

Action

Annual Report 2002/2003



CONSOLIDATED KEY FIGURES

		98/99	HGB 99/00	00/01	IFRS	
					01/02	02/03
Copper price LME settlement (average)	US\$/t	1,526	1,787	1,684	1,525	1,653
Results						
Revenues	€ m	1,135	1,897	2,010	1,842	1,816
EBT	€ m	49	69	57	31	3
EBIT	€ m	49	74	65	42	16
EBITDA	€ m	72	107	111	98	79
Net income	€ m	24	41	42	20	3
Cash flow	€ m	49	78	86	97	64
Balance sheet						
Total assets	€ m	462	691	709	955	914
Non-current assets	€ m	146	237	259	464	437
Capital expenditure	€ m	57	79	69	47	26
Depreciation	€ m	23	33	47	56	63
Net equity incl. unappropriated profit	€ m	233	250	271	392	386
NA shares						
Market capitalisation at fiscal year-end	€ m	320	378	396	353	291
Earnings per share	€	0.75	1.20	1.26	0.63	0.10
Dividend per share	€	0.72	0.75	0.75	0.65	–
Human resources						
Number of employees (average)		2,190	3,154	3,195	3,374	3,458
Personnel expenses	€ m	110	150	168	178	192
Production						
Cathodes *	1,000 t	366	503	540	554	530
Continuous cast wire rod *	1,000 t	277	382	347	285	342
Continuous cast shapes	1,000 t	149	197	204	203	193
Pre-rolled strip	1,000 t				149**	138
Strips	1,000 t				59**	52
Shaped wires	1,000 t				12**	12
Gold	t	17	20	23	28	25
Silver	t	372	483	680	727	831
* Including Hüttenwerke Kayser (HK) and HK's share of Deutsche Giessdraht since 1 January 2000 respectively ** since fiscal year 2001/2002; rounded up to twelve months						



It's surely a matter of tackling things ...

Contents

2 Company profile **3** The Executive Board **4** Chairman's Statement **6** Corporate Governance
10 NA shares **16** Management Report **42** Segment Analysis **56** Financial Statements
63 Notes on the Financial Statements **83** Shareholdings **84** Auditors' Report **85** Supervisory Board's Report
87 Supervisory and Executive Boards **89** Main shareholdings **90** Glossary

COMPANY PROFILE

The NA Group is the largest copper producer in Europe and as well the largest copper recycler worldwide. It produces about 800,000 tonnes of copper and copper products annually and with about 3,400 employees is one of the leading copper producers worldwide. The core business is the production of copper cathodes from copper concentrates, copper scrap and recycling materials. These are then processed into continuous cast wire rod and shapes, rolled products and copper alloys. Precious metals are likewise an important product sector. Further speciality products produced and marketed by the NA Group are all the major natural by-elements from copper production. These are processed, for example, into sulphuric acid and iron silicate stone. Our customers include companies in the copper semis industry, the electrical engineering, electronics and chemical industries as well as suppliers of the construction and automotive industries. The NA Group is oriented to growth and increasing corporate value: our strategy focuses on strengthening the existing business and the utilisation of growth options in copper processing. NA is a member of the Deutsche Börse's Prime Standard segment and is listed in the MDAX.

You will find further information on Norddeutsche Affinerie in the internet at <http://www.na-ag.com>.

THE EXECUTIVE BOARD



Dr Michael Landau

has been employed at Norddeutsche Affinerie since 1981. In March 1998 he was appointed a deputy member of the Executive Board and has been a full member since 1999. In his capacity as a metallurgical engineer he is responsible for the copper production sector.



Dr Werner Marnette

began his career at NA in 1978. He became a full member of the Executive Board in 1992 and the Chief Executive Officer in 1994. Since 2001 he has been the Chairman of the BDI Energy Committee and Chairman of the Hamburg Federation of Industry. In 2002 he was elected Vice President of the Hamburg Chamber of Commerce.



Dr Bernd Langner

has been employed at NA since 1982. In January 2002 he became the Managing Director of Prymetall in Stolberg which was integrated in the NA Group at the beginning of 2002. With effect from 1 January 2003 he was appointed a full member of the Executive Board and is responsible for the copper processing sector.



Dr Toralf Haag

has held managerial positions in the ThyssenKrupp Group since 1994. A graduate in business studies, he has been a member of NA's Executive Board since January 2002 when he became the company's Chief Financial Officer.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS, BUSINESS PARTNERS AND FRIENDS OF NA,

For every success-oriented Executive Board it is painful to have to announce that in economically bad times earnings have declined significantly and a dividend will not be paid. For me, as NA's Chief Executive Officer, this applies all the more since over recent years NA had been able to acquire a very good reputation as a company of substance with an above-average dividend yield. I can understand your disappointment, but hope that you will still remain loyal to your NA.

What was?

As a result of the very bad economic environment in Germany and in the core market of Europe, the NA Group had to absorb significant economic setbacks on the raw material and product markets in the last fiscal year. Consequently our subsidiaries, Hüttenwerke Kayser, Prymetall and Schwermetall, which have only been part of the NA Group for a few years, even showed losses. By comparison, NA AG with its production in Hamburg remained stable, that is in both copper production and the processing of the copper into continuous cast wire rod and shapes. It was only thanks to the Hamburg production site that it was possible to generate a positive break-even result in the NA Group.

...to get

When you study our Annual Report, you will be able to see that the performance of the company and its employees has again been at a very high level. We were able to utilise our main production plants to capacity and in the processing of copper concentrates went over the magic limit of 1 million tonnes. Even though we have become a victim of our economic environment, we have nevertheless been able to counter the adverse circumstances with business and technical intelligence.

Nevertheless, in view of the difficult conditions NA is still in good shape. This can be seen from the continued good cash flow, the solid balance sheet and also the comparison with other companies in our industry.

What is?

We, of course, have no influence on the very difficult economic environment. We could only respond with numerous internal optimisation programmes to make NA even more competitive. We have also adapted our strategic orientation and made our organisation leaner and more efficient. As a result administration and service functions throughout the Group have been combined to make more effective units.



Unfortunately, it was necessary to make significant adjustments to staffing levels which has caused job losses and personal hardship in some cases. The worst hit was Hüttenwerke Kayser where we had to reduce the workforce by almost a third. In view of the very high unemployment level in Lünen this was a particularly difficult task. We have, however, always tried to find socially acceptable solutions. Despite the enormous economic pressure we have taken on our responsibility to young people by providing an extensive training programme and have been able to maintain the high number of apprenticeships.

All the measures have already been taken or are currently being realised. By 2006 at the latest the last steps to be implemented will be taking effect in the results.

Developing NA into an integrated copper group was therefore the right course, even from today's viewpoint. Thus major consolidation steps were taken and NA was brought near to the end user markets. As a result NA is very well positioned in the international world of copper and has also created a good starting platform for making its business more international.

The highest demand for the versatile material of copper is currently to be found in the growth regions of Asia. Advancing into these regions is therefore one of NA's most important options in the medium term.

results!

NA is therefore ideally prepared to participate successfully in the economic recovery in Germany and Europe which has been emerging since summer 2003.

What will be?

The economic preconditions are meanwhile not at all bad. Global copper demand is rising daily; regrettably up to now mainly in Asia and other international growth markets. But in Europe as well there is an economic upturn again; this is verified by the sales figures for our basic products since copper is the material of the future.

But, with improved business trends, the traditional markets like Europe and North America will also show a significant increase in copper demand.

It is still our foremost target to continue the successful business development and dividend policy of the last few years. This is our duty to you.

Yours sincerely

Werner Marnette

CORPORATE GOVERNANCE

In a joint statement of policy approved on 12 September 2002 NA committed itself to responsible, transparent corporate management and control, oriented to increasing enterprise value and welcomed the German Corporate Governance Code.

The Executive Board is also reporting on behalf of the Supervisory Board on Corporate Governance at Norddeutsche Affinerie AG in accordance with Section 3.10 of the German Corporate Governance Code.

The German Corporate Governance Code presented on 26 February 2002 was amended on 21 May 2003 and published by the Federal Ministry of Justice in the electronic Federal Bulletin on 4 July 2003. The Code is based on the law currently applicable in Germany and contains internationally and nationally recognised standards for good and responsible corporate governance.

At NA great importance has by tradition always been attached to good and responsible corporate management and control: the Executive Board and Supervisory Board work closely together for the good of the company and are in duty bound to the sustainable increase in enterprise value.

The Company becomes more transparent by providing open, timely and regular information and strengthens the trust placed in it by investors and other financiers, business partners, employees and the general public.

In their Declaration of Conformity dated 29 January 2003 NA's Executive and Supervisory Boards stated that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated 7 November 2002 had been complied with and should in future also be complied with. Recommendations which were initially not applied were listed and reasons given for the deviations.

At the management's suggestion it was resolved at the Company's Annual General Meeting on 26 March 2003 to reorganise the compensation of the Supervisory Board members. In doing so, the positions of Chairman and the Deputy Chairman of the Supervisory Board as well as Chairman and members of the Committees have been taken into account. The members of the Supervisory Board receive performance-oriented remuneration in addition to a fixed amount.

At its meeting on 17 September 2003 the Supervisory Board discussed the structure of the compensation system for the Executive Board and will review this regularly. The main features of the compensation system as well as the concrete form of the current stock option plan have been published at the Company's website.

The total compensation of the Executive Board members is made up of fixed and variable components. The variable components include one-time as well as annually payable components linked to business performance and components with a long-term incentive containing risks. Stock options serve as variable compensation components with long-term incentive effect and risk elements. Stock options are related to demanding relevant comparison parameters.

The Executive Board and senior staff of the Norddeutsche Affinerie Group have participated in a stock option plan since 1998. It is divided into five tranches and is funded by issuing new shares. Fixed interest bearing convertible bonds were issued which entitle the holder to buy new shares if NA shares outperform the CDAX over a period of three years. The then payable purchase price which is less than the prevailing NA share price is determined by the performance coefficient. The already completed three tranches were of value since in each case the prices were marked down.

The Supervisory Board has decided to examine the efficiency of its actions once a year.

The consolidated financial statements as at 30 September 2003 have for the first time been compiled in accordance with the internationally accepted accounting principles (International Financial Reporting Standards).

DECLARATION OF CONFORMITY IN ACCORDANCE WITH SECTION 161 COMPANIES ACT

The Executive and Supervisory Boards of Norddeutsche Affinerie AG declare that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated 7 November 2002, as published by the Federal Ministry of Justice in the official part of the electronic Federal Bulletin on 26 November 2002, have been complied with and the recommendations in the version dated 21 May 2003, as published on 4 July 2003, are being applied with the following exceptions:

- The Articles of Association formerly stipulated that the members of the Supervisory Board shall receive fixed compensation (deviation from Code § 5.4.5 para. 1 sentence 3 and para. 2 sentence 1). At the Annual General Meeting on 26 March 2003 an amendment to the Articles of Association was resolved which puts this recommendation of the Code into effect.
- The Company up to now has not prepared the consolidated financial statements and the interim reports in accordance with internationally recognised accounting principles (deviation from Code § 7.1.1. sentence 3). The consolidated financial statements as at 30 September 2003 have now for the first time been prepared in accordance with the International Financial Reporting Standards pursuant to the instructions of the International Accounting Standards Board. The interim reports are now being prepared in accordance with these principles with the result that the relevant recommendation of the Code is being complied with.
- The Company's fiscal year ends on 30 September of each year. By adhering to the 90 day period, publication of the consolidated financial statements would take place during the public holiday period at the end of the calendar year and would receive insufficient attention (e.g. through the annual press conference and analysts' conference). Publication will therefore continue to take place within 120 days of the end of the fiscal year (deviation from Code § 7.1.2 sentence 2). The interim reports are publicly accessible within 45 days of the end of the respective period under review.
- The Executive Board and the Supervisory Board have decided to comply with the new recommendations of the Code resolved by the Government Commission on the German Corporate Governance Code on 21 May 2003 with the exception that for the time being the compensation of Executive Board members and Supervisory Board members will not be individualised in the notes to the consolidated financial statements (deviation from Code § 4.2.4 sentence 2 and § 5.4.5 para. 3 sentence 2). In the opinion of the Executive Board and Supervisory Board of the company, individualised details of the compensation received by the Executive Board and Supervisory Board at Norddeutsche Affinerie AG would have no significant additional information value over the total amounts given in the notes to the financial statements. Further developments will be observed.

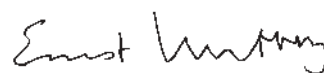
Hamburg, 29 January 2004

The Executive Board

The Supervisory Board



Dr Werner Marnette
(Chairman)



Dr Ernst J. Wortberg
(Chairman)



There's only one
prove



way to
ability – do it.

NA SHARES

NA shares have now been listed on the stock exchange for more than five years. The first few months of the fiscal year, in particular, were affected by the weak economic situation and uncertain outline conditions. This adversely impacted business trends and weighed on earnings. NA has already responded to this by implementing a comprehensive strategic programme which includes inter alia the expansion of active cost management.

PERFORMANCE OF NA SHARES

In the first half of the fiscal year the NA share price fluctuated between 10 € and 11.97 € – its high on 5 March 2003. On the day after our Annual General Meeting, 27 March 2003, as in previous years, the capital market priced in the dividend payment.

Weak stock markets and declining earnings in the NA Group took the share price to a low of 8.40 € at the middle of June. After that the price recovered slightly and has stabilised at a level of more than 9 € since mid August.

The first half of the fiscal year continued to be impacted by falling share prices all over the world. On 12 March 2003 the DAX closed at a low of 2,202.96 points before the long overdue recovery set in. In this environment NA shares also lost ground and ended the fiscal year with a closing price of 8.82 €. After publication of the unaudited financial statements on 17 December 2003 the NA share price was quoted at over 9 € and closed the calendar year in Frankfurt at 9.40 €.

NA SHARES IN THE PRIME STANDARD

In spring 2003 the German stock exchange “Deutsche Börse” responded to the problematic developments at companies in the Neuer Markt and the extreme decline in share prices by launching a new segmentation of the equity market. The Neuer Markt category was dissolved and replaced by the Prime Standard and Regulated Market.

The Prime Standard is the German stock market category for companies that also wish to reach international investors. They must fulfil high international transparency criteria which go far beyond the legal minimum requirements of the General Standard. Admission to the Prime Standard is a prerequisite for acceptance in the selection indices, DAX, MDAX, TecDAX and SDAX.

NA fulfils the requirements of the Prime Standard, which include in particular not only the publication of quarterly reports in German and English but also the holding of at least one analyst conference a year. For the first time our annual financial statements are being issued in accordance with International Financial Reporting Standards (IFRS). Even after the reduction of the MDAX from 70 to 50 companies in spring 2003, NA shares are still listed in this category.

HIGH FREE FLOAT OF NA SHARES

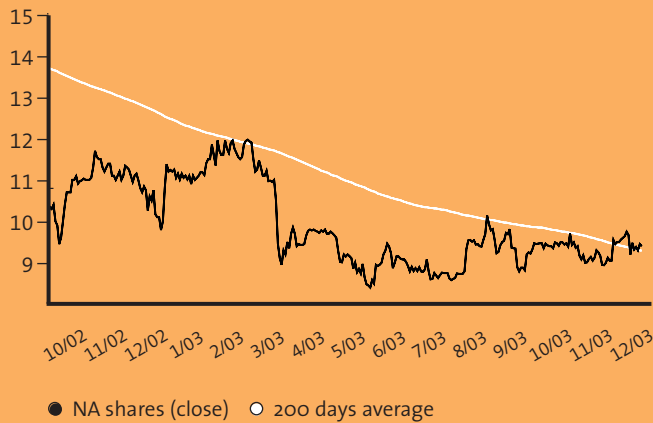
72 % of NA shares are free float, of which a very large part is held by private German investors. The remaining 28 % continue to be held by the following three main shareholders: Possehl Beteiligungsverwaltung GmbH and HSH Nordbank AG each have a 10 % interest. Dresdner Bank AG holds 8 % of the shares.

DIVIDEND

Earnings per share have declined from 0.63 € to 0.10 €. In view of this result, the recommendation will be made at the Annual General Meeting not to pay a dividend for fiscal year 2002/2003. Based on its many years’ experience in process and plant optimisation NA has responded to the negative economic environment in good time with extensive Group-wide programmes to improve results in order that the dividend policy of the last few years can be continued as soon as possible. We have planned to allocate the sum of 10 million € (10.2 million € in the previous year) to revenue reserves. This strengthens the financial basis of the NA Group.

