

**Interim Report**  
**on the 1<sup>st</sup> Quarter of**  
**fiscal year 2007/08**

**1 October 2007 to 31 December 2007**

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1<sup>st</sup> quarter of fiscal year 2007/08

## Norddeutsche Affinerie AG again generates excellent results in the 1<sup>st</sup> quarter of fiscal year 2007/08

Hamburg, 13 February 2008 – In the 1<sup>st</sup> quarter of fiscal year 2007/08 Norddeutsche Affinerie AG achieved a pre-tax profit (EBT) of € 88 million (€ 39 million in the prior year). This includes positive contributions to earnings from backwardation that had already been hedged in the prior year and valuation effects in the amount of € 47 million. Nevertheless, the result represents a significant increase compared with the comparable period of the prior year. Revenues declined slightly to € 1.41 billion (€ 1.47 billion in the prior year) due to the metal prices.

**EBT more than doubled in the 1<sup>st</sup> quarter**

Little has changed in the fundamental situation on the copper market. We are still assuming that global copper demand will remain good overall. However, due to uncertainties about the future trend in the global economy, the prices for copper were volatile and came under pressure at times after reaching an annual high in October 2007.

The raw material markets had a positive showing. There have been first signs of improved concentrate availability in the spot market. The copper scrap market was characterised by good material availability and high refining charges. In the Copper Production Segment concentrate processing with a throughput of 260,000 tonnes (278,000 tonnes in the prior year) did not reach the targeted level on account of scheduled maintenance work and expansion measures. The cathode output rose further to 146,000 tonnes (142,000 tonnes in the prior year) due to a higher copper scrap input.

The Copper Processing Segment benefited from the continued good demand in the cable and wire industries in NA's European core markets. The production of continuous cast copper wire rod increased once again to 108,000 tonnes (102,000 tonnes in the prior year). At 47,000 tonnes, the output of continuous cast shapes was clearly down on the prior year (60,000 tonnes). Overall, higher shape surcharges were achieved in the Copper Processing Segment.

On 16 January 2008 Dr Bernd Drouven was appointed as NA's new Chief Executive Officer.

Soon after the EU Commission gave its approval to the Cumerio takeover on 23 January 2008, we started the tender process to acquire the shares, which is scheduled to end on 15 February. After the decision of A-TEC-Industries AG to tender its 25 % Cumerio share block to NA, we are confident that the takeover will be realised quickly and successfully. NA decided to bring forward the AGM to 29 February 2008 in Hamburg and will thus be able to give an up-to-date report on the takeover process.

**Cumerio tender started**

**1<sup>st</sup> quarter of fiscal year 2007/08**

## 1. CONSOLIDATED KEY FIGURES

before revaluation of LIFO inventories using the average cost method

		12 months 06/07	1 <sup>st</sup> quarter 06/07	1 <sup>st</sup> quarter 07/08	Difference in %
Revenues	€m	6,469	1,469	<b>1,415</b>	<b>-4%</b>
Gross profit	€m	639	122	<b>184</b>	<b>+51%</b>
Personnel expenses	€m	215	49	<b>56</b>	<b>+14%</b>
Depreciation and amortisation	€m	58	13	<b>14</b>	<b>+8%</b>
EBITDA	€m	318	53	<b>106</b>	<b>+100%</b>
EBIT	€m	260	40	<b>92</b>	<b>+130%</b>
EBT	€m	251	39	<b>88</b>	<b>+126%</b>
Net income	€m	159	23	<b>60</b>	<b>+161%</b>
Earnings per share	€	4.24	0.62	<b>1.52</b>	<b>+ 145 %</b>
Gross cash flow	€m	231	38	<b>77</b>	<b>+ 103 %</b>
Capital expenditure (excl. financial assets)	€m	94	15	<b>18</b>	<b>+ 20 %</b>
Copper price (average)	US\$/t	7,088	7,087	<b>7,239</b>	<b>+2%</b>
Human resources (average)		3,219	3,223	<b>3,284</b>	<b>+ 2%</b>

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

The NA Group is still reporting in accordance with the International Financial Reporting Standards (IFRS). The explanations on the quarterly results are initially given in the following without the effects of the revaluation of LIFO inventories using the average cost method. These will then be reported separately afterwards.

### Results of operations

The NA Group generated unusually high earnings before taxes (EBT) in the 1<sup>st</sup> quarter of fiscal year in the amount of € 88 million (€ 39 million in the prior year).

The results were mainly influenced by the trend in prices on the copper market. On account of the trend in the copper price, the backwardation that had been hedged in advance was recognised in income in the amount of about € 32 million. In addition, the effects of inventory valuation had a positive impact due to the declining copper price. This occurs when metals that have not yet been price-fixed are initially temporarily valued at the daily price and are finally accounted for after price-fixation. This procedure results in valuation gains when metal prices are declining. The valuation effect contributed some € 15 million to earnings.

Earnings positively impacted by backwardation and valuation effects

In addition to these price effects, the trend in business was determined by the following factors compared with the 1<sup>st</sup> quarter of the prior year:

- Strong performance in the processing of concentrates and metal scrap
- Increased cathode output
- Declining but still good level of refining and treatment charges for concentrates and of refining charges for scrap
- Higher sales and increased revenues for wire rod
- Decline in sales with improved revenues for continuous cast shapes
- Increased personnel expenses due to profit-sharing bonuses
- Decline in production and sales of pre-rolled strip and finished strip with improved revenues

The Group's revenues amounted to € 1,415 million in the 1<sup>st</sup> quarter 2007/08, compared with € 1,469 million in the prior-year period. The reason for the slight decline is, in particular, the lower copper price on a euro basis.

