economic climate in the European core markets, above all in Germany, would also result in increased demand for copper. This is the result of increasing investment activity. At the same time the rise in the US dollar against the Euro assists exports overseas. If the copper price stays at its present height, this would have an adverse impact on the demand for standard products and would drive on the substitution of copper in the pipe and roof sector.

In 2006 it is expected that copper cathodes will generally remain in short supply. This is still reflected in the high annual premiums for copper cathodes amounting to US\$ 105 per tonne.

NA is assuming that the situation on the copper concentrate markets will remain good. This applies to the availability of supplies just as the treatment and refining charges. On the other hand, the copper scrap markets should continue to be tight. The market for other recycling materials, especially electronic scrap, will improve again on account of the new legislation (electronic scrap ordinance) taking effect in 2006.

The trend in the market for NA's main products (continuous cast wire rod and shapes, pre-rolled strip) is stable and has improved in some sectors. The market for thin strip will remain under pressure. Nevertheless, slight tendencies towards improvement can also be detected here.

In the new fiscal year NA will also do everything possible to improve productivity and its cost position further. An important step towards this was the forward scheduling of the stoppage in the concentrate processing facilities in the primary smelter for general repairs and maintenance, which will have a very positive impact on the fiscal year as a whole. The standstill additionally weighs on the 1st quarter which is usually affected by repair and maintenance work. However, it is already foreseeable today that the impact on the 1st quarter's results will be relatively small compared with the 1st quarter of the previous year. Thus the positive outlook for the whole fiscal year will hardly be affected.

Altogether NA therefore expects business performance in the new fiscal year again to follow the same positive trend of fiscal year 2004/05.

Financial calendar

31 January 2006	Interim report on 1 st quarter 2005/06, Annual press conference and analysts' conference
30 March 2006	Annual General Meeting
11 May 2006	Interim report on 2 nd quarter 2005/06
10 August 2006	Interim report on 3 rd quarter 2005/06
19 December 2006	Preliminary results of fiscal year 2005/06

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.