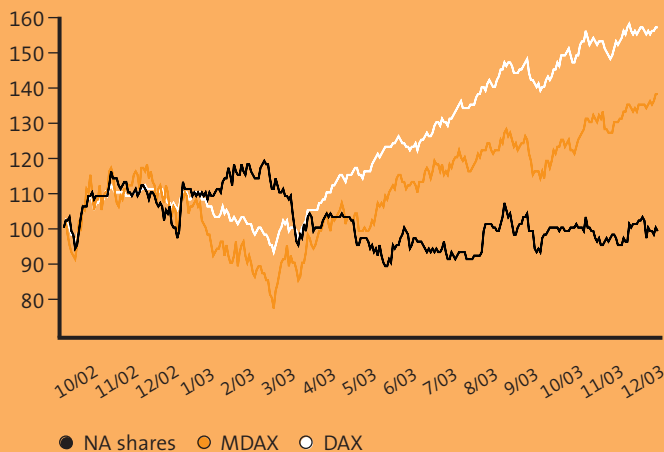
Performance of NA shares

in €



NA shares compared with the MDAX and DAX

in %



Shareholder structure

Possehl
Beteiligungs-
verwaltung
GmbH



10%

HSH
Nordbank AG



10%

Dresdner Bank AG



8%

Private
shareholders



48%

Institutional
investors



24%

OPEN COMMUNICATION WITH THE CAPITAL MARKET

Part of our especially active communication with our investors and analysts is to give them regular presentations on NA. In this way we brief them about our position in the copper market, the economic environment and NA's strategic orientation. Our Executive Board has explained NA's development and strategy in individual discussions as well as during roadshows and at analyst conferences in Germany, Europe, Canada and the U.S.A. The publication of the financial statements as well as the quarterly reports respectively were accompanied by conference calls conducted in German and English.

The aim of our Investor Relations work is to achieve an open, timely and transparent dialogue with the capital market participants. You will find the current company presentation at our newly designed website. It includes a comprehensive and detailed investor relations section which is regularly updated with new contents.

WELL ATTENDED ANNUAL GENERAL MEETING

On 26 March 2003 NA's fifth public Annual General Meeting was held in the Hamburg Congress Centre (CCH). The Executive Board reported on fiscal year 2001/2002 and presented information on the latest developments and the current economic situation to some 2,600 shareholders, guests and press representatives who attended. Due to the hardly growing global economy and the weakening of the copper raw material and product markets, the review of the fiscal year and the outlook as reported by Dr Werner Marnette, the Chairman of the Board, tended to be rather subdued. As a special event there was also a live broadcast from the copper clock which was erected by NA in the Hamburg City Hall Square on the occasion of Hamburg's application to host the Olympic Games, where about 35 of NA's apprentices had gathered. The visitors to NA's AGM were able to experience at first hand the enthusiasm the apprentices have for their company and how NA has one of the most extensive apprenticeship programmes in Hamburg. Our next Annual General Meeting is being held again at the CCH on 24 March 2004.

DIALOGUE WITH THE SHAREHOLDERS

In summer 2003 we briefed some 750 shareholders on our operations as part of our series "Dialogue with the Shareholders". These events have been held at our works now for five years in a row.

For us it is very important to have close contact with our private shareholders, all the more in economically difficult times. We feel obliged to keep them openly and extensively informed at all times in order to obviate uncertainties. This is the way to provide and maintain confidence. The visitors followed the presentation given by the Executive Board and the tour of the works with great interest. Numerous questions of concern to our shareholders were clarified in the subsequent discussions.

AGAIN OUR ANNUAL REPORT WINS AWARD

Again this year, for the third time in succession, we were awarded a prize for the NA Annual Report. In October 2003 NA was officially presented with the Honors Award in Hamburg: during the exhibition "Annual Reports", which displays the 200 best international reports of the season.

In 2003 more than 1,600 companies from 30 countries participated in the ARC AWARD, the largest and most important competition for annual reports worldwide. The renowned jury of the Academy of Communication Arts and Sciences/MerComm, Inc. in New York has assessed the submitted reports since 1987.

FRESHENING UP THE ADVERTISEMENTS

We have developed a new effective series of advertisements to ensure that the NA Group presents itself to the general public in an always up-to-date fashion. The new campaign focuses on the theme of copper in an unusual way. As a model we chose the cathode – the NA Group's first saleable product within the value added chain of copper. Both in the special interest sector and in the general public and investor relations sector the motto now is: Discover copper – discover NA.

Key figures of NA shares

		98/99	99/00	00/01	01/02	02/03
Closing price in Frankfurt as at fiscal year-end	in €	10.00	11.80	12.25	10.80	8.82
Year high (close)	in €	11.95	12.45	15.00	15.50	11.97
Year low (close)	in €	8.68	9.50	10.50	10.50	8.40
Market capitalisation as at fiscal year-end	in € m	320	378	396	353	291
Number of shares outstanding	in 1,000 units	32,000	32,000	32,353	32,703	33,044
Dividend or recommended dividend respectively	in €	0.72	0.75	0.75	0.65	–
Payout ratio	in %	92	74	61	68	–
Earnings per share*	in €	0.75	1.20	1.26	0.63	0.10
Price/earnings ratio as at fiscal year-end*		13.4	9.8	9.8	17.2	89.8
* as of fiscal year 2001/2002 in accordance with IFRS						
Security Identification No.						676650
International Securities Identification No. (ISIN)						DE 0006766504
Stock market segment						MDAX
Stock exchanges						Frankfurt, Hamburg
Issue price						12.78 €
Average daily trading volume						40,000 shares
Stock market codes						
Deutsche Börse						NDA
Reuters						NAFG
Bloomberg						NDA GR

ANALYST COVERAGE 2003

Bankhaus Lampe
 Berenberg Bank
 Cazenove
 Dresdner Bank
 DZ-Bank
 HSH Nordbank
 HASPA
 HSBC Trinkaus & Burkhardt
 Hypo Vereinsbank
 Independent Research
 KBC Peel Hunt
 M.M. Warburg
 Norddeutsche Landesbank
 Vereins- und Westbank

CALENDAR – FISCAL YEAR 2003/2004

30 January 2004 Results of 1st Quarter
 24 March 2004 Annual General Meeting
 11 May 2004 Results of 2nd Quarter
 10 August 2004 Results of 3rd Quarter
 23 October 2004 Open Day at the Hamburg Stock Exchange
 16 December 2004 Results of 4th Quarter
 (unaudited financial statements)

The background of the page is an abstract composition of warm, orange and yellow tones. It features several broad, sweeping, wavy lines that create a sense of movement and depth, resembling perhaps a close-up of a textured surface or a stylized representation of light rays or water currents. The overall effect is organic and dynamic.

Knowing it isn't
you



enough,
must also use it.

MANAGEMENT REPORT

OUTLINE CONDITIONS AND TRENDS IN THE INDUSTRY

In fiscal year 2002/2003 the incipient recovery of the global economy was hardly noticeable in Europe. In the third year of economic stagnation in Germany the NA Group recorded a further decline in earnings.

ECONOMIC OUTLINE CONDITIONS

With a growth rate of around 3.5 %, the global economy grew more strongly than in the previous year. This was primarily attributable to stable growth in South East Asia as well as the economic recovery in Japan and the U.S.A. As in previous years, China proved to be the region with the strongest growth. Only marginally slowed down by the SARS epidemic, its gross domestic product increased by 8.5 %. Not only the newly industrialised countries, where gross domestic product rose on average by 3 %, but also the developed countries could increase their production compared with the previous year. After many years of stagnation Japan generated economic growth of 2.7 %. In the U.S.A. the upswing in the second half-year gained in dynamics. With the help of an expansive economic policy including low interest rates and a significant budget deficit as a result of high military and defence spending, the US economy grew by 2.9 % in 2003.

The Euro zone – NA's core market – continued to be the economic problem child. With growth at only 0.4 %, economic development stagnated. Only the EU pre-accession countries could record a notable economic expansion of 3.3 %. After two already very weak years, the German economy finally went into a slight recession at the beginning of 2003. In the second half-year demand from abroad picked up somewhat without, however, having a positive impact on the German domestic economic trend.

Momentum for growth resulting from the government's reform package is not expected to take effect in Germany until the coming years. Currently the political outline conditions are insufficient. The inappropriate energy policy alone puts financial burdens on the business locations which severely impair the competitiveness of energy-intensive industries and companies in Germany. Despite a high budget deficit totalling 4 % of gross domestic product, demand from the state provided only very weak economic momentum. Whilst private consumption stagnated, capital expenditure on equipment and building declined again.

In many industries the strength of the Euro weighed on the German export business.

TRENDS IN THE INDUSTRY

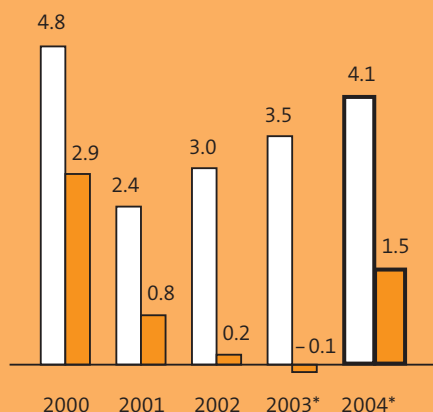
The copper market

On the copper market the upturn in the global economy in 2003 was noticeable in some regions. After only rising slightly in 2002, global copper consumption increased in 2003 by 4 % to 15.6 million tonnes. However, the growth was almost fully attributable to increased copper demand in China. In Europe, NA's most important market, copper demand declined slightly to 4 million tonnes.

Since autumn 2002 the level of copper stocks at the warehouses of the London Metal Exchange (LME), the Commodity Exchange (COMEX) and the Shanghai Futures Exchange (SHFE) has dropped. Whilst at the beginning of the fiscal year they still amounted to about 1.4 million tonnes, by fiscal year-end they were down to 0.9 million tonnes. The reduction in stocks largely took place in the second half of the fiscal year.

Change in actual GDP

in %



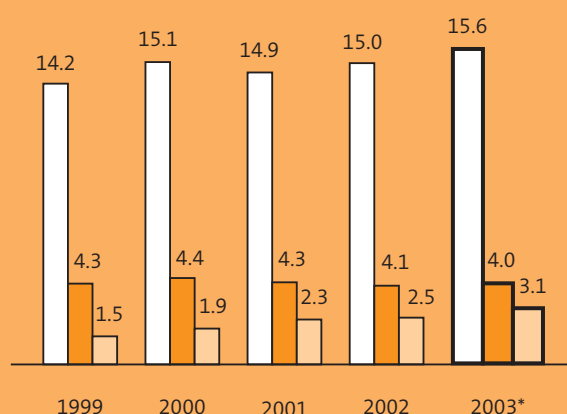
○ World ○ Germany

* Forecast

Source: Sachverständigenrat zur Begutachtung der wirtschaftlichen Entwicklung

Global copper demand

in million t



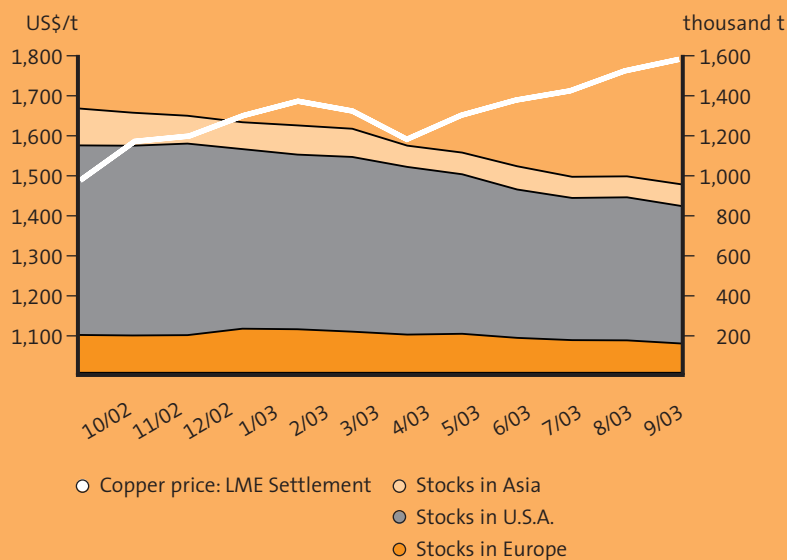
○ World ○ Europe ○ China

* Forecast

Source: Brook Hunt

Copper prices and stocks on the metal exchanges

(LME, COMEX + SHFE)



The declining copper stocks in the warehouses at the metal exchanges were not immediately reflected in a higher copper price. From autumn 2002 until summer 2003 the copper quotations on the LME stagnated at around 1,600 US\$/t. It was not until after the signs of a global economic upswing increased in summer 2003 that the quotations picked up to 1,794 US\$/t and were thus 24 % higher than at the beginning of the fiscal year. On average over fiscal year 2002/2003 the copper price amounted to 1,653 US\$/t (1,525 US\$/t in the previous year).

The copper price in Euro, however, could not follow this rise due to the considerable appreciation of the European currency against the US\$. In the fiscal year it averaged 1,527 €/t, even 8 % lower than its average in the previous year (1,663 €/t).

The trend on the copper market has a direct impact on the copper raw material markets. For the NA Group the most important raw materials are copper concentrates and copper scrap. The production cutbacks implemented by the mining companies in 2001 as a result of the low copper price continued throughout the entire fiscal year. Consequently, the tonnages of copper concentrates available for smelters worldwide remained at a low level. The market was additionally put under pressure by the rapidly growing demand for concentrates in China so that the treatment and refining charges (TC/RCs) on the spot market dropped to an historical low. In view of the significantly increased copper price in the second half-year, some mining companies have, however, announced that they will increase output again in 2004.

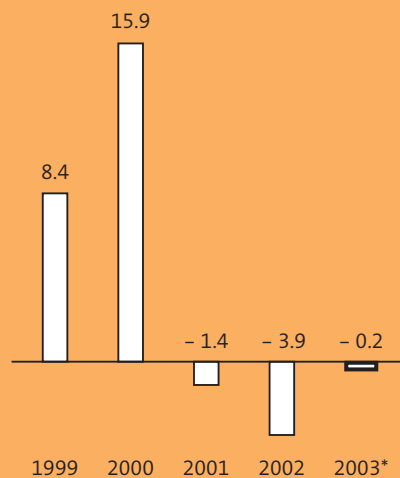
The situation on the market for copper scrap deteriorated during the last fiscal year. Here as well, growing demand was confronted by short supply. As a result of the high export duties and bans imposed, there have hardly been any deliveries from Russia and the Ukraine to the European market since 2000.

Sales markets

For NA, as a forward integrated copper Group, the trend on the sales markets for copper products is also crucial for business development. Due to the economic slowdown in Germany there was no radical improvement in the most important customer industries. In mechanical engineering and electrical engineering a slight decline in production was recorded yet again in the course of the fiscal year. The automotive industry as well did not succeed in improving business in Germany due to declining sales. There is still nothing positive to report from the building sector. However, after the summer break there was a noticeable upturn in parts of the German semi-finished product industry.

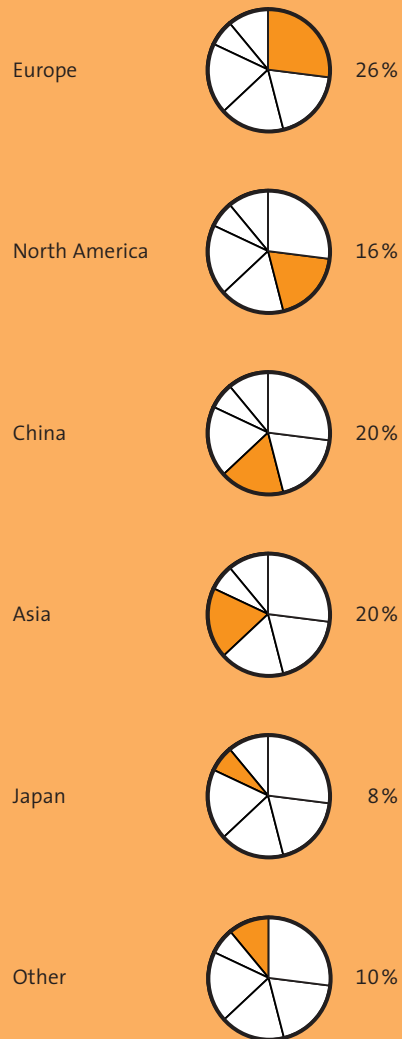
German electrical engineering and electronics industry

Turnover change compared with the previous year in %



* Preliminary
Source: ZVEI

Global copper demand by regions in 2003



Source: Brook Hunt

HIGHLIGHTS OF THE FISCAL YEAR IN THE NA GROUP

The trend in business reflected the very difficult market conditions. On the copper raw material markets the shortages in supplies became worse. This resulted in adjustments having to be made to production schedules and a substantial deterioration in purchasing conditions. The still weak economy in Europe weighed on product sales. Earnings before taxes for the NA Group in accordance with International Financial Reporting Standards (IFRS) therefore declined to 3 million € (31 million € in the previous year). The annual surplus amounted to 4 million € (21 million € in the previous year). The negative annual results for Hüttenwerke Kayser AG (HK) and Prymetall GmbH & Co. KG (Prymetall) played a decisive role in the decline in earnings. The consolidated turnover declined slightly to 1,816 million € (1,842 million € in the previous year) due to lower metal prices and unit sales.