The gross profit at € 184 million was significantly higher than in the 1<sup>st</sup> quarter of the prior year (€ 122 million). The aforementioned earning effects are reflected here.

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Personnel expenses likewise rose from € 49 million in the prior year to € 56 million in the current fiscal year, not only due to profit-sharing bonuses and wage-scale increases, but also to the higher average number of employees. The rise in personnel is due above all to the production sector (+41), the first-time consolidation of Prymetall Slovakia s.r.o. (+7) as well as a further increase in apprentices (+13).

Depreciation and amortisation at € 14 million was slightly up in the prior-year period (€ 13 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) totalling € 106 million reached an extraordinarily high level, after the EBITDA had already achieved the high level of € 53 million in the prior-year period. Accordingly, earnings before interest and taxes (EBIT) amounted to € 92 million (€ 40 million in the prior year).

After including net interest expense, earnings before taxes amounted to € 88 million (€ 39 million in the prior year). The rise in net interest expense is attributable to the funding of the shares acquired in Cumerio N.V./S.A. (Cumerio), Brussels.

After deduction of income taxes, the consolidated net income amounted to € 60 million for the 1<sup>st</sup> quarter 2007/08 (€ 23 million in the prior year). The tax rate was reduced from 41 to 32 % on account of the Corporate Tax Reform Act 2008.

Tax rate reduced  
to 32%

After elimination of minority interest, this results in earnings per share of € 1.52 (€ 0.62 in the prior year).

### Financial position and capital expenditure

The very significant rise in earnings caused the gross cash flow to increase to € 77 million (€ 38 million in the prior year). The relatively lower tax expense is noticeable here.

The utilisation of attractive market conditions in the procurement of raw materials, such as copper scrap and concentrates, resulted in an increase in inventories and working capital. This resulted in a cash outflow from operating activities for the 1<sup>st</sup> quarter 2007/08 (net cash flow) of € 9 million. There was a cash inflow in the prior year of € 38 million.

Capital expenditure amounted to € 18 million in the reporting period (€ 15 million in the prior year). It focused, above all, on expansions in concentrate processing as part of the Future RWO project as well as measures to increase the capacity in the rod plant in Hamburg. In addition, capital expenditure was directed into various smaller projects, e.g. the expansion of the electronic scrap processing and the bismuth removal facility.

Proceeds in the amount of € 97 million resulted from NA AG's capital increase on 9 November 2007. Thus, the Group had cash and cash equivalents in the amount of € 86 million as at 31 December 2007.

### Net assets

Total assets declined by some 4% to € 1,858 million as at 31 December 2007, after amounting to € 1,940 million at the end of the prior fiscal year. This significant reduction in trade accounts receivable (€ - 141 million), as well as other current receivables and assets (€ -164 million) was due to lower copper

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prices and reduced revenues for seasonal and year-end reasons as well as lower fair values of derivative financial instruments. This was countered by the build-up of inventories (€ +150 million) and higher cash and cash equivalents (€+66 million).

The good results for the quarter and the capital increase resulted in a rise in equity from € 654 million at the end of the prior fiscal year to € 825 million as at 31 December 2007. On this basis, the equity ratio amounts to 44 % as at the balance sheet date, compared with 34 % as at 30 September 2007.

Excellent equity ratio

Financial liabilities only changed slightly compared with 30 September 2007. Thus, as at 31 December 2007, the current financial liabilities amounted to € 148 million (€ + 2 million), the non-current financial liabilities € 154 million (€+ 1 million). The resultant gearing at 26 % is at a very low level as at 31 December 2007 (43 % as at 30 September 2007).

Trade accounts payable declined significantly by € 143 million to € 302 million. Income tax liabilities (€ - 33 million) and other current liabilities (€ - 90 million) were also considerably lower.

### **Effects on valuation due to the amendment to IAS 2**

As a result of the current stipulations of IAS 2, all available inventories have to be measured using the average cost method since 1 October 2005. This causes considerable discontinuity due to changes in the carrying amounts in the event of metal price fluctuations. These are, however, fictitious earnings which give an economically incorrect impression of the results of operations, financial position and net assets. Consequently, 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, we have up to now given the details of the results of operations, financial position and net assets of the NA Group without the effects of the revaluation of LIFO inventories. We will now comment on the changes in results of operations, financial position and net assets after applying the average cost method.

### **Results of operations**

The revaluation of LIFO inventories using the average cost method results in a reduction in the gross profit, earnings before interest, taxes, depreciation and amortisation (EBITDA), earnings before interest and taxes (EBIT) as well as earnings before taxes (EBT) of € 14 million each (€ 34 million increase each in the prior year). This was mainly due to the necessary write-downs in the amount of € 39 million on account of the reduced prices of some metals. The revaluation of LIFO inventories results in a € 10 million lower consolidated net income after the recognition of deferred taxes (€ 21 million higher in the prior year).

After elimination of minority interest from the consolidated net income, the revaluation results in earnings per share of € 1.27 (€ 1.17 in the prior year).

### **Financial situation**

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

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### Net assets

After revaluation of LIFO inventories as at 31 December 2007, fixed assets declined by 4 % to €2,226 million, after €2,321 million at the end of the last fiscal year. At the same time, inventories rose by €136 million.

