

# **Company Information**



**of Norddeutsche Affinerie on the results  
of the business year 1999/2000  
(October to December 1999)**

**Successful 1<sup>st</sup> three months with very high production figures  
and good prospects for the business year 1999/2000**

Hamburg, 9<sup>th</sup> February 2000 –**Norddeutsche Affinerie (NA) started the new business year 1999/2000 with a very satisfactory profit for the 1<sup>st</sup> quarter.**

**From October to December 1999 a pre-tax profit of 23 million DM was achieved for the Group. Thus, the profit could be more than doubled compared with the profit for the 1<sup>st</sup> quarter of the previous year (11 million DM ). The good result is due to quantity-related higher revenues from treatment and refining charges, very strong production figures and excellent sales of our copper products.**

**The first strategic investor for the NA share block held by Dresdner Bank is the Possehl Group/Lübeck. As of 31<sup>st</sup> December 1999 NA took over the majority interest held by Possehl in Hüttenwerke Kayser AG (HK), the largest processor of secondary copper raw materials in the world. As a countermove, Possehl took over 10 % of the shares in NA.**

**Our most important investment project, the expansion of our concentrate processing operations (Project „RWO 2000“ ), was successfully continued.**

**Our metal powder and copper chemical activities were spun off as of 1<sup>st</sup> October 1999 into developable and existing units respectively.**

**At the Annual General Meeting on 4<sup>th</sup> April 2000 approval will be sought to the acquisition of company stock and further measures impacting capital.**

Key figures of the NA Group		Business Year 1998/99	Business Year 1998/99	Business Year 1999/2000
		12 months	3 months	3 months
Turnover	mill. DM	2,221	459	582
Personnel expenses	mill. DM	215	57	55
Depreciation	mill. DM	45	12	16
Profit before taxes on income	mill. DM	96	11	23
EBDIT	mill. DM	140	21	38
EBIT	mill. DM	95	9	23
Cash flow as per DVFA/SG	mill. DM	96	17	31
Profit per share	DM	1.46	0.09	0.42
Capital investment	mill. DM	111	12	98*
Copper production	1,000 t	480	118	139
Copper price (average)	US\$/t	1,526	1,545	1,738
Number of employees (average)		2,190	2,228	2,230

\* including changes in the fully consolidated companies



Highlights of the 1<sup>st</sup> quarter of the business year 1999/2000:

- Increase in the pre-tax profit for the 1<sup>st</sup> quarter from 11 million DM in the previous year to 23 million DM in 1999/2000.
  - The turnover under the influence of the metal price increased by more than 25 per cent from 459 million DM to 582 million DM.
  - Positive impact on profits due to quantity-related higher revenues from treatment and refining charges obtained for the processing of raw materials.
  - The throughput of copper concentrates could be increased to 195,000 t (previous year 190,000 t).
  - Production increases of 32 per cent for continuous cast wire rod and 34 per cent for continuous cast shapes.
  - At just under 20 % the return on equity (ROE) before taxes on income was satisfactory compared with the industry as a whole.
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#### Continued implementation of the growth strategy

Within the framework of our growth strategy we are steadily implementing the steps in our strategic plan with which we will open up future profit potential and increase company value.

We have further optimised our precious metal production last year by commissioning the top blown rotary converter. Thus, we have created the prerequisites for the planned expansion of our precious metal activities. We are currently investigating the possibility of taking over the gold and silver activities of Degussa-Hüls.



The Project RWO 2000 to expand the capacity of our copper concentrate processing facilities, involving capital investment in the sum of 200 million DM, is still running to schedule. Significant parts of plants have already been installed and commissioned.

The targeted utilisation of know-how enables us to produce products with high value added. A positive example is our Top Rod plant for oxygen-free copper wire rod and special alloys, which was commissioned in summer 1999.

The construction of a pilot plant with a new casting technology for the production of copper strip is under way. The plant will begin operation in spring 2000. This project emphasises NA's readiness to innovate since new technical ground is being broken.