RAW MATERIAL SUPPLIES ADVERSELY IMPACTED BY TIGHT MARKETS

In the fiscal year there was a shortage of supplies on the markets for copper concentrates and copper scrap. Production cutbacks and capacity closures reduced concentrate supplies. The still dull economic prospects prevented new and replacement investments in copper-intensive industries and in this way reduced the quantity of copper scrap arising. Demand from Chinese competitors increased on both markets due to China's still growing raw material requirements and national protectionist measures.

NA AG's copper concentrate business is to a great extent characterised by long-term supply agreements. Only additionally required quantities are covered on the spot market. This supply structure was essential in the fiscal year to ensure full utilisation of the smelter capacities in the Hamburg works. For the first time the concentrate throughput could be increased to the target of more than one million tonnes in the year.

For copper scrap, which is nearly entirely traded as spot business, the extreme market conditions have however resulted in a shortage of supplies in the NA Group. This particularly impacted HK in Lünen, our copper recycler. Deliveries of copper intermediary products from Hamburg to Lünen compensated for this to some extent.

ORIENTATION TO MODERN RECYCLING MATERIALS

The shortage on the copper raw material markets was also reflected by considerably lower treatment and refining charges (TC/RCs). The spot business with concentrates and the procurement of copper scrap were especially affected. The historically low refining charges for copper scrap, in particular, resulted in a sharp decline in earnings at HK. The orientation to modern recycling materials has already been introduced with the implementation of the Kayser Recycling System (KRS). This includes the expansion of the recycling of complex materials and, combined with this, the reduction of the copper scrap input. With the KRS, which was further optimised in fiscal year 2002/2003, HK has one of the most modern recycling plants worldwide.

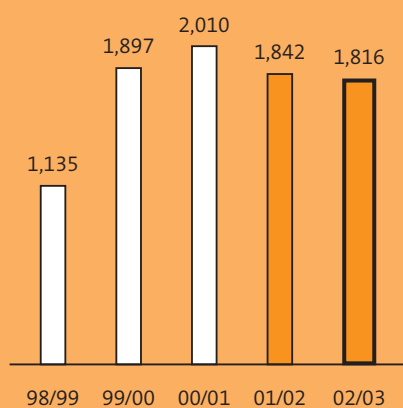
GOOD POSITION IN THE PRODUCT MARKETS

The trend in sales of our copper products differs from sector to sector. Whilst unit sales of wire rod increased substantially despite the weak economic trend, continuous cast shapes and the products produced by Schwermetall Halbzeugwerk GmbH & Co. KG (Schwermetall) and Prymetall could not escape the prevailing weak economic environment.

Demand for wire rod varied in the individual areas of application. The energy transfer sector, mostly in the form of cable, stabilised with an increase of 0.8 %. The telecommunications cable sector, which had declined severely in recent years, seems to have bottomed out and remained unchanged. The enamelled wire sector showed above-average growth with a significant increase of 3.7 %.

Consolidated revenues

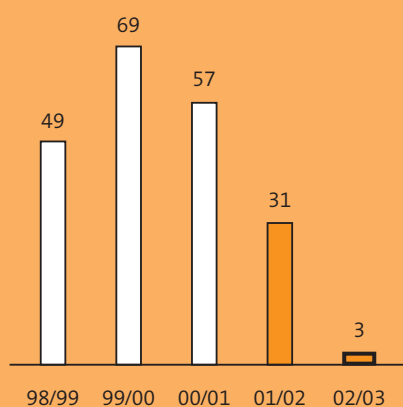
in million €



○ HGB ○ IFRS

Consolidated earnings before taxes (EBT)

in million €



○ HGB ○ IFRS

Wire sales at Prymetall were stable in the last year and the market position could be improved.

The product sector of continuous cast shapes, which are used as starting materials for the production of strips, sheets, tubes and profiles made of copper, suffered from the decline in sales at our customers but could nevertheless be maintained at a high level similar to that in the previous year.

The economic situation had a significantly stronger impact on pre-rolled strip and the resultant product of finished strip. Not only a decline in sales of some 3 % had to be absorbed but, to a greater degree than for our other products, revenues were put under pressure due to economic and structural impacts. The effects of the economic trend were magnified especially by the exchange rate ratio of the Euro to the US\$, which weighed on exports, as well as the relocation of production sites from Europe to Asia in some sectors.

MEASURES TO IMPROVE RESULTS

The weak economic trend of the last few years in NA's core markets, cost increases in, for instance, the energy sector as well as international distortions in competition on the raw material markets have noticeably weighed on earnings in the NA Group. Due to its very good cost and competitive position NA AG could, however, ensure that the NA Group did not show losses. Thus, especially at the Hamburg site, the ongoing improvement programmes, which have been implemented over several years, have had a very positive effect.

We responded early on to the adverse developments for the NA Group and initiated targeted projects with a potential to improve results to the extent of about 80 million €. Since fiscal year 2000/2001 these projects have been worked out on the basis of the earnings and cost situation and already implemented in part.

COST CUTTING AND PERFORMANCE ENHANCEMENT PROGRAMME – NA LEAN

The performance enhancement and cost cutting programmes in the NA Group are combined under the title NA Lean. The most important projects are:

dyNAmic plus

dyNAmic plus is the most extensive improvement programme in the NA Group and is divided into five areas of analysis. It was started in June 2003. The central functions (administration), the service sectors, raw material procurement and production in the business unit Metallurgy as well as marketing and production in the business unit Copper Products are being optimised. Priority focal points are the Group-wide logistics, the IT sector and maintenance.

HK dyNAmic

HK dyNAmic started in November 2002. The most important measures taken in this project are the down-sizing of the plant concept including the closure of the old shaft furnace operations, the optimisation of the KRS, the closure of an anode furnace and the delivery of a basic supply of copper anodes from Hamburg.

The measures necessitate staffing levels to be adjusted, affecting about 220 employees. By April 2004 85 % of the steps to reduce personnel will have been implemented.

Euro-Copper

The Euro-Copper project has been running at Prymetall since January 2002. The project combines a number of operative improvements and the optimisation of plants.

More than 90 % of the cost savings should be realised by 2006. All these sub-projects are subject to strict project organisation and stringent controlling.

GROWTH AND STRATEGY PROJECT – NA GROW

Apart from the pure measures to enhance efficiency and reduce costs we are currently giving great priority to examining the NA Group's growth strategy. The growth and strategy projects are combined under the title NA Grow. The aim is to adapt NA to the changed outline conditions in international competition on the raw material and product markets. In particular, we will enhance our ability as a service provider to the mines, recycling markets and our customers. A focal point in this work is also the internationalisation of NA's business activities. A first step in the direction of internationalisation could arise from the Cooperation Agreement signed with the Yunnan Copper Industry Group (Yunnan Copper), China, on 12 September 2003. The cooperation with Yunnan Copper pursues two goals: firstly, NA will provide know-how to China on technology and environmental protection. Secondly, NA is aiming at developing activities in the strongly growing Chinese copper market.

OPTIMISATION OF THE SERVICE SECTORS

Necessary maintenance work and new plans could be carried out and realised at the best conditions obtainable due to the constant optimisation of processes, contractual terms and the existing organisation.

The reorganisation is being carried out within the framework of current projects. The aim here is to make a significant contribution to cutting costs through a Group-wide structured organisation.

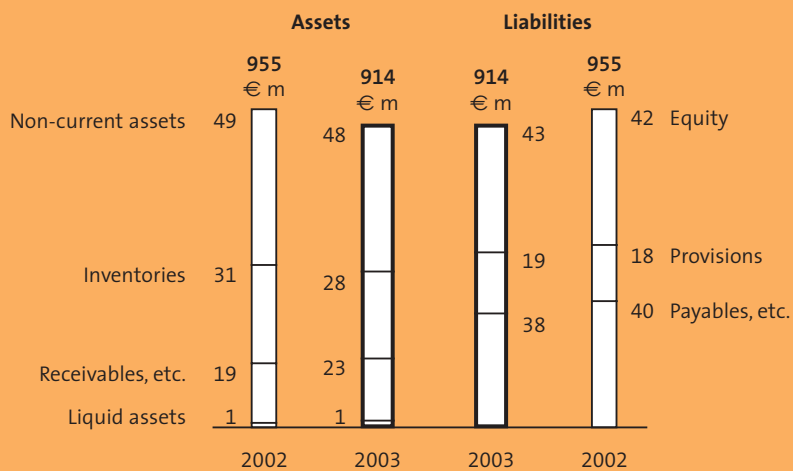
Departments are being combined and put under one management, running contracts optimised and the benefit for NA's producing sectors increased.

In the fiscal year, as one of the first steps, a Group-wide procurement department was established which achieves greater efficiency by combining know-how whilst requiring a lower staffing level.

The combining of NA's and HK's laboratory operations resulted in considerable success as regards the rationalisation of human resources and equipment.

Consolidated balance sheet structure

in accordance with IFRS as at 30 September in % of the balance sheet total



Above all, due to the squeeze-out at HK we have created the possibility of combining central functions further.

In logistics there is significant potential for performance enhancement and cutting costs by combining all the external transport systems throughout the Group as well as the EDP supported control of human resources and operating supplies. At the same time a modern and much more cost-effective transport concept for incoming copper concentrates covering all sectors will be implemented for Hamburg.

The largest project carried out to date in the IT sector was the SAP migration. Over a period of two and a half years the applications of the pension funds and NA including all legacy data were transferred to the R/3 target systems.

Thus NA presently has a state-of-the-art EDP supported planning, controlling and accounting system (ERP systems).

FINANCIAL POSITION AND PROFITABILITY

For fiscal year 2002/2003, the NA Group is reporting for the first time in accordance with International Financial Reporting Standards (IFRS). The key figures for the previous year have also been prepared on the basis of IFRS in order to facilitate a comparison. The main differences between HGB and IFRS accounting standards are explained on the first pages of the notes to the financial statements.

Balance sheet structure

Total assets declined by 41 million € to 914 million € compared with the previous year. Due to lower investing activities in the Group, non-current assets decreased by 27 million € and account at 437 million € for 48 % of total assets. Current assets dropped from 490 million € to 468 million € due to reduced inventories by increased receivables and cash and cash equivalents at the balance sheet date. Inventories could be reduced, above all at HK and NA AG.

Equity declined by 6 million € to 386 million € resulting in particular from the dividend payment for the previous fiscal year and the lower net income. The equity ratio improved by 1 % to 43 %; 89 % of non-current assets are covered by equity.

HIGHLIGHTS OF THE FISCAL YEAR IN THE NA GROUP

Of the liabilities which have decreased by 35 million € from 558 million € to 523 million €, financial liabilities declined considerably by 22 million € to 175 million € and other liabilities by 15 million € to 50 million €. About 75 % of the financial liabilities are long and medium term loans with the remaining 25 % maturing in the short term. 82 % of the liabilities to banks have fixed interest rates.

As at 30 September 2003 the net financial liabilities amounted to 164 million €. The gearing ratio, i.e. the relation of net financial liabilities to equity, improved to 42 % from 48 % in the previous year.

The current ratio, i.e. the amounts by which current assets exceed short-term liabilities, was good at 178 %.

Overall the balance sheet has a stable and balanced structure.

Earnings and cash flow

With a good operating performance, earnings before taxes (EBT) were generated in the amount of about 3 million € (31 million € in the previous year) despite difficult market conditions and the economic trend. Earnings before interest and taxes (EBIT) amounted to 16 million € (42 million € in the previous year). Accordingly, the return on capital employed (ROCE) decreased by about 7 % to just under 3 % with capital employed totalling 603 million € (635 million € in the previous year). Nevertheless, earnings before interest, taxes, depreciation and amortisation (EBITDA) at 79 million € (98 million € in the previous year) were at a high level in view of the difficult market environment.

The reason for the decline in earnings before taxes was above all the reduced gross profit. It dropped by 3 million € despite Prymetall and Schwermetall GmbH & Co. KG being consolidated for 12 months (9 months in the previous year).

Due to the extended consolidation period, personnel expenses and depreciation/amortisation rose. In addition, higher social contributions and wage-scale increases as well as one-off expenses for measures taken to adjust staffing levels increased personnel expenses by a total of 13.7 million €. Furthermore, under depreciation and amortisation (+ 6.9 million €) impairment losses had to be taken into account.

Due to the recognition of deferred tax assets from loss carry-forwards and non-taxable income resulting from the amortisation of negative goodwill in accordance with IAS 22.61, tax income is reported in the amount of 1 million € (10 million € expense in the previous year). Compared with the previous year, net income after taxes declined by about 17 million € to 4 million €.

Gross cash flow in the amount of 64 million € was used to finance capital expenditure of 26 million € and repay loans. Cash inflow from operating activities in the amount of 87 million € resulted from the positive change in the working capital. The ratio of gross cash flow to net financial liabilities at 39 % was at a good level.

CAPITAL EXPENDITURE

We adapted our level of capital expenditure to earnings. After the installation of the Kayser Recycling System (KRS) and the completion of various measures to expand facilities in the previous years, capital expenditure dropped to about 26 million € (47 million € in the previous year). This was mainly directed into sustaining expenditures.

The major projects for improvements in the fiscal year were:

- The continuation of steps to optimise our precious metal processing in Hamburg
- Various measures from the “dyNAmic” project to increase enterprise value with the emphasis on primary copper production in Hamburg
- Improvements in environmental protection in the secondary smelter in Hamburg
- Further development of the KRS at HK in Lünen, which represents state-of-the-art technology in the recycling of complex metal-bearing secondary raw materials
- Measures to reduce energy consumption and expansions to the foundry sector at Schwermetall in Stolberg

The capital expenditure in the Copper Production segment amounted to 18 million €, in the Copper Processing segment to 8 million €.

As regards financial assets, we have reduced our portfolio further from the strategic viewpoint. Effective 1 October 2002 Mitsui & Co. Ltd., Tokyo, acquired an 80 % interest in Spiess-Urania Chemicals GmbH, Hamburg, of which NA AG was formerly the majority shareholder. The remaining 20 % will be transferred to Mitsui with effect from 1 October 2004.

At HK we acquired the shares of the minority shareholders by agreeing to pay reasonable monetary compensation (squeeze-out).

FUTURE BUSINESS DEVELOPMENT

The prospects for the global economy are looking more and more favourable. In Europe and Germany there are also meanwhile signs of an economic recovery. It might, however, turn out to be limited in Germany with economic growth of 1.5 %. Since exports should make a significant contribution to this recovery, the strong appreciation of the Euro against the U.S. dollar could, however, weaken this showing. Nevertheless, we are expecting an improvement compared with the last fiscal year.

In the Copper Production segment there are indications of a positive market situation in fiscal year 2003/2004. Whilst developments on the concentrate market could still be impacted by supply shortages, we expect the supply situation on the copper scrap markets to improve in line with the copper price recovery.

In the primary smelter (RWO) extensive measures for improvements were taken in October 2003 during a statutory overhaul of the waste heat boiler in the flash smelter. The plant performance was increased once again. However, the necessary standstill also resulted in a lower throughput of copper concentrates for which we will compensate in the next quarters.

Precious metal recovery plays an important role in the NA Group due to the content in our raw materials. This should be further enhanced in future. We will adapt our process technology to the increased input of precious metals.

In the Copper Processing segment we are assuming that the upturn in demand for wire rod and shapes will continue. For wire rod, the energy transfer sector is setting the pace and makes up 70 % of total demand. In the communication cable sector, which has suffered a slowdown for many years, we expect a continued slight improvement. Since the beginning of the new fiscal year order receipts for our continuous cast shapes have risen significantly in some instances.

In the product sector of Prymetall and Schwermetall, i.e. for strips, shaped wires and pre-rolled strip, the weak demand situation has not changed substantially. However, it should have meanwhile bottomed out. Thus, since the beginning of December 2003 there has been a clear increase again in order receipts.

Improved outline conditions on the raw material and product markets will gradually have a positive impact on business trends for the NA Group. They strengthen the results of the measures taken in the various cost cutting and performance enhancement projects.

HUMAN RESOURCES

The NA Group has grown significantly in the last few years. The integration of the subsidiaries led to new challenges for the personnel policy. We have adapted our organisation to the strategic orientation and made it leaner and more efficient.