The Group equity amounted to €1,075 million after revaluation of LIFO inventories, which means an equity ratio of 48 %. At the end of the last fiscal year, equity amounted to €914 million which resulted in an equity ratio of 39 %.

On this basis, gearing in the Group amounts to 20 % as at 31 December 2007, compared with 31 % as at 30 September 2007.

## 3. COPPER MARKET

The turbulences on the international financial and credit markets increased in the 1st quarter of the fiscal year. The copper prices came under pressure on account of the increasing risks for the development of the global economy and the resultant consequences for global demand for raw materials. During the first few days in October, the copper price at US\$ 8,301/t (settlement) reached a yearly high, but then weakened, mostly due to declining physical business before the Christmas holiday and year-end period. In addition, funds cancelled their raw material positions. After briefly dropping to below US\$ 6,300/t mid-December, the copper price had recovered to US\$ 6,676/t by the end of the quarter.

With overall improved availability of copper on the market, the mood of uncertainty increased. The copper stocks in the international warehouses of the London Metal Exchange rose from about 130,000 t to almost 200,000 t, partly due to the movement of tonnages from other stocks. There were no unusual disruptions in the production of copper worldwide.

Overall, the fundamental situation on the copper market in the 1<sup>st</sup> quarter was better than the pessimistic basic mood suggested. Copper demand in China and the other emerging markets remained at a high level and made up for weakness in other regional markets. The continued insufficient copper output could not fully cover the demand on the copper market.

**Fundamentally  
still a strong  
copper market**

## 4. OPERATING SEGMENTS

### COPPER PRODUCTION SEGMENT

The raw material basis of the Copper Production Segment for the production of copper cathodes and precious metal is provided in the form of copper concentrates and recycling materials. The main production sites are located in Hamburg and Lünen.

The positive trend of the last fiscal year continued in the 1<sup>st</sup> quarter. The treatment and refining charges for concentrates were slightly down; refining charges for recycling raw materials in contrast were still at a high level. After completion of scheduled maintenance work in the Hamburg and Lünen production sectors, production was immediately resumed again at full capacity. Earnings include backwardation and valuation effects in the amount of €17.7 million.

1<sup>st</sup> quarter of fiscal year 2007/08**Key figures as per IFRS**

Copper Production Segment in € thousand	1st quarter 06/07	1st quarter 07/08	Difference in %
Revenues	1,126,531	<b>1,069,873</b>	<b>- 5</b>
EBIT	30,642	<b>53,497</b>	<b>+ 75</b>
EBT	30,399	<b>52,184</b>	<b>+ 72</b>

Before revaluation of LIFO inventories using the average cost method

**Raw material markets**

The spot market for copper concentrates has recovered slightly in the last few months. The supply has increased significantly due to good mining output with comparably few disruptions to production. The treatment and refining charges have therefore increased accordingly. Our plant for concentrate processing was very well supplied in the 1st quarter of the new fiscal year.

**Increased  
availability of  
concentrates**

The market for blister copper and other intermediates also remained at a good level. The supply of precious metal-bearing raw materials continued to be good on account of the high metal prices.

Material availability on the copper scrap market was likewise good with high refining charges. As a result of the favourable market combination, we could substantially increase our number of long-term agreements for 2008. The supply of other recycling materials, in particular alloy scrap, shredder material and electrical and electronic scrap was good in the first half of the quarter. The declining copper prices then caused the supply to decline significantly, while at the same time Asian competitors, in particular in North America, showed increased buying interest.

**Cathodes and precious metals**Hamburg

The primary smelter (RWO) was well supplied with copper concentrates and recycling raw materials. Scheduled maintenance work and preparatory measures for the 5 % capacity increase planned for mid-2008 only affected concentrate processing to a limited extent. A throughput of 260,000 tonnes of copper concentrates was processed (278,000 tonnes in the prior year).

A total of 255,000 tonnes of sulphuric acid was produced from the sulphur contained in the copper concentrates (272,000 tonnes in the prior year). The revenues from sulphuric acid sales have improved on a shortage of supplies. High prices can currently be realised above all for overseas business.

The Hamburg copper tankhouse was fully utilised and produced 96,000 tonnes of cathodes (95,000 tonnes in the prior year). An anode surplus from the Hamburg primary smelter was delivered as additional supplies to the Lünen tankhouse.

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With 313 tonnes of silver produced in the first quarter, the output in the prior-year quarter (309 tonnes) was exceeded slightly once again. Due to the raw materials, gold output declined to 8.5 tonnes (10 tonnes in the prior year).

### Lünen

The supply of the recycling facilities with copper scrap and other recycling materials was assured at good conditions. The plant was fully utilised in the 1st quarter. As a result of the scheduled refractory relining of the Kayser Recycling System in October 2007, throughput was 7 % under the prior-year figure. The anode output could be increased by 10 % compared with the prior year. The Lünen cathode output at 50,000 tonnes was a new all-time high, 6 % up on the prior year (47,200 tonnes).

## COPPER PROCESSING SEGMENT

In the Copper Processing Segment, the Group's own and bought copper cathodes are processed into wire rod, continuous cast shapes and rolled products. The most important production sites are located in Hamburg, Emmerich (Deutsche Giessdraht) and Stolberg (Schwermetall Halbzeugwerk, Prymetall).