The first strategic investor for part of the NA share block held by Dresdner Bank is the Possehl Group in Lübeck, previously the majority shareholder of Hüttenwerke Kayser AG, Lünen. Possehl took over half of the shares (in total 3.2 million shares) with effect from 23.12.1999. As a countermove NA acquired Possehl's majority holding in HK. NA now holds 97.8 % of the subscribed capital. The sales agreement dated 8<sup>th</sup> November 1999 took effect after the antitrust authorities had given their approval at the end of December 1999.

The integration of Hüttenwerke Kayser strengthens NA's position in the following sectors:

- expansion of the recycling business
- strengthening of the secondary copper business
- strengthening of NA's position in the cathode market
- growth in the continuous cast wire rod business



Our improved position due to the acquisition of HK will have a significant impact on profits. The integration of HK in the NA Group will be accelerated by a clearly defined post-merger management, in which senior staff from both companies are taking part. HK has a very good starting position in the secondary copper business, which we will substantially strengthen in the next two years by directing capital investment into streamlining this sector.

Together with a customer, NA will offer the state authorities an integrated recycling concept for copper and nickel bearing coins, which are being withdrawn from circulation as part of the conversion to the Euro. In Germany alone this involves a quantity of about 100,000 tonnes of coins with a metal content of about 20,000 tonnes of copper and 20,000 tonnes of nickel.

#### Copper market

In the 1<sup>st</sup> quarter the copper price continued to recover and rose from 1,653 US \$/t in October to 1,846 US \$/t at the end of December.

NA with its position in Western Europe remains in the largest copper market worldwide. It can be assumed that even double the NA capacity would not be sufficient to meet the increasing demand by the year 2009. This once again stresses the importance of Project RWO 2000 which will expand the capacity of the concentrate processing facilities by about 40 per cent and be available at the right time from the end of 2000.

#### Outlook

Our supply of copper concentrates has been ensured for the current business year. In the long term the supply of copper concentrates has been further improved by framework agreements with new copper mines.



The continued low copper price will also impact the treatment and refining charges in our long-term supply agreements for copper concentrates. The improved copper price will have a delayed positive effect. However, the refining charges for copper scrap react faster to trends in the copper price and have recovered again to a great extent. This development above all benefits Hüttenwerke Kayser.

Even with this positive trend in results we are pursuing very intensive cost management and utilising all the available potential for economy.

#### Acquisition of company shares and further measures impacting capital

At the Annual General Meeting the Executive and Supervisory Boards will seek approval to the acquisition of company stock by 30<sup>th</sup> September 2001 of up to 10 % of the current subscribed capital. The management will furthermore recommend that the company's subscribed capital be increased by up to 40 million Euro by 31.03.2005. Although NA at present has sufficient equity, it should have the necessary latitude to be able to obtain equity in future to realise projects.

A further item on the agenda for the Annual General Meeting will be that the Executive Board should be authorised to issue option and/or convertible bonds. This would mean that the Executive Board could issue convertible bonds up to a nominal total amount of 220 million Euro with a maturity of 20 years at the most. NA could use this authorisation as an attractive means of funding, for instance, growth projects.



## **Company Profile**

Norddeutsche Affinerie is the largest integrated copper producer in Europe. Together with Hüttenwerke Kayser AG in Lünen the NA Group produces just under 700,000 tonnes of copper and copper products p.a. and with about 2850 employees is one of the leading copper producers worldwide. The core business includes the recovery of copper cathodes from copper concentrates and copper scrap as well as the further processing of the cathodes to continuous cast wire rod and shapes, metal powders and copper chemicals. In addition, the NA Group produces and sells all the main co-products from copper production, such as precious metals and sulphuric acid. The NA Group's customers include companies in the cable, electrical, telecommunications and chemical industries as well as suppliers of the construction and car industries. The NA Group is oriented to growth and to increasing company value. Significant factors of this strategy are internal and external growth in the core business and the expansion of the product range by the addition of high value-added copper products.

You will find further information on Norddeutsche Affinerie in the internet under <http://www.affinerie-hamburg.com>.

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