DIFFICULT ECONOMIC ENVIRONMENT RESULTS IN ADJUSTMENTS TO STAFFING LEVELS

We have reacted to the difficult economic environment by implementing numerous optimisation programmes to make NA even more competitive. We have made our organisation more efficient. Administration and service functions were combined to make efficient units. HK was worst hit by the necessary personnel adjustments; its workforce had to be reduced by a third. We have tried to find socially compatible solutions for this.

The number of employees in the Group as of the balance sheet date declined to 3,386. This reduction was due inter alia to adjustments in staffing levels at HK and Prymetall.

At the end of the fiscal year NA AG had 2,048 employees (previous year 2,053).

The increase in personnel expenses by 14 million €, despite reduced human resources, is to a great extent attributable to the fact that Prymetall and Schwermetall have been included in fiscal year 2002/2003 for the first time for twelve months (nine months in the previous year). This resulted in an increase of some 7 million €.

Despite the reduced payroll at HK and the resultant drop in pure labour costs, personnel expenses have increased by about 3 million €. The increase is attributable to the agreed severance payments in the redundancy programme in the amount of about 5 million €.

In particular, the increases in the wage scale as well as a rise in statutory social welfare contributions added to increasing personnel expenses at NA AG.

The optimisation measures being implemented throughout the Group will result in a significant reduction in the workforce in the next few years as well. Staffing levels at the Hamburg site will also be affected.

At HK the staff has been reduced from 586 employees as at 30 September 2002 to 510 as at 30 September 2003. By the end of March 2004 there will still be about 400 employees on the payroll. This figure does not include apprentices and employees on early retirement schemes. By the end of 2005 the workforce will consist of about 370 employees.

At Prymetall the number of employees will decline from 374 as at 30 September 2003 (403 in the previous year) to some 325 as at 30 September 2005. Here again the figure does not include apprentices and employees on early retirement schemes.

STRUCTURE OF HUMAN RESOURCES

In the NA Group just under two thirds of the workforce consists of blue-collar workers. About 24 % of the white-collar employees have a college education; 13 % are employed as foremen in the production and maintenance sectors.

OPTIMISATION OF HUMAN RESOURCE MANAGEMENT

The larger Group, the strategic reorientation, but also the difficult economic environment necessitated a reorientation of the Group-wide human resource management. Personnel functions were combined throughout the Group into efficient units. However, the local personnel work has also been intensified still further due to the successfully implemented Personnel Officer System.

Number of employees by Group companies

as at 30 September

	HBG			IFRS	
	98/99	99/00	00/01	01/02	02/03
NA	2,035	2,037	2,060	2,053	2,048
HK		684	675	642	566
Prymetall				440	413
Schwermetall*				172	153
Spiess-Urania Chemicals**	96	233	211	0	0
Deutsche Giessdraht		119	119	116	110
CABLO	63	69	56	51	49
Retorte				34	34
MicroMet ***		70	73	0	0
Peute Baustoffe	12	11	13	12	13
Total	2,206	3,223	3,207	3,520	3,386

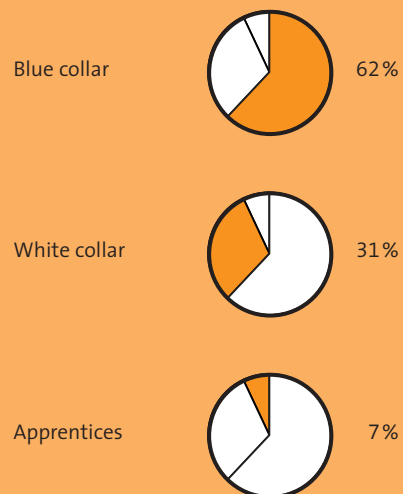
* with 50 % of the workforce

** until 30 September 2002

*** until 31 March 2002

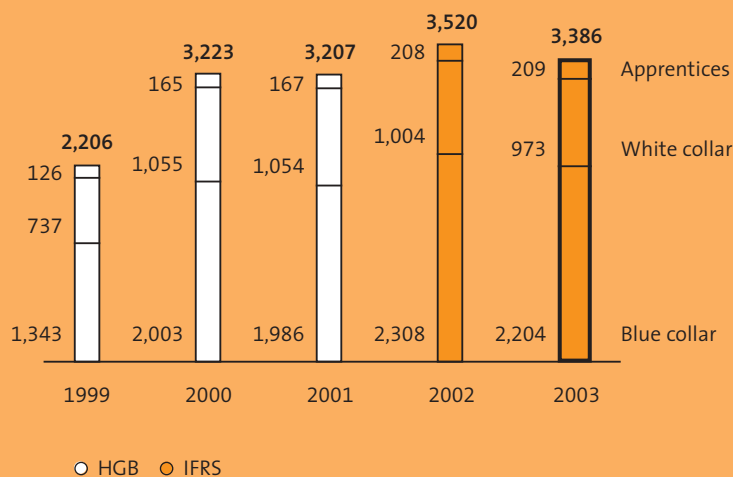
Personnel structure NA AG

as at 30 September 2003



Number of employees in the NA Group

as at 30 September



HIGH PERCENTAGE OF APPRENTICES MAINTAINED

Despite the considerable economic pressure we have fulfilled our obligations as a company with one of the most extensive training and apprenticeship programmes and have succeeded in maintaining the high percentage of apprenticeships in our workforce.

In the year under review a total of 209 apprentices received instruction in one of the 15 different trades and professions on offer. This corresponds to a Group-wide quota of about 6.2 %.

At NA AG a further 43 young persons started their apprenticeships in August 2003. With a total of 146 apprentices and a training quota of 7.2 % of the workforce, NA AG has one of the most extensive training programmes in the North German chemical industry.

Great importance is attached to increasing qualifications, particularly against a background of reduced staffing levels. Job-specific further training has been intensified as part of the systematic trend in human resources. The high number of 2,787 participants, which includes employees from all levels, documents how well this offer is received. On this basis management positions are largely filled with staff from our own company.

SAVINGS BASED ON GOOD IDEAS

Highly qualified employees have good ideas. This is another good starting point for NA to achieve continuous improvement in productivity and cost-effectiveness. In the last fiscal year the employees of NA AG alone submitted a total of 1,151 suggestions for improvement, that is 15 % more than in the previous year. Of these ideas 505 have been realised up to now, which have realised calculable savings in the amount of 780,000 €.

PERFORMANCE-ORIENTED AND SUCCESS-RELATED REMUNERATION

NA employees are rewarded when they perform well. Performance and success-oriented compensation, as introduced at NA AG in fiscal year 2000/2001, are basic components of the remuneration system.

Motivated and dedicated employees make a decisive contribution to the success and value of the company. Accordingly, the performance of the individual is connected to the performance of the team, the department or the works.

The employee's performance (individual performance) and the team performance (collective performance) complement each other and contribute significantly to the company's success, the third component. These three parameters form the basis of our remuneration system.

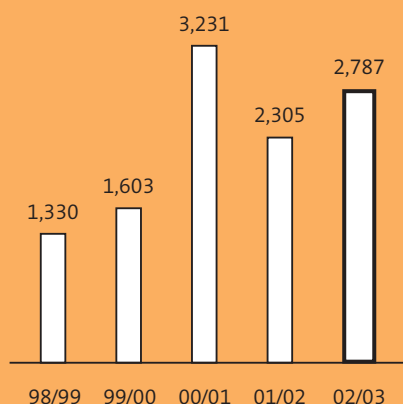
Due to the good results for fiscal year 2001/2002 a profit-sharing bonus was paid to the employees of NA AG in May 2003.

STOCK OPTION PLAN

The lifetime of our stock option plan's third tranche, which was issued in 2000, ended in spring 2003. For this tranche there was a 1.2 fold value increase in NA shares whilst the CDAX only had a value of 36 % when comparing the reference periods. Thus the participants could exercise their share options and in the period from 28 March 2003 to 17 April 2003 acquired a total of 341,000 shares.

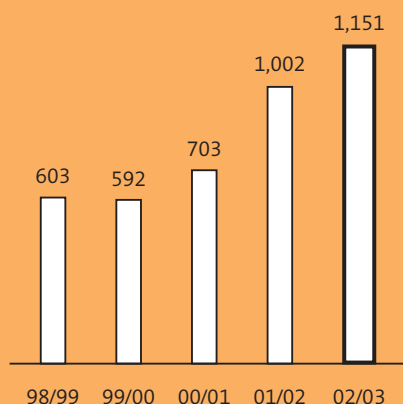
The last tranche within the context of the stock option plan introduced in 1998 was issued in fiscal year 2001/2002. We are currently following the public debate about stock option plans with great interest and intend offering our senior staff again a remuneration component oriented to the equity market in due course.

Participants in training courses of NA AG



Company suggestion scheme of NA AG

Number of suggestions submitted



EARLY RETIREMENT SCHEME

In the fiscal year an average of 100 employees at NA AG participated in the early retirement scheme. The block model was primarily applied in this respect. The retirement scheme is split into two equal parts, a first phase of active employment and a passive phase without employment. On average 67 employees were in the active phase and 33 employees in the passive phase. In the NA Group, at fiscal year-end, a total of 208 employees were participating in the early retirement scheme, which amounts to 6.1 % of the workforce.

COMPANY PENSION SCHEME

After setting up the chemical industry's pension fund in April 2002, the employees were given the option of using this attractive possibility which legally entitles them to use a part of their remuneration for the payments into the fund.

Effective 29 September 2003 new employees were excluded from the benefits of the existing company pension fund at NA AG as part of the progressive restructuring of the NA Group. We are currently investigating whether a new system will be set up and how such a system can be arranged in accordance with the latest concepts.

OCCUPATIONAL SAFETY AGAIN AT AN EXEMPLARY LEVEL

In fiscal year 2002/2003 accident frequency dropped again significantly. The quota declined to eight notifiable accidents per one million hours worked and thus to the lowest level to date in NA AG's history. Accident frequency has decreased by 33 % compared with the previous year and is clearly less than the average of the Employers' Liability Insurance Association of the Chemical Industry.

HUMAN RESOURCES

NA AG's continuous improvement in occupational safety was rewarded by the Hamburg Office for Occupational Safety. On 1 September 2003 the Senator for Environmental and Health Affairs praised NA as the "production works with an exemplary occupational safety system", a distinction by which NA will also judge itself in future.

In the last fiscal year health care discussion circles were held once again. They result in improving health protection and occupational safety further and thus in reducing sick leave. Extensive improvements could be achieved due to the employees' participation.

Successful measures to reduce accident frequency were taken throughout the Group.

ANNIVERSARIES

In the year under review 20 employees celebrated their 40th anniversary and 83 their 25th anniversary. Our thanks go to all of them for their loyalty and dedication.

THANKS FROM THE EXECUTIVE BOARD TO THE STAFF

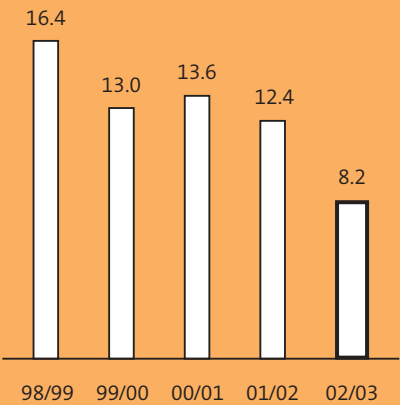
Success should never be taken for granted. It would not be feasible without the tireless commitment, the hard work and great dedication of the workforce. At this point we would therefore like to express our gratitude to all our employees for their services and to the employees' representatives for the constructive and trusting cooperation in the last fiscal year.

ADDENDUM

As part of the amalgamation of the subsidiary HK in NA AG, which was started in fiscal year 2002/2003 and should be completed in 2004, the employment contracts of the HK employees have been transferred to NA AG.

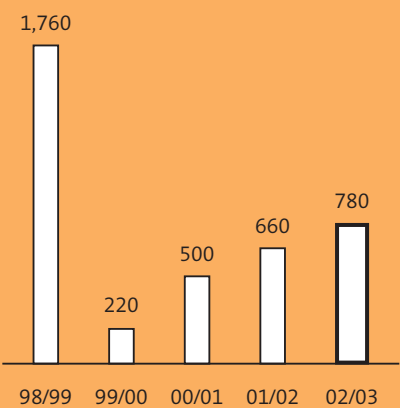
Number of notifiable accidents per 1 million hours worked at NA AG

Annual average



Savings from suggestions for improvements at NA AG

in thousand €



RESEARCH AND DEVELOPMENT

The Research & Development (R&D) sector is mainly engaged in the improvement of processes as well as the market-driven development of copper products for the NA Group. Our projects are oriented to the corporate targets of increasing productivity, improving quality, saving resources and environmental compatibility of the production processes.

A staff of 25 is employed in the Hamburg R&D Department of which 40 % are engineers and technicians. Process optimisation is performed at the subsidiaries on site.

FOCUSED EXPENDITURE ON DEVELOPMENT

Expenditure on development work amounted to about 6 million €. Due to the overall economic situation, we reduced capital expenditure on R&D by 0.9 million €. However, this is still at a high level as can be seen from the last 5 years.

We have completed all the projects in the core sectors of process optimisation and product development and thus identified important improvements for the future of our company. In contrast, we limited expenditure for thin strip casting and CIS solar cells, which are topics of the future designed for the long term.

PROCESS IMPROVEMENT

Process improvement is a focal point of our development work. Here, we have made important contributions to increasing productivity, for instance in the primary smelter (RWO) and the TOP ROD plant. As a result, we could increase the concentrate throughput decisively by modifications in the off-gas system and thus surpass the record high of 1 million tonnes annually. In the TOP ROD plant, in which special cast wire rod is produced with diameters of 8 to 25 mm, productivity for certain wire rod qualities could be increased by more than 20 % due to technical improvements in the cooling system.

In the off-gas cleaning plant we have added a new continuously operating system to the former process chemical analysis facilities. We are now able to operate the plant as required by the impurity input and have therefore created the prerequisite for reduced wastewater quantities and improved environmental compatibility.

A further project with which we wish to increase productivity by modern process control is the automatic determination of the melt-level in our melting furnaces. We are currently working on this and expect to have successfully completed it in 2004.

COPPER PRODUCTS

The second focal point of the R&D work is the further development of existing copper products and the expansion of the product portfolio. Here we work closely with our customers. Thanks to the good interaction of R&D, production and technical marketing throughout the Group, we could react quickly to changes on the market and provide quality improvements and as well tailor-make high-grade copper materials.

Thus, for example, we have developed a new high-grade alloy on the basis of our oxygen-free copper. This alloy has already been produced in the not fully utilised plant for oxygen-free copper and successfully launched at our customers.

An example of quality improvement due to R&D work is the tinning of copper and brass strips. Due to our strips' smoother surfaces we were able to gain new customers in the electrical engineering industry.

SUCCESSFUL PROJECTS OF THE FUTURE

An interesting project of the future, in which we have been engaged for about 3 years, is copper thin strip casting. Here a 3-6 mm wide copper strip is cast in one heat with high productivity. The aim is to cut processing costs significantly compared with the current process, which consists of casting and hot rolling, and to save resources. By the beginning of 2003 we were already in a position to cast reproducible copper strips in the pilot plant. Thus, we have successfully completed the first development stage.

The second project of the future is concerned with the development of flexible copper-based solar cells. Our goal is to produce price-effective solar cells, primarily with the aid of galvanic coating processes. Other product advantages of the solar cells are their pliability, their significantly low weight and high fraction stability. As promised, we successfully completed the first development stage of this project in autumn 2003. A functioning solar module was produced as a laboratory prototype. The light efficiency of our CIS solar cells (Cu = copper, In = indium, Se = selenium) exceeds 10 %, and is thus even better than earlier expectations.

We have brought both of these projects to a conclusion for the time being.

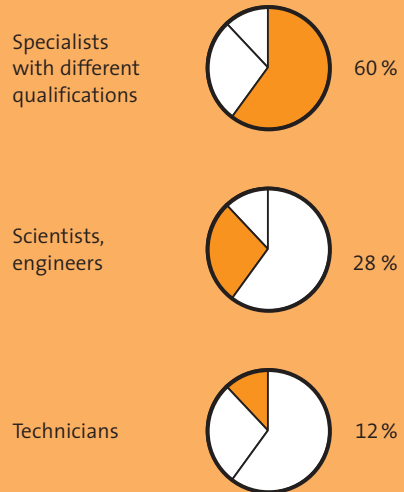
In both cases the next development stages which would make them ready for mass production require considerable capital expenditure and would therefore involve a certain level of risk. NA will consequently only continue these projects together with strategic partners. For some time we have been holding discussions with possible project partners.