The significantly higher earnings in the Segment resulted in particular from the improvement in shape surcharges in all product sectors. The increased production quantities of our most important product, continuous cast wire rod, reflects the good market development in the product sector. Stagnating or slightly reduced unit sales of other products are overcompensated by the higher shape surcharges and our focus on products with higher margins. Earnings include backwardation and valuation effects in the amount of € 28.8 million.

### **Key figures as per IFRS**

Copper Processing Segment in € thousand	1st quarter 06/07	1st quarter 07/08	Difference in %
Revenues	1,139,020	<b>1,093,398</b>	<b>-4</b>
EBIT	10,993	<b>36,969</b>	<b>+236</b>
EBT	9,562	<b>35,585</b>	<b>+272</b>

Before revaluation of LIFO inventories using the average cost method

### **Product markets**

For the European cable and wire industries, 2007 was another year with dynamic growth. The main driver for the positive trend in demand for cable and wire was high investment activities in the energy sector. This industrial branch profited in particular from growth in the regenerative energy production sector and the decentralisation of the networks. The demand for enamelled wire also developed well.

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Against this background, demand for wire rod in Europe grew again. Demand has also maintained this level in the 1<sup>st</sup> quarter and was even enhanced in December.

The order situation in the European semis industry showed disparate trends. Although there were clear signs that demand in the flat product sector was stabilising and picking up, the order intake in other sectors of the semis industry was still not up to expectations.

The high copper price primarily weighed on copper demand in the construction industry. In particular, demand for copper installation piping declined significantly in Western Europe compared with the prior year mainly due to substitution. The demand for copper pipes has, however, stabilised in the 1<sup>st</sup> quarter.

In contrast, demand for cable and industrial strips as well as specialty products for the electronics industry stayed at a high level also in the 1<sup>st</sup> quarter, although the persistent weakness of the U.S. dollar had a slightly dampening effect.

### Continuous cast wire rod (ROD)

In the 1<sup>st</sup> quarter of the new fiscal year, the wire rod output in the Group amounted to 108,000 tonnes (102,000 tonnes in the prior year). This is the highest production that NA has ever managed in the 1st quarter of a fiscal year and represents an increase of about 6 % year-on-year. It reflects the stable growth in the European cable and wire industry.

Output of wire rod increased again

The stoppage of both rod plants (Hamburg and Emmerich) for maintenance to enhance performance, planned for the end of the year, was carried out to schedule. NA's reliability in delivery was not affected by this.

### Continuous cast shapes (CAST)

The order intake in the European semis industry has picked up slightly. This was, however, not yet sufficient to raise demand for our pure copper shapes to the prior-year level.

The output of the Hamburg continuous casting plant amounted to 47,000 tonnes (60,000 tonnes in the prior year). NA consequentially continued the reorientation of the continuous cast business to products with higher profit contributions.

Product portfolio reorientation continued

### Pre-rolled strip (Schwermetall Halbzeugwerk)

Demand for pre-rolled strip was very restrained at the beginning of the quarter. However, it has picked up noticeably since the end of November, particularly for special alloys. Schwermetall Halbzeugwerk (NA share 50%) produced 50,000 tonnes of pre-rolled strip in the 1st quarter of fiscal year 2007/08 (61,000 tonnes in the prior year).

### Strip and wire (Prymetall)

Demand for semis made of copper and copper alloys has recovered again significantly in the 1<sup>st</sup> quarter after the decline in the last fiscal year. As a result order receipts have also developed well. In the 1st quarter Prymetall produced 14,000 tonnes of the strip and wire products (14,000 tonnes in the prior year). We have successfully pressed on with the adjustment of the product portfolio to high-value products in the strip sector.

## 5. HUMAN RESOURCES

The NA Group had a total of 3,284 employees at the end of the first quarter (3,219 in the prior year).

At the end of December 2007, the number of apprentices in the NA Group amounted to 246 (233 in the prior year), which amounted to 7.5 % of the workforce.

In January/February 2008 47 young people will finish their apprenticeships in the NA Group, of which 43 have been employed on an initially fixed term basis.

## 6. RESEARCH AND DEVELOPMENT

One of the great challenges of the future is the cost-effective processing of complex raw materials. To this end, the R&D sector has, above all, been investigating the optimisation of process control and the extraction of by-products. It also focused on the improvement of the copper yield and the recovery of co-products.

The development work in the CIS solar project was continued to schedule. Priority was given to process optimisation of the solar cell production in the existing pilot line.