FUTURE DEVELOPMENTS

One of our company's major goals is the expansion of NA's raw material range, both in primary and in secondary processing. Here, for example we will pursue developments, increasing the input of electric and electronic scrap in our smelters. This also includes the technical and metallurgical optimisation of Group-wide material flows and in some cases quality improvements in by-products.

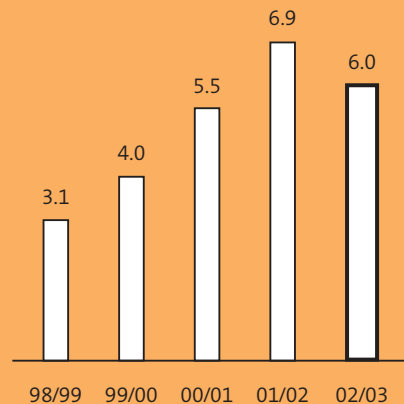
Our tasks in the product development sector continue to aim at tailor-made copper products for our customers. We plan to increase our work in this sector in future. Thus we wish to widen above all our material range and launch on to new markets with new products. Due to NA's close collaboration with Prymetall and Schwermetall we see good chances here of growth for the future.

R & D personnel structure



R & D expenditure

in million €



ENVIRONMENT AND ENERGY

HIGH STANDARDS IN ENVIRONMENTAL PROTECTION

Today NA has a leading position in environmental protection. We want to enhance this position further in terms of Sustainable Development. In so doing, it is important that identifiable changes in environmental protection requirements are taken into account.

Both technical improvements and the accompanying organisational measures implemented help in achieving this goal.

In the secondary smelter (RWN) a considerable reduction in total dust emissions from fugitive sources should be achieved. A focal point is the enclosing of the furnace facilities by the end of 2004. In addition, further technical measures to reduce fugitive emissions are planned.

In the primary smelter (RWO) a training programme has been carried out for the employees again in order to use the technical possibilities to reduce emissions optimally. These training programmes will be continued.

As a whole the measures taken have led to a further improvement in ambient air quality in the vicinity of the works.

NA is only participating in European emission trading with climate gases with its own company power plant. Only CO₂ emission allowances will be traded in the first period from 2005 to 2008. The main industrial emission sources are affected, i.e. power plants, the iron and steel industries as well as the glass and paper industries. With the power plant NA could function as a seller of emission allowances. NA will not know definitely whether this is possible until after publication of the national allocation plan which is being set up by the German government and will stipulate the distribution of emission allowances.

ENVIRONMENTAL PARTNERSHIP

An initiative of Hamburg industry and the Authorities for Environmental and Health Affairs has set itself the target of promoting Sustainable Development. This partnership should encourage Hamburg companies to make a special effort in environmental protection.

At a ceremony in June 2003 NA was officially welcomed by the Hamburg Senator for Environmental Affairs as a new member of the Environmental Partnership. Apart from a clear commitment to Sustainable Development, the prerequisite for membership is, for instance, the existence of a validated Environmental Management System. The Hamburg Senate rewarded the special environmental performance of the partnership members by giving them a 30 % reduction in environmental licensing fees.

SIGNIFICANT CHANGES IN THE ENERGY SECTOR

Fiscal year 2002/2003 was impacted by considerable changes in Germany's energy scenario.

After the liberalisation of the energy markets in Germany in 1999 had resulted in substantial price reductions for industrial major consumers, such as NA AG and HK, the energy costs for the producing sector have meanwhile risen to a higher level than before liberalisation. The benefits of liberalisation have been eaten up by special state levies, such as energy tax, taxes under the Combined Heat and Power (CHP) Act and, above all, from the Renewable Energy Sources Act. In addition, the opposing developments on the structurally changed energy markets also have a cost-increasing impact.

Energy-intensive industrial companies are particularly weighed down by the excessive promotion of wind power which the German government meanwhile subsidises to the extent of more than 1.6 billion € per year as a result of the Renewable Energy Sources Act.

After protests from German industry, the German government has had to recognise that, as a result of the excessive subsidising of renewable energy, financial burdens arise for the whole of industry, but above all for energy-intensive enterprises, putting their existence and competitiveness at risk. After almost two years of discussions, the government has therefore decided to introduce a hardship clause for energy-intensive enterprises. This hardship clause is insufficient since the criteria on which it is based are arbitrary and completely irrational in terms of economic and business reason. An amendment is urgently needed.

On 22 July 2003 NA filed an application within the framework of the hardship clause. This was decided in NA's favour on 26 September 2003 and has resulted in a partial reduction of the levies under the Renewable Energy Sources Act. Due to this decision NA AG in Hamburg will avoid levies under the Act in the amount of about 2 million € for twelve months. An application has also meanwhile been made for HK but a decision on this has not as yet been finally reached.

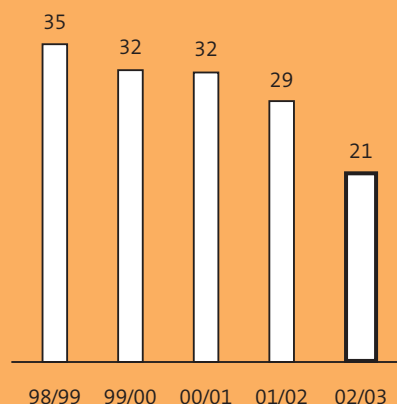
Cost increases have moreover been limited by changing the energy supplier and the conclusion of a new delivery agreement.

The liberalisation of the gas market has not materialised up to now. We are following developments in this sector very carefully in order to be able to respond to changes in the situation appropriately and quickly.

The achievements in our energy saving project eNergiA will enable us to economise further in future as well. Despite the expansion of the copper production capacity, gas consumption remained at almost a constant level in the last fiscal year.

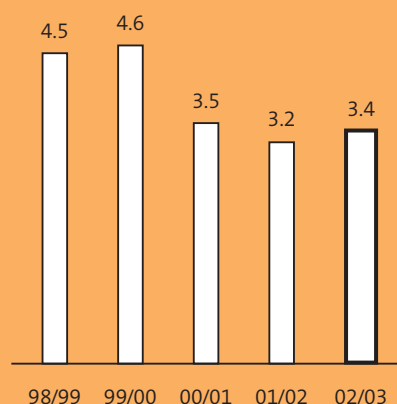
Capital expenditure in environmental protection at NA AG

in % of total capital expenditure



Natural gas consumption at NA AG

in million m³/month



RISK MANAGEMENT

The corporate risks in the NA Group are diverse and represent varying risk potential. The most important individual risks are permanently observed and their impact on NA AG and the subsidiaries systematically analysed. The aim is to recognise risks at an early stage, assess them correctly and take corresponding measures to limit them to a great extent.

Risk management concerns all the corporate sectors. It is part of the Group-wide planning process that takes in not only sales and production planning but also personnel, investment and finance budgets. These plans and budgets which extend over several years are updated each year and monitored monthly. The strategic plan is examined each year with a view to its implementation and, if necessary, adapted to the changing corporate targets.

We differentiate between risks in core processes – such as procurement, production and sales – and risks in support processes. These cover transactions on the exchanges, finance, environmental protection including occupational safety and health care, human resources and the IT sector.

The risks are categorised by the respective sectors as regards cause, frequency and possible loss potential as well as evaluated to the greatest possible extent qualitatively and – as far as possible – quantitatively.

NA and its active subsidiaries have documented the hazards in risk management in a form which is available for inspection.

Risk management in the NA organisation is regarded as a company management task under the direct authority of the Chief Executive Officer.

MACRO-ECONOMIC RISKS

Risks resulting from the macro-economic trend could arise in particular due to changes in political or economic factors. On the raw material procurement side, due to the wide geographic spread of its suppliers, Norddeutsche Affinerie is well positioned to minimise political risks in the countries of origin of our copper raw materials. As to sales of our copper products in our core markets, Germany and Western Europe, the general economic trend has an impact on our business. By strengthening the core business of copper, the development and enhancement of close customer relations and a competitive cost position, NA is trying – also in a weak economic environment – to counter economically related risks in the trend in earnings. Further incalculable factors could, however, result from new and tightened statutory directives, such as those concerning energy.

INDUSTRY-SPECIFIC RISKS

Copper is a base material with numerous possible applications in almost all sectors of our modern life. For the foreseeable future we do not see any substitution products that could significantly affect our business. As in the past, however, there will be developments in special segments which could replace copper in certain applications. On the other hand there will be new applications for copper in other sectors. We are expecting copper demand in Europe to increase in the next ten years, which will promote the utilisation of our production plants and the sales of our copper products.

RISKS FROM BUSINESS ACTIVITIES

Raw material procurement

The main risk here is a shortfall in raw material supplies. Our supply of copper concentrates, the most important raw material for our copper production sector, is largely secured by long-term supply agreements with major mines. These basic agreements have lifetimes of between five and fourteen years. The treatment and refining charges, which are relevant for our results, are renegotiated in intervals of one to three years and represent a stabilising component for our business due to their long-term character. We procure copper scrap and other recycling materials on the volatile secondary markets. Our subsidiary HK is more affected by this than NA in Hamburg. The Kayser Recycling System (KRS), a modern smelter plant in Lünen, opens up further processing possibilities and a wider range of secondary materials which can be treated. Risks will be further minimised by material flow optimisation measures taken in the NA Group, i.e. the optimised processing of raw materials from the viewpoint of earnings.

The production plants for continuous cast wire rod and shapes are kept supplied with the copper cathodes produced in the NA Group. In the event of a shortfall in the cathode production in Hamburg and Lünen, we have the alternative of purchasing cathodes on the market and from the stocks at the metal exchanges.

Production

Risks are to be found in all factors which could lead to a production standstill or to a loss of production. Some of our core facilities operate without interruption around the clock, others in a six-day week. Maintaining the plants' high availability is an important corporate target. They are continuously monitored by our own specialists and in collaboration with external specialised firms. In the event of disruptions, which could have a major impact, measures are taken in accordance with our alarm and emergency guidelines. Exercises are conducted to ensure the correct reaction in case of an emergency and test alarms. In addition, there is comprehensive fire insurance and cover for business interruption and loss of profits resulting from fire for all the production plants in the NA Group.

Sales

Here the risks emanate from the customers' side. Sales of our copper products, which depending on turnover form the focal point of our sales activities, are performed directly and indirectly in different industries and are supported by close ties to our customers. By concluding long-term agreements with various major customers we have assured a basic sales level for our main products: continuous cast wire rod and shapes.

Our products are well received by our customers. They exceed all the quality demands for continuous cast wire rod and shapes. Our Quality Management System is certified in accordance with DIN EN ISO 9001:2000.

Research and development

The close links between development, production, technology and our customers and suppliers form the basis for the further development of our products and production technology. In this way our plants become more efficient and product quality improves further.

Another important sector is the development of new products whereby we are focusing on copper materials. Our customers provide significant stimulus for development work. In all these cases our targets, schedules and development budgets are oriented to the respective projects in order to optimally monitor them and keep risks at a minimum.

RISKS ARISING FROM FINANCIAL TRANSACTIONS

The NA Group is the largest copper producer in Europe. Precious metals are an additional important product sector. In our international business we are confronted with risks related to metal trading and foreign exchange transactions. Thus, using various financial instruments, we perform daily hedging to limit the risks arising from metal price fluctuations, foreign exchange and changes in interest rates. We have agreements with banks regarding the utilisation of short-term and long-term credit lines. The funding of replacement investments and capital expenditure on expansions is assured.

A management circle including the Executive Board meets regularly and observes developments on the metal markets, the price situation as well as NA's liquidity position by means of differentiated information instruments and set limits.

In the notes to the financial statements under Section 25 we have detailed the open nominal volume of our derivative financial contracts and the market value of all open contracts.

At present we cannot detect any significant risks in the metal trading sector as well as in our currency and liquidity management.

RISKS OF TRADE ACCOUNTS RECEIVABLE

Various measures are taken to avoid loss of income from bad debts. The credit rating of our trading partners when business is planned is always checked, assessed and, if necessary, secured by business credit reports from banks and industry. Instruments customary on the market, such as letters of credit, security or bank guarantees are used in daily business. Internal credit limits, credit insurance, non-recourse forfaiting and direct contact with our trading partners complement the various instruments. The contractor risk is limited by stringent internal liability management.

LEGAL RISKS

There are no pending or threatened legal proceedings, arbitration proceedings, proceedings before the Patent Court or claims for damages, which have a significant impact on the economic situation of the NA Group.

As for the rest, NA AG is contesting at law the payment of additional profits of Prymetall GmbH & Co. KG to the Prym group of companies as the sellers of Prymetall GmbH & Co. KG. This dispute has not yet reached a conclusion.

Adequate provisions have been made for potential cost risks.

OTHER RISKS AND IT RISKS

Environmental protection, occupational safety and health care are important corporate targets. The adherence to laws, directives and requirements is imperative to ensure the continued existence of the Group. We achieve these targets by constantly improving environmental protection and occupational safety as well as having health screening performed by the company's own physician. Monitoring is performed by readings taken in internal and external inspections as well as audits. In the IT and communication technology sector we are contractually covered for possible breakdowns in our operative computer systems by the precautions taken by our service data processing centre. Modern firewall technology protects the Group network from undesirable outside influences. The current software is continually being adapted to fulfil the economic and legal demands placed on it.

OVERALL RISK

The overall evaluation of the NA Group's risk situation reveals that, as a result of the last fiscal year and the implementation of the scheduled projects, there are no risks jeopardising the continued existence of the enterprise. The current annual report shows that the NA Group has a sound financial structure and the existing equity level permits targeted growth through capital expenditure.

The Supervisory Board of NA AG has appointed an Audit Committee. In accordance with Section 5.3.2 of the German Corporate Governance Code, this Committee is also concerning itself intensively with matters of risk management.

In compliance with statutory directives, our risk management system was additionally assessed by the auditors. Both the Audit Committee and the auditors determined that the Executive Board had taken the steps required under Section 91 § 2 Commercial Code in a suitable manner and that the management system fulfilled the prerequisites for this.

OUTLOOK

After the unfavourable outline conditions of the last fiscal year, it is generally expected that the economic environment and business trend in Europe and North America will improve. Copper stocks at the international metal exchanges have declined substantially in the last few months, copper prices have risen accordingly. We are therefore expecting the business climate in the copper industry to recover generally and thus are in agreement with the estimates of market analysts and enterprises in the industry.

The earnings in the NA Group in the first few months of the new fiscal year are, however, still weighed down by unfavourable market conditions. Scheduled standstills in the primary smelter and at some other plants have also had an impact.

The raw material markets are only recovering slowly. The treatment and refining charges for copper concentrates and other raw materials have still not improved in the first few months of the new fiscal year. We expect, however, supplies to improve in the course of the year and thus the treatment and refining charges. This is supported by the announcement that the production cutbacks involving a total of 290,000 tonnes of copper in South American mines will be cancelled.

In the copper scrap sector the burdens arising from the structural changes on the market will continue. However, a further significant rise in the copper price could continue to ease the situation on the copper scrap market. Despite this, it is very important that strategic measures are implemented to expand the raw material range in the sector of complex recycling raw materials which also include electronic scrap.

In October 2003 a regular inspection of the waste heat boiler was due in the Hamburg primary smelter sector which processes copper concentrates. Consequently, the primary smelter's anode output was reduced with the result that the tankhouse capacity was not fully utilised. The Hamburg cathode output in the first quarter 2003/2004 which totalled about 75,000 tonnes will therefore be about 19,000 tonnes less than the output in the first quarter of fiscal year 2002/2003. We have, however, used the standstill to perform work to optimise the plants. This work will enable us to increase the concentrate throughput further.

The programmes to cut costs and enhance performance are being intensively pursued in all sectors of the Group and are making a contribution to improving the trend in earnings. A potential reduction in costs in the range of 80 million € has been identified and has already been implemented to some degree.

NA is currently concentrating on significantly improving its international competitive position again in both business segments. As a result we will be optimally prepared for future economic growth. To achieve this, NA is also preparing to launch on to international and fast growing copper markets as quickly as possible. The focus, above all, is on the Asian growth markets.

The first step has already been made towards this by concluding the Cooperation Agreement with the Chinese copper producer Yunnan Copper.

FUTURE CAPITAL EXPENDITURE

The NA Group will grow further. This includes both capital expenditure on plant, property and equipment as well as financial assets. In the current fiscal year we intend to strengthen the Copper Production and Copper Processing segments further again. We will invest 45 million € in fixed assets throughout the Group.

The main investment projects are located at NA AG in Hamburg, HK in Lünen as well as Prymetall and Schwermetall in Stolberg.