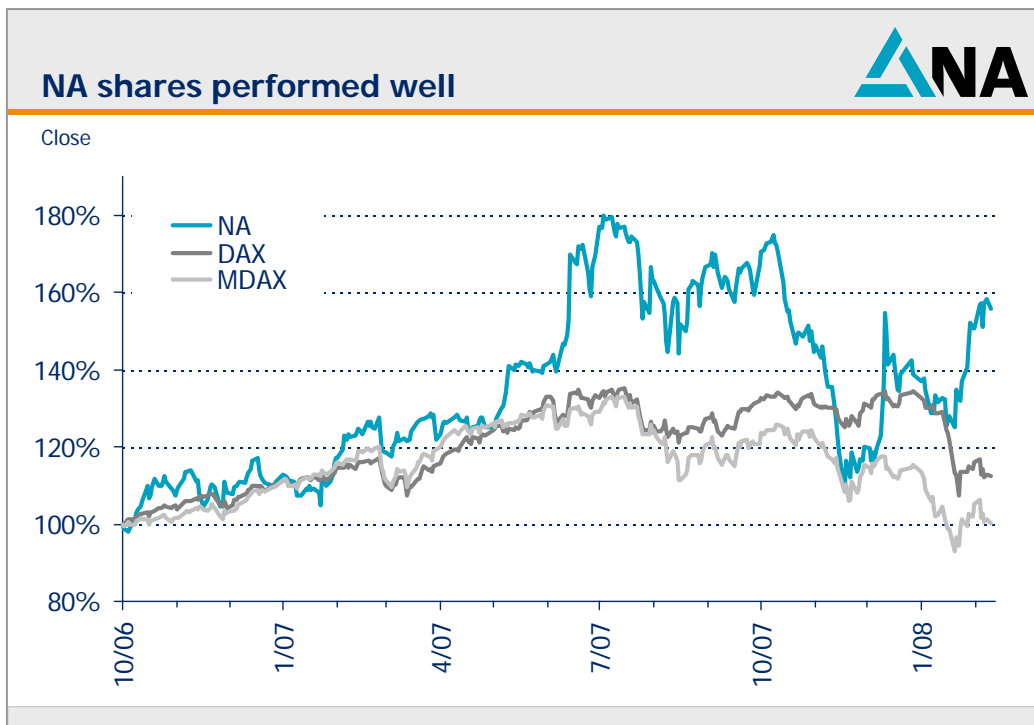
## 7. NA SHARES

At the beginning of the 1<sup>st</sup> quarter, NA shares came under pressure as part of the ongoing turbulences on the international financial markets. After a significant price decline of about 35% since 1 October 2007, NA shares closed at a low of €21 on 19 November 2007. However, the price increased rapidly over the next few days. There was a temporary rise in December when the German stock market staged a year-end rally. The excellent results for fiscal year 2006/07 and the intended dividend increase were revealed during this period. Both announcements had a positive impact on the share performance. At year-end, however, profit-taking took effect.

The significantly higher daily trading volume shows that the interest in NA shares has risen in the last few weeks. At the same time, the market has received the news positively of the antitrust approval of the EU Commission to the merger with the Belgian competitor Cumerio on 23 January 2008 as well as the start of the tender period on 28 January 2008. On 4 February 2008 NA shares jumped over the €30 mark at the close. As at 11 February NA shares were quoted at €30.13. This represents market capitalisation of €1.23 billion.

On 9 November 2007 HSH Nordbank AG, on 1 February 2008 Morgan Stanley & Co. Incorporated, New York, and on 5 February 2008 Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH announced their acquisition of about a 5% interest each in NA.

**New investors**

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## 8. CORPORATE GOVERNANCE

On 9 November NA's Supervisory Board complied with the request of Dr Werner Marnette to release him from his duties at NA by mutual consent. At its meeting on 16 January 2008, the Supervisory Board appointed the Executive Board member, Dr Bernd Drouven, as Chief Executive Officer with immediate effect. Dr Drouven had already been coordinating the work of the Executive Board since 9 November 2007 and representing the Executive Board externally.

**New CEO appointed**

Furthermore, NA has brought forward the date of this year's Annual General Meeting to 29 February 2008 at 10 a.m. In doing this, the Supervisory Board is complying with the request expressed by a number of shareholders that the AGM should be held on an earlier date. NA is also following the usual practice of MDAX-listed companies of holding the AGM within a period of up to five months after fiscal year-end. The earlier date gives the shareholders other advantages. Subject to the resolution being passed at the Annual General Meeting, the shareholders will receive their significantly higher dividend more than a month earlier than in prior years.

## 9. OPERATING AND STRATEGIC MEASURES FOR CORPORATE DEVELOPMENT

The centre of the Group strategy is currently the acquisition of Cumerio for some € 770 million. After the merger, NA is still concentrate on internal and external growth. Investment possibilities at the existing production sites and acquisitions in Europe can be used to regionally complement or to expand the value added chain. In particular, an excellent platform will be formed after the merger in order to achieve further international growth.

In addition, we are still working on the enhancement of NA's high performance and technological leading position. Thus, in 2007 we started the new performance enhancement programme, NA LEAD, and continued to pursue organic, strategic growth.

### Takeover of the Belgian copper producer Cumerio

On 23 January 2008 the European Commission approved the merger of NA and Cumerio without requirements and conditions after completion of extensive antitrust investigations. This paved the way for the start of the takeover offer to the Cumerio shareholders. The tender period is expected to end on Friday, 15 February 2008.

Good progress  
with Cumerio  
takeover

The takeover will create the leading copper producer and processor in Europe. The production sites of the two companies complement each other ideally. In future, the operations in Germany and Belgium will form one production entity. The works in Pirdop, Bulgaria, will be further expanded to open up the fast-growing Southeast European market in order to exploit the market potential and site advantages there, e.g. low production costs.

The combination of NA and Cumerio offers significant potential for optimising the utilisation and productivity of the facilities. The annual synergies that are largely feasible at short notice amount to € 15 million and € 20 million. At the end of December NA held almost 30 percent of the voting rights in Cumerio.

### Measures for operating improvements

NA started the NA LEAD project in summer 2007. The aim is to enhance the Group's excellent competitive position. The project examines options for opening up new markets and raw materials for NA as well as further optimisation possibilities achieved by innovation and automation.