In Hamburg the expansion of the precious metal activities will be continued, the concentrate throughput optimised and a series of measures to increase enterprise value from the “dyNAmic” project will be realised. The improvements that are already being implemented in environmental protection in the secondary smelter will be continued.

At HK in Lünen capital expenditure will be directed into improving performance in the ancillary plants of the KRS recycling facility. At Prymetall and Schwermetall various investments are planned to modernise the strip and wire sectors.

In the current fiscal year we will also invest in new process technologies and measures to increase productivity, which should consolidate and optimise day-to-day operations.

All our investment projects will be carefully planned and implemented using our expertise. Nevertheless, we frequently break new ground in our investment projects so that the opportunities also involve a degree of risk. The risks are minimised to a great extent within the framework of our planning process and by prompt investment control.

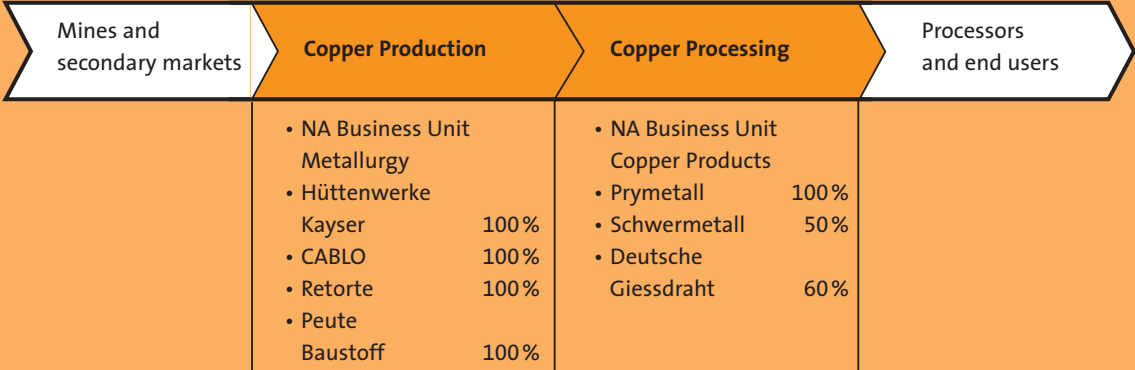


Wanting it isn't
you've also



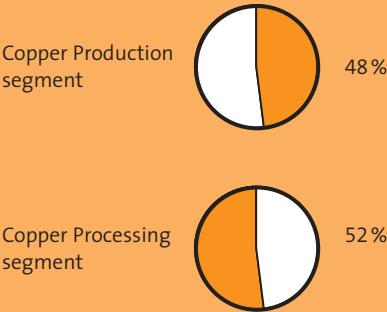
enough,
got to do it.

FROM OUR SEGMENTS

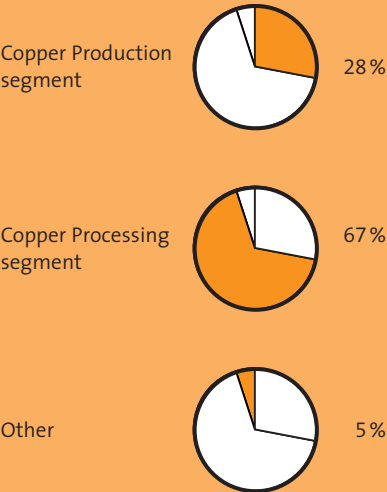


The NA Group is divided into the production segments of Copper Production and Copper Processing. In the Copper Production segment we process copper concentrates and recycling materials into high-purity copper in the form of marketable cathodes. In the Copper Processing segment we use these cathodes for the production of high-grade copper products.

Revenues by segments
(IRFS)



Earnings by segments (EBIT)
(IRFS)



COPPER PRODUCTION SEGMENT

All the Group activities in the Copper Production segment are concerned or closely connected with the production of copper:

- the business unit Metallurgy at NA AG in Hamburg, which produces marketable copper in the form of cathodes from copper concentrates and various other raw materials
- Hüttenwerke Kayser AG in Lünen as the largest copper recycler worldwide
- CABLO Metall-Recycling & Handel GmbH in Hamburg as the leading company for the recycling of cable scrap in Germany
- Retorte Ulrich Scharrer GmbH, Röthenbach, as the largest producer of selenium chemicals worldwide
- Peute Baustoff GmbH, Hamburg, as a major supplier of iron silicate stone and abrasives

The business trend in the segment was severely affected by the further deterioration on the raw material markets, which had a particularly adverse impact on HK in Lünen. In total, earnings before taxes were generated in the Copper Production segment in the amount of – 3 million €.

In fiscal year 2002/2003 there was an output of 530,000 tonnes of cathodes (554,000 tonnes in the previous year) were produced in the Copper Production segment. Revenues of 1,231 million € were generated. As at 30 September 2003 there were 2,239 employees, including services units.

THE RAW MATERIAL MARKETS

Concentrate processing at a high level despite unfavourable market conditions

Due to the continued shortage of materials, the international market for copper concentrates was under severe pressure. The production cutbacks enforced at major copper mines since autumn 2001 due to the persistently low copper prices were

Copper Production segment in million €

	01/02	02/03
Revenues	1,456	1,231
EBT	17.1	(3.0)
EBIT	23.2	4.5
Capital expenditure	35.3	18.2
Depreciation	41.1	44.3
Number of employees (as at 30 Sept.)	2,296	2,239

maintained in the fiscal year and resulted in unfavourable market conditions, particularly on the spot market. These were additionally aggravated by aggressive demand from China and India. Due to the reduced raw material availability, treatment and refining charges (TC/RCs) dropped to an historical low. In addition, many producers suffered shortfalls in supplies which in some instances led to reductions in their cathode production.

NA was kept well supplied with concentrates and could maintain utilisation of its concentrate processing facilities at a high level. To secure supplies further in the long-term, we concluded an agreement during the fiscal year with Companhia Vale do Rio Doce, which will deliver copper concentrates from its new Sossego mine in Brazil from 2004 onwards. Our existing supply agreement with the Portugese mine Somincor was extended for several years.

The recent significant rise in the copper price has not yet had a positive impact on the concentrate market. However, an encouraging sign for the future trend is the resumption of production at Tintaya, a Peruvian copper mine, with an annual output of 90,000 tonnes of copper content and the announced end of the production cutbacks of 200,000 tonnes of copper content p.a. at Escondida, the large Chilean copper mine.

Copper scrap market under pressure

The situation on the copper scrap market was impacted by low copper prices and a shortage of available supplies. On the one hand, supplies were affected by the reduced quantities of scrap arising due to the economic trend. On the other hand, distortions in competition caused above all by China, India, Russia and the Ukraine had massive repercussions in the international copper scrap trade. The ruinous behaviour of Chinese dealers on the European and U.S. markets aggravated the situation further and caused refining charges for metal scrap to drop to an historical low. In Europe copper scrap was in extremely short supply with the result that production schedules in the smelter plant and tankhouse at HK had to be adjusted. Material availability has, however, meanwhile improved slightly as a result of the recent increase in the copper price. Refining charges have consequently recovered again to some extent.

BUSINESS UNIT METALLURGY

In contrast, in the business unit Metallurgy in Hamburg we produced 373,000 tonnes of copper cathodes. This roughly corresponds to the previous year's level of 374,000 tonnes. The high throughput of concentrates that was achieved despite unfavourable market conditions was instrumental in this achievement. Thus, with a throughput of 1,021,000 tonnes (958,000 tonnes in the previous year), the record level of 1 million tonnes annually was exceeded for the first time.

The secondary smelter/precious metal sector of the business unit Metallurgy was also kept well supplied with raw materials. The main plants in the project for the expansion and modernisation of the precious metal sampling facilities and the top blown rotary converter plant were successfully commissioned in the third quarter. We were able to keep within the budgeted volume

of capital expenditure in the amount of 8 million €. As part of the project the precious metal processing facilities were adjusted to accommodate the increasing flow resulting from the higher concentrate throughput and additionally bought materials. In addition, occupational safety and environmental protection in the plants were significantly improved. In the fourth quarter silver output was significantly increased due to the new top blown rotary converter. Altogether in the fiscal year silver output rose to 831 tonnes (727 tonnes in the previous year), gold output declined slightly to 25 tonnes (28 tonnes in the previous year).

In this business unit there were 1,577 employees including service units as at 30 September 2003.

Increased output of sulphuric acid

Due to the higher concentrate throughput the sulphuric acid output rose from about 953,000 tonnes in the previous fiscal year to some 991,000 tonnes.

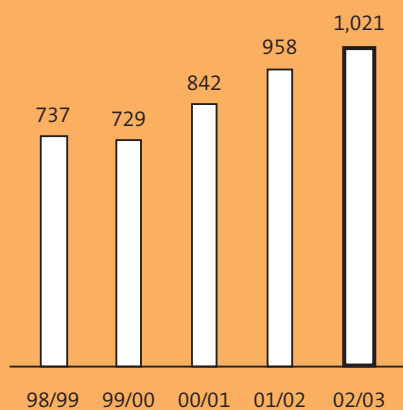
The trend on the global sulphuric acid market was positive throughout the whole of the fiscal year. Both increased consumption (above all in China) and production shutdowns (especially in the U.S.A. and Europe) caused a general shortage and thus led to significantly higher prices.

The restructuring of our sales portfolio was successfully completed at the beginning of the calendar year 2003. Unattractive agreements with low prices were terminated and replaced by new long-term agreements with industrial customers. We have therefore achieved our target of expanding the direct business whilst reorienting ourselves to a new customer branch and are well positioned for the future.

Just as in the last fiscal year we will deliver most of our sulphuric acid output within the framework of long-term agreements in the current fiscal year. At the same time we expect the prices obtainable to increase further.

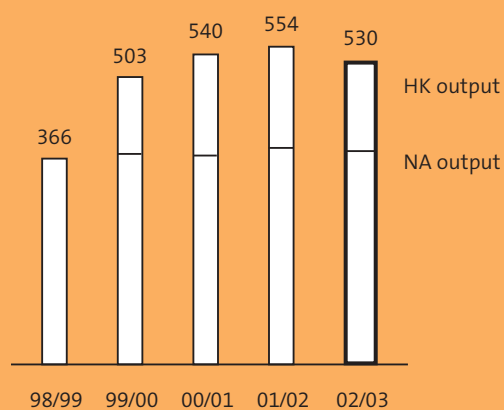
Concentrate throughput

in thousand t



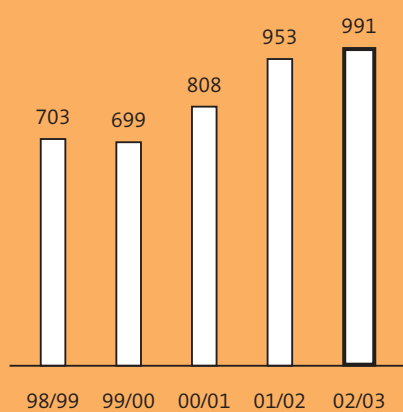
Cathode output (Group)

in thousand t



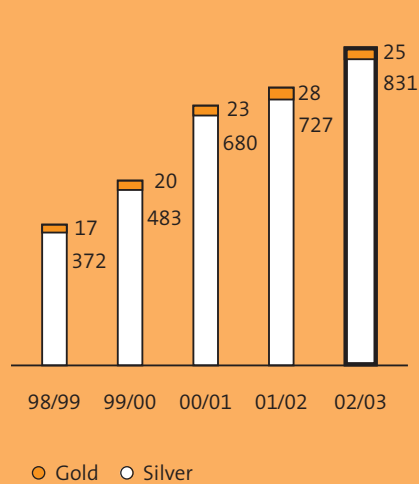
Sulphuric acid output

in thousand t



Gold and silver output

in t



HÜTTENWERKE KAYSER AG (HK), LÜNEN

With a processing capacity of 300,000 tonnes of copper-bearing recycling materials HK is the global market leader in this sector. The recycling activities are oriented to the ecologically based recycling of copper and other metals.

The materials used include, above all, residues from industrial production processes, metallurgical intermediary products from other metal producers as well as returns from used consumer goods. HK's strength is the ability to treat very different and complex recycling materials in an environmentally friendly and efficient process.

In addition to the copper-processing industry, suppliers include the chemical industry, the disposal industry as well as the international trade in metal scrap and recycling materials.

HK works with state-of-the-art, environmentally friendly plants and processes. The Kayser Recycling System (KRS), which was started up in trial operation in spring 2002, was further optimised in the course of the fiscal year and has meanwhile reached the target performance for all the operating parameters. The KRS was kept well supplied and will continue as such.

In fiscal year 2002/2003 the pressure on the copper scrap markets increased. Due to the general shortage it was no longer possible to ensure that HK's smelter facilities were kept fully supplied with copper scrap. This was partly compensated by the delivery of copper intermediates from our Hamburg plants for processing in Lünen. Thus, with the additional decline in refining charges, earnings dropped significantly.

The production of copper cathodes in Lünen amounted to 157,000 tonnes and was therefore some 13 % less than in the previous year (180,000 tonnes).

This strained situation and the continuation of distortions in competition made it necessary for immediate countermeasures to be taken on top of the strategic reorientation.

In November 2002 the HK dyNAmic project was started at HK. The most important measures in this project are the downsizing of the plant concept including the closure of the outdated shaft furnace plant, the optimisation of the KRS, the shutdown of an anode furnace and the basic supply of copper anodes from Hamburg.

The elaborated measures result in a substantial reduction of staffing levels by about 220. On 30 September 2003 HK employed 510 active employees excluding apprentices. By 31 March 2004 the workforce will have been reduced to about 400 active employees, who will mostly be integrated in the copper production and service sectors. By 2005 the number of employees will have been reduced to approx. 370.

Within the framework of the project the basis is currently being created for a stable future business trend at HK. The further integration of the recycling activities and the optimisation of the capacities in the NA Group are essential in achieving this. A further step to this end will be the amalgamation of HK AG in NA AG. As a result of the squeeze-out process completed on 4 August 2003 HK AG is wholly-owned by NA AG.

The KRS forms the basis for the strategic reorientation of the recycling business. The aims are to strengthen and enhance the processing of complex recycling raw materials within the network of the NA Group. With this changed orientation new business areas are opening up for us and we are reducing our dependency on the traditional copper scrap processing activities.

In future we will be focusing especially on the so-called "modern recycling materials", i.e. electrical and electronic scrap and materials from motor vehicle recycling. We are expecting the volume of these recycling materials to increase, in particular, with the introduction of the EU-wide regulations on the recycling of electronic scrap and motor vehicles.

ADDENDUM

The amalgamation in NA AG is being resolved at HK's Annual General Meeting on 27 January 2004. The amalgamation will be economically retroactive to 1 October 2003.

CABLO METALL-RECYCLING & HANDEL GMBH (CABLO), HAMBURG

CABLO is engaged in the recycling of cable scrap of all types and the recovery of the metal and plastic contained.

The main suppliers are the cable producing and cable processing industries, such as cable works, power supplies and telecommunications. These in turn are NA's customers for continuous cast wire rod.

CABLO, which up to now had its headquarters in Hamburg, has two production sites in Germany. In the works at Fehrbellin (Brandenburg) and Straß (Bavaria) copper and aluminium are recovered using environmentally friendly processes in modern plants from the cable scrap input. CABLO therefore makes an important contribution to conserving our available raw materials and resources.

In fiscal year 2002/2003 a total of some 20,000 tonnes of cable was dismantled in the production works and about 7,500 tonnes of copper and 850 tonnes of aluminium produced in the form of granules. Thus, CABLO is the largest cable recycling works in the German-speaking region. The aim is to enhance the dismantling activities further by strategic measures.

A large part of the copper granules is processed into cathodes at NA in Hamburg, from which inter alia wire rod is produced. Wire rod is then returned to the cable fabricating industries. CABLO is therefore an important link in the strategic partnership between NA and the cable works.

In order to be able to cut costs in future and increase productivity, we have decided to relocate CABLO's commercial headquarters from Hamburg to the production site in Fehrbellin. The move should be completed in 2004.

On 30 September 2003 CABLO had 49 employees.

RETORTE ULRICH SCHARRER GMBH (Retorte), RÖTHENBACH

Retorte is the global market leader in the production of high-grade selenium chemicals. These products are sold worldwide for a great variety of applications, such as diagnostic radiography, the glass industry, the animal fodder industry or as well for food supplements for humans.

Selenium is a trace element which is contained in the raw materials used in the production of copper and precious metals. NA extracts it in the form of crude selenium from the anode slimes in the copper tankhouse. In the fiscal year Retorte produced a total of 590 tonnes of products (520 tonnes in the previous year).

The new production plant for premixed fodder containing selenium at our joint venture, JoSeCo GmbH, was commissioned as scheduled.