NA has also improved the processing possibilities of complex feed materials in Hamburg and inaugurated the electronic scrap sampling facility in Lünen. Our recycling centre is excellently equipped for the growing market thanks to the new sampling facility. At the same time, the availability of the core plant, the KRS has been increased further by a variety of measures taken.

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In the product sector, we have once again increased the capacities of the rod plant in Hamburg in order to meet the growing demand. A new Prymetall slitting centre was inaugurated in Slovakia. The slitting centre should support the marketing of strip and wire in the East European region.

As regards the energy supply, the NA Group could again achieve the status of a hardship case as regards the levies under the Renewable Energy Sources Act and thus ensure exemption from these dues to a great extent.

Until January 2008 NA's energy management had developed 150 ideas and projects into the implementation stage as part of the current energy saving programme so as to achieve the demanding climate protection target of saving 40,000 tonnes of CO<sub>2</sub> emissions p.a. by 2012. The project ranges from optimised lighting to major projects for producing energy from waste heat.

## 10. RISK AND OPPORTUNITY MANAGEMENT

We see no significant changes in the risk and opportunity management sector compared with the prior fiscal year. Our risk and opportunity management system is still a suitable instrument to control the relevant subject areas.

## 11. OUTLOOK

In the Cumerio takeover process, the offer phase was started on 28 January 2008, which is expected to end on 15 February. We expect a positive reaction from the Cumerio shareholders to NA's attractive offer and assume that the takeover and integration of Cumerio will be completed quickly and successfully. We are thus achieving the first step in our long-term growth strategy.

**Cumerio takeover is the first step in NA's growth strategy**

We expect the copper prices on the copper market to remain high on the basis of the overall good global demand. Whether again a long-lasting backwardation situation will result due to physical shortages cannot be foreseen today.

The improved availability of copper concentrates worldwide seems to be continuing on the primary copper market. This will contribute to an improvement in treatment and refining charges. Since various smelters plan maintenance stoppages in the first half of 2008, it can be expected that concentrate availability will improve in the next few months. NA does not plan a scheduled maintenance stoppage until the beginning of the next fiscal year.

**Improved market for concentrates expected**

Short-term copper price declines, such as at the turn of the year, cause lower availability of copper scrap and thus declining refining charges. A limited return of Chinese buyers, in particular on the American scrap market, is expected after the Chinese New Year festivities. We assume, however, that the refining charge level will remain good. The supply of complex secondary raw materials for the plant in Lünen is still very good. We expect our facilities for copper production to be utilised to capacity in the current fiscal year.

1<sup>st</sup> quarter of fiscal year 2007/08

Contrary to the usual seasonal downturn in demand at year-end, the demand for copper wire rod did not decline this time. Direct repercussions of the negative U.S. economic development on our European sales market have not been detected. The high order intake already ensures full utilisation of both rod plants today, so that we assume that the trend in business will remain good. In the continuous cast shape sector, a slight upturn in demand has already been noticed. We assume, however, that the market will improve further in the medium term. The optimisation of the product range likewise made a positive contribution to the processing activities at our subsidiaries.

The results of the 1<sup>st</sup> quarter are a continuation of the excellent fiscal year 2006/07 and create a good basis for once again achieving a very good net income for the fiscal year at NA. However, as already announced when the preliminary results were presented in December 2007, NA does not expect to be able to match the excellent annual results of the last fiscal year again.

**Very good results for  
fiscal year 2007/08  
expected**



1<sup>st</sup> quarter of fiscal year 2007/08**Consolidated balance sheet (IFRS) (in € thousand)**

<b>ASSETS</b>	31.12.2007	30.9.2007
Intangible assets	<b>28,557</b>	28,176
Property, plant and equipment	<b>367,572</b>	364,509
Investment property	<b>37</b>	37
Financial assets		
Interests in affiliated companies	<b>246</b>	272
Investments	<b>219,409</b>	216,441
Other financial assets	<b>296</b>	426
	<b>219,951</b>	217,139
Fixed assets	<b>616,117</b>	609,861
Deferred tax assets	<b>1,407</b>	1,326
Non-current receivables and other assets		
Non-current receivables and financial assets	<b>28,850</b>	28,824
Other non-current assets	<b>8,619</b>	6,899
	<b>37,469</b>	35,723
Non-current assets	<b>654,993</b>	646,910
Inventories	<b>1,072,103</b>	935,969
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<b>367,354</b>	381,431
Current receivables and other assets		
Trade accounts receivable	<b>193,611</b>	334,872
Other current receivables and assets	<b>218,868</b>	383,015
	<b>412,479</b>	717,887
Short-term security investments	<b>392</b>	392
Cash and cash equivalents	<b>85,753</b>	20,018
Current assets	<b>1,570,727</b>	1,674,266
	<b>2,225,720</b>	2,321,176

1<sup>st</sup> quarter of fiscal year 2007/08**Consolidated balance sheet (IFRS) (in € thousand)**