The selenium market was impacted by new competitors from China and India. The availability of selenium as a feed material had significantly declined by the end of the fiscal year. Retorte's supplies are, however, assured since it has NA as its main supplier and has also concluded long-term agreements with other copper producers.

On 30 September 2003 there were 34 employees.

PEUTE BAUSTOFF GMBH (PBG), HAMBURG

PBG sells iron silicate stone, a by-product arising during copper production at NA, for hydraulic engineering and road construction as well as on the abrasives market. The stone is crushed to the required size and screened. Most of the output is used in hydraulic engineering to secure river embankments and levees.

In fiscal year 2002/2003 653,000 tonnes of iron silicate products were produced (651,000 tonnes in the previous year).

On 30 September 2003 PBG had 13 employees.

COPPER PROCESSING SEGMENT

The Copper Processing segment combines all the Group activities which include the processing of copper into copper products:

- The business unit Copper Products of NA AG with plants for the production of continuous cast wire rod and shapes
- Deutsche Giessdraht GmbH in Emmerich as a producer of wire rod
- Prymetall GmbH & Co. KG in Stolberg as a producer of strips, profiles and wires
- Schwermetall Halbzeugwerk GmbH & Co. KG in Stolberg as the largest producer of pre-rolled strip in copper and copper alloys worldwide

The segment is primarily engaged in the processing of the copper cathodes produced in Hamburg and Lünen into numerous copper products and is represented in all the product lines of industrial processing.

For the first time Prymetall and Schwermetall have been included in fiscal year 2002/2003 for twelve months (nine months in the previous year).

In the Copper Processing segment earnings before taxes were generated in the amount of 5.8 million €. NA AG's business unit Copper Products made a positive contribution to this figure whilst Prymetall and Schwermetall showed a negative result, above all due to the market situation. Due to the decline in earnings, measures have been taken in all sectors to cut costs and increase sales.

On 30 September 2003 the Copper Processing segment had 1,147 employees including service units.

Copper Processing segment in million €

	01/02	02/03
Revenues	1,333	1,351
EBT	13.7	5.8
EBIT	18.3	10.9
Capital expenditure	11.7	8.0
Depreciation	14.4	17.9
Number of employees (as at 30 Sept.)	1,224	1,147

All the copper cathodes produced in the Copper Production segment in Hamburg and Lünen are passed on to the Copper Processing segment and processed largely within the NA Group into products with high quality requirements:

Wire rod

NA produces continuous cast wire rod from copper cathodes – mostly with a diameter of 8 mm – in the rod plants in Hamburg and Emmerich. In addition, special wire rod in the form of continuous cast wire rod is produced in the Top Cast plant. Wire rod is processed into cables and wires. As the third largest wire rod producer in Europe the NA Group is an important supplier of the cable and wire industries.

Shapes

NA produces billets and cakes in its continuous casting plants in Hamburg. The cakes are used as the starting materials for the production of strips and sheets, the billets are processed into tubes and profiles. NA is the market leader in Europe in the market segment of continuous cast shapes made of pure copper.

Schwermetall casts cakes, which it then processes into pre-rolled strip made of copper alloys, such as brass. Prymetall produces brass billets for processing in its own facilities into shaped wires.

Strips in copper and copper alloys

At the 50 % subsidiary Schwermetall in Stolberg, copper cakes procured from NA and Schwermetall's own output of cakes in copper alloys are processed into pre-rolled strips. These are then sold to Prymetall and the co-partner Wieland-Werke as well as to third parties. From this pre-rolled strip Prymetall produces tailor-made rolled, annealed and slitted strip in copper and copper alloys. With a market share of about 20 % the company is the

fourth largest producer in Europe. Schwermetall is the largest producer of copper-based pre-rolled strip in the world.

Shaped wires

At Prymetall billets from the company's own continuous casting plant are processed into shaped wires and round wires made of brass materials by pressing and drawing. With a market share of about 25 % Prymetall is the market leader in Europe in this market segment.

Competence

The reliable cathode basis provided by our own production output ensures the high and regular quality of our copper products. Thus, these products are predestined for applications with the highest requirements as regards processing properties and electrical and thermal conductivity.

With continuous cast wire rod and shapes and pre-rolled strip we are the largest producer of starting products for the copper semi-finished product (semis) industry in Europe. For our service in the copper markets we receive a so-called shape surcharge. This is the payment the customer makes to us for processing the cathode into, for instance, wire rod or shapes.

Through Prymetall we also have direct access to the end user market. Thus, at an early stage we are able to recognise development potential for new copper materials which we can offer our customers at all the value added stages.

BUSINESS UNIT COPPER PRODUCTS

The business unit Copper Products at NA AG includes the production of wire rod and shapes in Hamburg.

In this sector there were 471 employees as at 30 September 2003 including service units.

The basis for our success is efficient production whilst using all the possibilities to reduce costs. Apart from the good quality of our products, it is always of utmost importance that we provide our customers with an all-round commercial and technical service. We are flexible and adapt to our customers' individual wishes, even at short notice.

An example of this is the e-Business portal www.copper-online.com. Since summer 2003 our customers have not only been able to handle their own orders and administer their metal accounts, they have also been able to hedge their price risks for copper.

On the technical side we offer inter alia material analyses and collaboration in the development of products.

Our customers show their appreciation of our readiness to work together with them by entering long-term supply relationships with us and using us as their partner for joint development projects.

In fiscal year 2002/2003 wire rod sales showed a positive trend despite the economic slowdown. We produced 247,000 tonnes compared with the 204,000 tonnes in the previous fiscal year.

In addition, the wire rod output from Deutsche Giessdraht is also distributed by the business unit Copper Products. NA's share in the fiscal year amounted to 96,000 tonnes after 81,000 tonnes in the previous year.

In total, wire rod sales in the NA Group rose by 20 % from 285,000 tonnes to 342,000 tonnes.

The increase in sales was a result of the all-round commercial and technical services we offer. Markets outside Western Europe could also be opened up. Due to the intensive customer focus it was therefore possible to gain market shares in a difficult market environment. Our sales are helped by our reliability and flexibility in delivery achieved by having our own cathode basis.

The market for wire rod features high overcapacities with corresponding repercussions on the competitive situation. In order to be competitive in the long term in this market environment we took further measures to increase productivity during last year:

- Due to the optimisation of the size of the cast bar the casting performance could be further enhanced.
- We have also increased the unit weight of the wire rod coils from the former maximum 5 tonnes to 6 tonnes. As a result our product can be processed even more efficiently.

In addition to continuous cast wire rod we produce wire rod with the brand name TOP ROD in Hamburg – a specialty wire rod with diameters of between 8 mm and 25 mm. The high production output of this product of 5,500 tonnes in the previous fiscal year could be increased once again by almost 30 % to almost 7,000 tonnes. At the same time, the product mix shifted to products with lower value added for economic reasons. We have, however, also been able to enhance productivity further for TOP ROD significantly due to the technical measures we have taken – such as an improved cooling system.

The second product group of the business unit Copper Products is continuous cast shapes. NA is an important supplier and service provider for the semis industry by producing billets and cakes in copper materials for the production of strips, tubes and profiles.

In fiscal year 2002/2003 193,000 tonnes were produced, some 5 % down on the previous year's figure (203,000 tonnes). This is mainly due to the weak demand for strip products, which was especially noticeable in the second half of the fiscal year. Demand for high-grade materials, such as oxygen-free copper, did not improve until the last few weeks of the fiscal year. The drop in sales was primarily felt in the last six months of the fiscal year. Plant utilisation was poor, in particular for high-grade materials such as oxygen-free copper.

Nevertheless, when considering this difficult environment, the output achieved was good and the market share even enhanced. Deliveries to the subsidiaries Schwermetall and Prymetall made an important contribution to this.

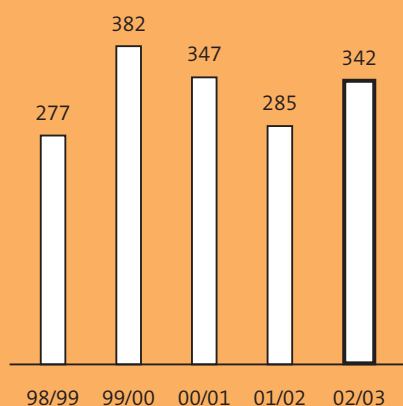
We have taken targeted countermeasures to remedy the decline in sales, both as regards costs and on the product side:

- Staffing levels in the continuous casting plant and connected plants were quickly adapted to the reduced output.
- Using a process for which we are taking out a patent, we are producing anode moulds made of continuous cast shapes.

The strong demand for wire rod products has also continued in the first few months of fiscal year 2003/2004. We are therefore expecting sales to increase again after improving by almost 20 % in the last fiscal year. Both the economic recovery in the cable industry and NA's reliable long-term supply basis will help to achieve this.

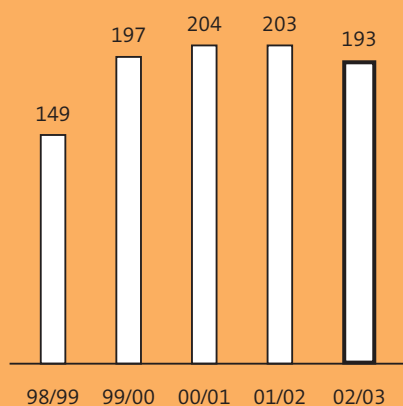
Wire rod output (Group)

in thousand t



Continuous cast shape output

in thousand t



In the last few months the sales situation in the continuous casting sector has likewise improved. The continuous casting plant is fully utilised and demand for oxygen-free copper has picked up further. We therefore expect sales of our continuous cast shapes to increase as well in the current fiscal year.

PRYMETALL GMBH & CO. KG (Prymetall), STOLBERG

At Prymetall strip is produced out of copper and copper alloys and shapes wires out of brass.

In the strip production sector, continuous cast shapes procured largely from NA are pre-rolled at Schwermetall. The pre-rolled strip is then processed at Prymetall by annealing, rolling and slitting into tailor-made high-grade strip for applications in the electrical engineering, electronics, automotive, telecommunications, consumer goods and construction sectors. With a market share of about 20 % and an output of 52,000 tonnes Prymetall is the fourth largest rolled material producer in Europe.

Despite this, earnings were again under pressure due to the weak trend in demand in the European semis market. In particular, Prymetall recorded a significant decline in sales for products in the electronics sector. In the export business the strong Euro weighed on profit margins.

In the wire production sector, billets are initially produced in the company's own foundry. The billets are processed into round or shaped wires by pressing, drawing and annealing. Brass is the main material. With an about 25 % market share and an output of 12,000 tonnes, thus an increase of almost 9 % compared with the previous year, Prymetall took over the market leadership in this segment in this fiscal year.

By cutting costs and opening up new sales markets Prymetall is creating the prerequisites to improve earnings.

The cost cutting measures taken in the last and current fiscal year include:

- the implementation of the potential savings under the Euro-Copper project in all company sectors.
- cost reductions by centralising services in the NA Group
- the adjustment of working hour patterns and shift systems
- organisational changes

With further measures we are opening up new sales potential:

- the successful certification for the automotive industry as per TS 16949
- the development of strip products made from wire rod
- expansion of the range of materials
- reorientation of the technical marketing
- capital expenditure on modernising the surface coating facility

Since the end of 2003 order receipts at Prymetall have significantly improved. However, it remains to be seen how long-term the economic recovery on the copper semis markets will be.

On 30 September 2003 Prymetall had 413 employees.

SCHWERMETALL HALBZEUGWERK GMBH & CO. KG (Schwermetall), STOLBERG

NA holds 50 % of the Schwermetall shares via Prymetall. The other 50 % belongs to Wieland-Werke AG (Wieland-Werke) in Ulm.

Schwermetall produces pre-rolled strip for the semis industry. Apart from supplying Prymetall and Wieland-Werke, Schwermetall is also a major supplier of customers all over the world.

At 276,000 tonnes Schwermetall's total output in the last fiscal year was at the level of the previous year.

Schwermetall owns the largest hot rolling mill for copper products with a capacity of considerably more than 300,000 tonnes. Maximum unit weights of 25 tonnes can be processed in this facility. The shapes in pure copper materials required for hot rolling are supplied by NA. The shapes in alloyed copper, such as brass, are produced in the company's own foundry.

Schwermetall's business was likewise significantly impacted by the bad economic situation in the semi-finished product sector in Europe. This was particularly reflected in the severe decline in production quantities and order receipts as of the beginning of summer 2003. Weaker demand for products with high value added also put pressure on earnings. In addition, unexpected bad debts at three foreign customers as well as one-time expenditures for cost cutting measures weighed on earnings further.

Together with its partner Wieland-Werke, NA is also implementing a targeted programme of measures at Schwermetall:

- at the beginning of the current fiscal year a project was started to reduce costs extensively.
- staffing levels are being adapted to the restrained order situation.

Due to the measures implemented we expect, even if the economic trend stays the same, that Schwermetall will again achieve a positive operating result in fiscal year 2003/2004.

On 30 September 2003 Schwermetall had 306 employees. The NA Group consolidates 50 % in its personnel figures for Schwermetall.

DEUTSCHE GIESSDRAHT GMBH (DG), EMMERICH

DG produces continuous cast wire rod from cathodes and complements our wire rod output primarily on the sales markets in Western Germany, the Netherlands and Italy. Marketing is performed by the shareholders, NA AG (60 %) and Codelco (40 %).

Despite the overall difficult economic environment DG enhanced its market share in fiscal year 2002/2003 and increased production by about 12 % from 157,000 tonnes to 176,000 tonnes.

On 30 September 2003 DG had 110 employees.



Quality has



priority -
at all times

CONSOLIDATED PROFIT AND LOSS ACCOUNT (IFRS)

for the period 1 October 2002 to 30 September 2003

in thousand €	Notes	2002/2003	2001/2002
Revenues	1	1,815,794	1,841,814
Changes in inventories of finished goods and work in progress		(29,866)	(23,120)
Work performed by the enterprise and capitalised		2,680	2,516
Other operating income	2	37,098	31,892
Cost of materials	3	(1,471,445)	(1,495,868)
Gross profit		354,261	357,234
Personnel expenses	4	(191,816)	(178,120)
Depreciation and amortisation expense	5	(62,502)	(55,630)
Other operating expenses	6	(84,737)	(81,603)
Income from investments	7	1,032	264
Finance costs	8	(12,893)	(10,846)
Net profit from ordinary activities		3,345	31,299
Income taxes	9	1,092	(9,935)
Consolidated net income before minority interest		4,437	21,364
Income attributable to minority interest	10	(1,209)	(935)
Consolidated net income		3,228	20,429
Basic earnings per share	11	0.10	0.63
Diluted earnings per share	11	0.10	0.61

CONSOLIDATED CASH FLOW STATEMENT

in thousand €	2002/2003	2001/2002
Result of ordinary activities	3,345	31,299
Depreciation and amortisation of non-current assets	52,553	49,408
Impairment losses on current assets	80	9,535
Change in long-term provisions	4,550	12,958
Gain from disposal of non-current assets	444	317
Income from investments	(1,032)	(372)
Finance costs	12,893	10,846
Income taxes paid	(8,604)	(17,476)
Gross cash flow	64,229	96,515
Change in trade accounts receivable and other assets including short-term securities	(8,472)	30,616
Change in inventories	43,844	10,277
Change in short-term provisions	(1,728)	730
Change in trade accounts payable (excl. debt)	(10,417)	(22,105)
Cash inflow from operating activities (net cash flow)	87,456	116,033
Purchase of non-current assets	(26,446)	(47,012)
Payments for the acquisition of interests in subsidiaries	(1,179)	(77,523)
Proceeds from the disposal of fixed assets	1,186	1,451
Interest received	4,109	4,155
Dividends received	1,032	372
Cash outflow from investing activities	(21,298)	(118,557)
Proceeds from capital increases	927	2,636
Proceeds from issuance of bonds and borrowings	7,616	92,126
Payments for the redemption of bonds and bank loans	(31,393)	(47,301)
Interest payments	(17,002)	(15,001)
Dividend payments	(22,297)	(28,873)
Cash inflow/outflow from financing activities	(62,149)	3,587
Net change in cash and cash equivalents	4,009	1,063
Cash and cash equivalents at beginning of period	6,999	5,936
Cash and cash equivalents at end of period	11,008	6,999