<b>EQUITY AND LIABILITIES</b>	31.12.2007	30.9.2007
Equity		
Subscribed capital	<b>104,627</b>	95,115
Additional paid-in capital	<b>188,754</b>	101,557
Generated group earnings	<b>783,838</b>	733,818
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<b>250,144</b>	259,717
Changes in accumulated other comprehensive income	<b>(5,211)</b>	(19,619)
Equity attributable to shareholders of NA AG	<b>1.072.008</b>	910,871
Minority interest	<b>3,053</b>	2,761
	<b>1,075,061</b>	913,632
Non-current provisions		
Pension provision	<b>59,668</b>	58,799
Deferred tax liabilities	<b>145,098</b>	143,441
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<b>117,210</b>	121,714
Other non-current provisions	<b>32,968</b>	33,521
	<b>237,734</b>	235,761
Non-current liabilities		
Non-current liabilities	<b>154,392</b>	153,112
Other non-current liabilities	<b>0</b>	0
	<b>154,392</b>	153,112
Non-current provisions and liabilities	<b>392,126</b>	388,873
Other current provisions	<b>78,441</b>	75,400
Current liabilities		
Current financial liabilities	<b>147,948</b>	145,877
Trade accounts payable	<b>302,157</b>	444,721
Income tax liabilities	<b>25,771</b>	58,480
Other current liabilities	<b>204,216</b>	294,193
	<b>680,092</b>	943,271
Current provisions and liabilities	<b>758,533</b>	1,018,671
Liabilities	<b>1,150,659</b>	1.407.544
	<b>2,225,720</b>	2,321,176

1<sup>st</sup> quarter of fiscal year 2007/08**Consolidated income statement (IFRS) (in € thousand)**

	1 <sup>st</sup> quarter 2007/08	1 <sup>st</sup> quarter 2006/07
Revenues	<b>1,414,938</b>	1,468,519
Changes in inventories of finished goods and work in process	<b>78,000</b>	199,254
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<b>5,632</b>	52,811
Own work capitalised	<b>1,377</b>	861
Other operating income	<b>7,594</b>	3,381
Cost of materials	<b>(1,331,700)</b>	(1,515,579)
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<b>(19,709)</b>	(18,600)
Gross profit	<b>170,209</b>	156,436
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<b>(14,077)</b>	34,211
Personnel expenses	<b>(55,527)</b>	(48,819)
Depreciation and amortisation	<b>(13,805)</b>	(12,791)
Other operating expenses	<b>(23,182)</b>	(20,392)
Operational result	<b>77,695</b>	74,434
Interest income	<b>2,154</b>	1,383
Interest expense	<b>(5,563)</b>	(3,070)
Earnings before taxes (EBT)	<b>74,286</b>	72,747
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<b>(14,077)</b>	34,211
Income taxes	<b>(23,974)</b>	(29,111)
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<b>4,504</b>	(13,686)
Consolidated net income	<b>50,312</b>	43,636
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<b>(9,573)</b>	20,525
Income attributable to minority interest	<b>(292)</b>	(263)
Consolidated net income after minority interest	<b>50,020</b>	43,373
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<b>(9,573)</b>	20,525
Basic earnings per share (in €)	<b>1.27</b>	1.17
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<b>(0.24)</b>	0.55
Diluted earnings per share (in €)	<b>1.27</b>	1.17
<i>thereof from revaluation of LIFO inventories using the average cost method</i>	<b>(0.24)</b>	0.55

1<sup>st</sup> quarter of fiscal year 2007/08**Consolidated cash flow statement (in € thousand)**

	1 <sup>st</sup> quarter 2007/08	1 <sup>st</sup> quarter 2006/07
Earnings before taxes after revaluation of LIFO inventories	74,286	72,747
Revaluation of LIFO inventories using the average cost method	14,077	(34,211)
<b>Earnings before taxes before revaluation of LIFO inventories</b>	<b>88,363</b>	38,536
Depreciation and amortisation	13,805	12,791
Impairment losses on current assets	694	126
Change in long-term provisions	316	1,175
Gain/loss from disposal of fixed assets	(12)	19
Other non-cash-related expense and income	(1,482)	0
Net interest expense	3,409	1,687
Income taxes paid	(28,083)	(16,104)
<b>Gross cash flow</b>	<b>77,010</b>	38,230
Change in receivables and other assets, including short-term security investments	303,670	465,997
Change in inventories	(150,545)	(197,454)
Change in current provisions	877	(4,303)
Change in liabilities (excl. financial liabilities)	(240,256)	(264,058)
<b>Cash outflow (inflow in the prior year) from operating activities (net cash flow)</b>	<b>(9,244)</b>	38,412
Purchase of fixed assets	(17,591)	(15,112)
Payments for the acquisition of shares in Cumerio	(4,615)	0
Proceeds from disposal of fixed assets	389	31
Interest received	2,154	1,383
<b>Cash outflow from investing activities</b>	<b>(19,663)</b>	(13,698)
Proceeds from capital increases	96,709	0
Proceeds from taking up financial liabilities	5,877	3,153
Payment for the redemption of financial liabilities	(2,381)	(14,936)
Interest paid	(5,563)	(3,070)
<b>Cash inflow (outflow in the prior year) from financing activities</b>	<b>94,642</b>	(14,853)
Net change in cash and cash equivalents	65,735	9,861
Cash and cash equivalents at the beginning of period	20,018	6,566
<b>Cash and cash equivalents at end of period</b>	<b>85,753</b>	16,427

1<sup>st</sup> quarter of fiscal year 2007/08**Consolidated statement of changes in equity (in € thousand)**

	Subscribed capital	Additional paid-in capital	Generated group equity	Changes in accumulated other comprehensive income	Equity attributable to shareholders of NA AG	Minority interest	Total
Balance as at 30.9.2006	95,115	101,941	550,683	(54,353)	693,386	2,774	696,160
<i>Thereof from revaluation of LIFO inventories using the average cost method</i>			195,164		195,164		195,164
Consolidated net income			43,373		43,373	263	43,636
<i>Thereof from revaluation of LIFO inventories using the average cost method</i>			20,525		20,525		20,525
Market valuation of cash flow hedges				41,959	41,959		41,959
Exchange differences				7	7		7
Deferred taxes on changes in accumulated other comprehensive income				(16,784)	(16,784)		(16,784)
Balance as at 31.12.2006	95,115	101,941	594,056	(29,171)	761,941	3,037	764,978
<i>Thereof from revaluation of LIFO inventories using the average cost method</i>			215,689		215,689		215,689
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>			259,717		259,717		259,717
Capital increase	9,512	87,197			96,709		96,709
Consolidated net income			50,020		50,020	292	50,312
<i>Thereof from revaluation of LIFO inventories using the average cost method</i>			(9,573)		(9,753)		(9,753)
Market valuation of financial assets and cash flow hedges				20,147	20,147		20,147
Exchange differences				(53)	(53)		(53)
Deferred taxes on changes in accumulated other comprehensive income				(5,686)	(5,686)		(5,686)
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>			250,144		250,144		250,144
Total income and expense for 1 <sup>st</sup> quarter 2006/07			43.373	25.182	68.555	263	68.818
Total income and expense for 1 <sup>st</sup> quarter 2007/08			50.020	14.408	64.428	292	64.720

## **Notes**

These abridged consolidated interim financial statements have been prepared in accordance with the requirements on interim financial reporting under IAS 34 and correspond to the International Financial Reporting Standards (IFRS) as they are applicable in the European Union. The accounting policies of the consolidated financial statements as at 30 September 2007 have been applied unchanged.

The new standards IAS 1 and IFRS 7 are applied for the first time in fiscal year 2007/08. These, however, only result in changed information in the notes to the consolidated financial statements as at 30 September 2008. They did not have a direct impact on these interim financial statements.

### **Change in the scope of consolidation**

KPP Kraftwerk Peute Projektmanagementgesellschaft GmbH & Co. KG was deconsolidated in the period under review since it was sold effective 20 December 2007. In the last consolidated financial statements it was consolidated proportionately in accordance with the 50 % investment held by NA. The deconsolidation resulted in earnings of € 1,482 thousand.

### **Write-downs**

The higher valuation of inventories after revaluation of LIFO inventories using the average cost method resulted in write-downs in the period under review in the amount of € 39,402 thousand. Of this amount, € 15,875 thousand relates to the Copper Production Segment and € 23,527 thousand relates to the Copper Processing Segment.

### **Capital measure and dividend**

Authorised, unissued capital has existed since the Annual General Meeting on 30 March 2006. Accordingly, the Executive Board is empowered, subject to the approval of the Supervisory Board, to increase the subscribed capital by 29 March 2011 by up to € 47,557,527.04 by issuing new shares once or in several instalments for a cash contribution or a contribution in kind. On 8 November 2007, the Executive Board resolved, with the approval of the Supervisory Board, to increase the company's subscribed capital on the basis of this authorisation by issuing 3,715,430 new no-par-value shares for a cash contribution. The new shares were placed at a price of € 26.41 per share on 9 November 2007. The new shares are fully entitled to participate in the profit for fiscal year 2006/07. Following this increase of € 9,511,500.80 in the subscribed capital, the remaining authorised, unissued capital amounts to € 38,046,026.24.

The Executive Board and Supervisory Board are recommending to the Annual General Meeting on 29 February 2008 that Norddeutsche Affinerie AG's unappropriated profit for fiscal year 2006/07 in the amount of € 59,261,136.05 be used to pay a dividend of € 1.45 per no-par-value share.

**Events after the balance sheet date**

On 24 June 2007 NA announced its intention to takeover Cumerio S.A./N.V., Brussels. Cumerio's management board recommended that NA's offer of € 30 per share in cash be accepted. On 23 January 2008, the EU Commission gave its approval to the merger without requirements. NA is currently in the tender phase.

1<sup>st</sup> quarter of fiscal year 2007/08**Segment reporting for the NA Group (in € thousand)**

	Copper Production Segment		Copper Processing Segment		Other		Group total	
	Q1 2007/08	Q1 2006/07	Q1 2007/08	Q1 2006/07	Q1 2007/08	Q1 2006/07	Q1 2007/08	Q1 2006/07
Revenues								
Total revenues	1,069,873	1,126,531	1,093,398	1,139,020	1,343	408		
- Inter-segment revenues	731,623	784,303	18,053	13,137	0	0		
Revenues with third parties	338,250	342,228	1,075,345	1,125,883	1,343	408	1,414,938	1,468,519
EBIT*	53,497	30,642	36,969	10,993	1,306	-1,412	91,772	40,223
Earnings before taxes*	52,184	30,399	35,585	9,562	594	-1,425	88,363	38,536

\* 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:

After revaluation of LIFO inventories using the average cost method	Copper Production Segment		Copper Processing Segment		Other		Group total	
	Q1 2007/08	Q1 2006/07	Q1 2007/08	Q1 2006/07	Q1 2007/08	Q1 2006/07	Q1 2007/08	Q1 2006/07
Difference in earnings resulting from revaluation of LIFO inventories using the average cost method	2,967	11,418	(17,044)	22,793	0	0	(14,077)	34,211
Earnings before taxes	55,151	41,817	18,541	32,355	594	-1,425	74,286	72,747

**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.*