CONSOLIDATED BALANCE SHEET (IFRS)

as at 30 September 2003

Assets	in thousand €	Notes	30.09.2003	30.09.2002
Non-current assets	12			
Intangible assets			58,846	52,986
Property, plant and equipment			376,563	409,377
Financial assets				
Interest in affiliated companies			272	272
Investments			624	624
Other financial assets			1,110	1,223
			2,006	2,119
			437,415	464,482
Current assets				
Inventories	13		259,482	301,741
Receivables and other assets	14			
Trade accounts receivable			139,878	122,590
Other assets and receivables			56,756	56,755
			196,634	179,345
Short-term securities	15		1,167	1,506
Cash and cash equivalents	16		11,008	6,999
			468,291	489,591
Deferred tax assets	17		8,272	589
Total assets			913,978	954,662

Equity and liabilities in thousand €	Notes	30.09.2003	30.09.2002
Equity	18		
Subscribed capital		84,593	83,720
Additional paid-in capital		27,101	27,047
Retained earnings		270,850	288,677
Change in accumulated other comprehensive income		3,941	(7,400)
		386,485	392,044
Minority interest	19	4,051	4,594
Long-term provisions and payables			
Long-term provisions			
Pension liabilities	20	48,155	48,078
Deferred taxes	21	49,881	51,842
Other long-term provisions	22	29,610	25,137
		127,646	125,057
Long-term liabilities	23		
Long-term financial liabilities		129,716	155,918
Other long-term payables		2,713	364
		132,429	156,282
		260,075	281,339
Short-term provisions and payables			
Other short-term provisions	22	50,532	44,253
Short-term liabilities	23		
Short-term financial liabilities		45,674	41,499
Trade accounts payable		119,459	126,191
Other short-term payables		47,702	64,742
		212,835	232,432
		263,367	276,685
Liabilities		523,442	558,024
Total equity and liabilities		913,978	954,662

CHANGES IN NON-CURRENT ASSETS OF THE GROUP

as at 30 September 2003

in thousand €	Historical cost 01.10.2002	Additions in the fiscal year	Disposals
Intangible assets			
Concessions, trademarks, patents, licenses and similar rights and licenses to such rights	18,746	2,357	480
Goodwill	46,174	669	(9,947)
Prepayments	4,389	2	0
	69,309	3,028	(9,467)
Property, plant and equipment			
Land and buildings	300,122	3,799	362
Technical equipment and machinery	853,043	10,569	6,548
Other equipment	68,650	2,928	3,371
Leased assets	9,578	63	0
Prepayments and assets under construction	12,745	6,671	233
	1,244,138	24,030	10,514
Investment property	363	0	0
Financial assets			
Shares in affiliated companies	2,297	0	0
Loans to affiliated companies	465	0	0
Other investments	1,110	0	0
Loans to companies in which participations are held	625	0	0
Long-term securities	127	0	0
Other loans	633	57	172
	5,257	57	172
	1,319,067	27,115	1,219

Transfers	Write-ups	Write-downs 30.09.2003	Carrying amount 30.09.2003	Carrying amount 30.09.2002	Depreciation and amortisation in the current fiscal year
4,378	0	16,296	8,705	5,343	3,197
0	0	6,662	50,128	43,254	3,742
(4,378)	0	0	13	4,389	0
0	0	22,958	58,846	52,986	6,939
1,441	0	217,829	87,171	88,751	6,787
3,812	0	603,643	257,233	286,885	43,533
433	0	55,742	12,898	14,555	4,503
0	0	4,036	5,605	6,269	727
(5,686)	0	0	13,497	12,745	0
0	0	881,250	376,404	409,205	55,550
0	0	204	159	172	13
0	0	2,025	272	272	0
0	0	0	465	465	0
0	0	486	624	624	0
0	0	625	0	0	0
0	0	0	127	127	0
0	2	4	518	631	0
0	2	3,136	2,006	2,119	0
0	2	907,550	437,415	464,482	62,502

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

in thousand €	Subscribed capital	Additional paid-in capital	Retained earnings	Changes in accumulated other comprehensive income	Total equity	Minority interest	Total
Balance as at 30.09.2001	82,824	25,307	292,513	(13,487)	387,157	5,071	392,228
Capital increase	896	1,740			2,636		2,636
Dividend payments			(24,265)		(24,265)	(1,412)	(25,677)
Consolidated net income			20,429		20,429	935	21,364
Changes in accumulated other comprehensive income				6,087	6,087		6,087
Balance as at 30.09.2002	83,720	27,047	288,677	(7,400)	392,044	4,594	396,638
Capital increase	873	54			927		927
Dividend payments			(21,257)		(21,257)	(1,040)	(22,297)
Consolidated net income			3,228		3,228	1,209	4,437
Changes in accumulated other comprehensive income				11,341	11,341		11,341
Acquisition of minority interest			202		202	(712)	(510)
Balance as at 30.09.2003	84,593	27,101	270,850	3,941	386,485	4,051	390,536

NOTES TO THE FINANCIAL STATEMENTS

GENERAL REMARKS

The consolidated financial statements of Norddeutsche Affinerie AG, Hamburg, as at 30 September 2003, have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board, London (IASB), effective at the balance sheet date, under consideration of the interpretations of the Standing Interpretations Committee (SIC) as well as the International Financial Reporting Interpretations Committee (IFRIC). Comparative financial information for the previous year has been determined using the same principles.

The provisions of Section 292a of the German Commercial Code (HGB) for the exemption from the preparation of consolidated financial statements under German Generally Accepted Accounting Principles (German GAAP) have been fulfilled. The consolidated financial statements are in compliance with the guidelines of the European Union on group accounting (Guideline 83/349/EEC).

The consolidated financial statements have been prepared in Euros. All amounts are shown in currency units of thousand. The exceptions to this are the details of earnings per share and the proposed appropriation of earnings.

MAIN DIFFERENCES BETWEEN HGB AND IFRS

There are fundamental differences between HGB and IFRS with respect to recognition and measurement. In these IFRS-financial statements, it applies in particular to the following items:

- Non-current assets are measured using the straight-line depreciation method and, in some instances, longer useful lives. Leased items are capitalised by the lessee if economic ownership exists (finance lease). The lease obligations are recorded as financial liabilities. Significant overhaul costs are recognised as an asset and depreciated on schedule.
- Receivables, cash and cash equivalents and liabilities denominated in foreign currencies are converted at the exchange rate on the balance sheet date which can result in the recognition of unrealised gains. General allowances for doubtful accounts are not permitted.
- Under IFRS, the recognition of deferred taxes is based on the asset-liability-approach. In addition, deferred tax assets are recognised, in contrast to the option to capitalise them in the individual accounts under HGB. Deferred tax assets are recognised for loss carryforwards if it is expected that these loss carry forwards will be realised in the near future.
- In accordance with IFRS, pension obligations are computed under consideration of future demographic developments, income and pension trends as well as the long-term capital market interest rate used for discounting. Plan assets are netted with the pension obligations.
- The recognition of other provisions is more restrictive under IFRS than under HGB. Accruing expenses relating to future periods is not permitted. Provisions for obligations to third parties can only be recognised if it is probable that the particular obligation will occur and the amount can be estimated reliably.
- Derivative financial instruments are recorded at market value.

SCOPE OF CONSOLIDATION

In addition to the parent company Norddeutsche Affinerie AG, nine companies are consolidated in the consolidated financial statements. The majority interests in MicroMet GmbH Pulvertechnologie, Hamburg, and Spiess-Urania Chemicals GmbH, Hamburg, were not included since the interests were sold effective 1 April 2002 and 1 October 2002 respectively. As at 30 September 2002, the interest in Spiess-Urania Chemicals was reported as an investment under other assets.

NOTES TO THE FINANCIAL STATEMENTS

In addition, Schwermetall Halbzeugwerk GmbH & Co. KG (Schwermetall), a company which is jointly controlled together with another shareholder, is consolidated proportionately in accordance with IAS 31. The accounting policies used for the consolidated subsidiaries are applied here. The share of Schwermetall in the Group's assets as at 30 September 2003 amounted to 54,197 thousand €, the share in the debt 33,901 thousand €. The proportionate subscribed capital amounts to 6,250 thousand €. A bill in the amount of 232 thousand € was included in contingent liabilities as of the balance sheet date. The company generated 1,478 thousand € of the Group's net income, 66,859 thousand € of the revenues.

The equity-method is currently not applied for associated companies and joint ventures.

Subsidiaries with dormant or little business activity, which are immaterial for the fair presentation of the Group's overall financial position, are not consolidated. They are recognised at market value or, if that value cannot be determined, at cost. In total, these companies account for less than one percent of the balance sheet total, revenues and results.

CONSOLIDATION PRINCIPLES

The companies' accounts included in the consolidated financial statements were prepared in accordance with uniform accounting policies applied to the Norddeutsche Affinerie Group as at 30 September 2003. The accounts of all companies that are either significant or subject to a statutory audit requirement were audited by independent auditors.

Capital consolidation is performed at the time of the acquisition using the purchase method, whereby the acquisition cost of the acquired interest is allocated to the fair values of acquired assets and liabilities of the subsidiary at that time. Any unallocated difference is recognised as goodwill and amortised over the expected useful life. Negative goodwill is deducted from intangible assets and amortised in accordance with IAS 22.61. The amortisation charges for goodwill are included under depreciation and amortisation. The amortisation of negative goodwill is included in other operating income.

Intercompany payables, receivables and contingent liabilities as well as intercompany revenues, other income and expenses were eliminated. Intragroup profits were adjusted as long as they were not insignificant.

All companies consolidated in the consolidated financial statements are German companies. Thus, currency differences from accounts denominated in foreign currencies did not arise.

The same consolidation principles apply for the joint venture which is consolidated proportionately. The consolidation procedures required for transactions with the joint venture were performed proportionately based on the interest in the joint venture.

FIRST-TIME ADOPTION OF IFRS

Due to the first-time adoption of IFRS, the consolidated financial statements were prepared in accordance with the provisions of IFRS 1 as published on 19 June 2003. All standards which were effective as at 30 September 2003 were retrospectively applied in these IFRS financial statements. In accordance with IFRS 1.13, there are various exemptions of which the Norddeutsche Affinerie Group only used the following:

Under IAS 22 all business combinations must be accounted for retrospectively. Under the exemption provision of IFRS 1.15 and App. B, business combinations that took place before the transition date (here 1 October 2001) do not have to be accounted for in accordance with IAS 22. Instead, the carrying amounts derived from the capital consolidation under HGB are recognised at the transition date. Norddeutsche Affinerie AG applies this provision for all business combinations before the acquisition of Hüttenwerke Kayser AG as at 1 January 2000. Beginning 1 January 2000, all business combinations have been accounted for under IAS 22.

The recognition of defined benefit plans in accordance with IAS 19 requires the calculation and development of actuarial gains and losses from the date each plan is established. At the date of transition, actuarial gains and losses incurred before the date of transition have been recognised for such defined benefit plans in accordance with IFRS 1.20.

The differences arising from the conversion from HGB were included in equity. Equity as at 30 September 2002 and 1 October 2001 therefore changed as follows:

in thousand €	as at 30.09.2002	as at 01.10.2001
Equity in accordance with HGB	268,006	270,806
Change in the consolidated group	431	3,047
Revaluation due to business combinations under IAS 22	(18,900)	(24,085)
Changed depreciation and amortisation on intangible assets and property, plant and equipment	138,073	142,855
Application of IAS 39 including the impact on the accounting for underlyings	(342)	(6,656)
Changed measurement for pension liabilities	28,014	30,850
Changed measurement for other provisions	24,620	21,998
Adjustment of allowance account for receivables	1,805	1,654
Elimination of special reserves with an equity portion	708	3,945
Recognition of deferred taxes	(51,253)	(58,794)
Other	882	1,537
Equity as at 30 September 2002 in accordance with IFRS	392,044	387,157

The consolidated financial statements for fiscal year 2001/2002 change as a result of the conversion in the following respects:

in thousand €	2001/02
Consolidated net income in accordance with HGB	20,374
Change in consolidated group	(2,616)
Revaluation due to business combinations under IAS 22	5,185
Changed depreciation and amortisation on intangible assets and property, plant and equipment	7
Depreciation of capitalised major overhauls	(4,111)
Depreciation on leased items	(678)
Application of IAS 39 including the impact on the accounting from underlyings	228
Changed measurement for pension liabilities	(2,836)
Changed measurement for other provisions	2,622
Currency gains and losses due to measurement at balance sheet date	(1,879)
Elimination of special reserves with an equity portion	(3,237)
Inclusion of deferred taxes	7,541
Other	764
Consolidated net income in accordance with IFRS	21,364

The cash flow from operating activities for fiscal year 2001/2002 is by 17,846 thousand € higher than the cash flow for operating activities reported under HGB. It is caused by the deduction of the financial result from the cash flow from operating activities.

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

Revenue and expense recognition

Revenues and gains are realised when the services are performed and risks are transferred to the customer.

Operating expenses are recognised in income when the services are consumed or when incurred. Interest income and expense are recognised when incurred. Gains and losses resulting from profit and loss transfer agreements are realised at the end of the fiscal year, dividends at the time when the right to receive payment is established.

Non-current assets

Acquired intangible assets are recognised at cost, internally generated intangible assets creating future economic benefits at construction cost. They are depreciated on schedule by the straight-line method in accordance with their expected useful life.

Property, plant and equipment used in business operations for more than one year is measured at historical cost less scheduled straight-line depreciation. Construction costs include direct costs as well as a reasonable amount of the construction-related overheads. Interest costs are not included. The depreciation periods used correspond to the expected economic useful lives in the Group.

Leased assets are reported within property, plant and equipment if the criteria of IAS 17 for a finance lease were satisfied. They are capitalised if all significant risks and chances for economic ownership are with the respective Group company. In such cases, the assets were recognised at fair value or, if lower, at the present value of the minimum lease payments and depreciated using the straight-line method over the lease term or, if a transfer of ownership is expected at the end of the lease term, over the economic useful life. The future lease payment obligations are recognised at the present value as a liability.

Impairment charges on intangible assets and property, plant and equipment are recorded in accordance with IAS 36 if the net selling price or the value in use is less than the carrying amount.

Financial assets were capitalised at cost at the time of acquisition. Long-term or non-interest bearing loans were discounted if they were not immaterial. Held to maturity financial assets are recorded at amortised costs at the balance sheet date.

Inventories

Inventories are recognised at cost including all direct costs as well as a reasonable part of the production-related overheads. Metal inventories are accounted for using the "Lifo" method. Inventories are stated at the lower amount of costs and the net realisable value less estimated costs necessary for sale. In general, the net realisable value is based on the net sales price of the product.

Receivables and other assets

Receivables and other assets are stated at amortised cost. Any risk in the receivables is provided for by specific allowances for doubtful debts or lump-sum allowances for doubtful debts. Low-interest or non-interest-bearing receivables are discounted. Receivables denominated in foreign currencies are converted at the offer price as of the balance sheet date.

Other current assets

Short-term securities are recorded as available for sale financial assets at fair value as of the balance sheet date as long as the fair value can be reliably determined.

Cash and cash equivalents are stated at cost. Foreign currency deposits were converted at the offer price as of the balance sheet date.

Deferred taxes

Deferred taxes are recognised in accordance with IAS 12 for temporary differences between the tax balance sheet of individual companies and the corresponding IFRS items if these differences will reverse in the future and will result in future taxable or deductible amounts. Furthermore, taxable loss carryforwards are capitalised if realisable in the near future. Deferred taxes are not discounted. Deferred tax assets and deferred tax liabilities are offset if they relate to income taxes levied by the same tax authorities and current taxes can be set off against each other.

Provisions

Provisions for pension and similar obligations are based on actuarial surveys in accordance with the projected unit credit-method as defined in IAS 19. The demographic assumptions as well as the salary and pension trends and the discount rate are determined on the basis of current estimates as of the balance sheet date. Actuarial gains and losses result from deviations in actual parameters compared with the assumptions used for the calculation. In accordance with the corridor method as described in IAS 19, actuarial gains and losses at the beginning of the fiscal year are amortised if they exceed 10 % of the defined benefit obligation or the fair value of plan assets at the beginning of the fiscal year. The amount recognised for the period equals the amount exceeding the corridor divided by the remaining service period of the employees participating in the pension plan. The interest portion included in the pension costs is recorded as interest expense in finance costs.

Other provisions include all other obligations and risks of the company if a cash outflow is probable and can be reliably estimated. Accruing expenses relating to future periods is not permitted. Long-term provisions are stated at their present value if the interest effect is significant.

Liabilities

Financial liabilities except for finance lease liabilities are stated at amortised costs. At the inception of the lease, finance lease liabilities are recognised at the present value of the minimum lease payments or, if lower, at the fair value of the leased items. In subsequent periods, the redemption portion included in the minimum lease payments reduces the liability. Liabilities denominated in foreign currencies are measured at the bid price as of the balance sheet date.

Financial instruments

In the Group, derivative financial instruments are employed to hedge the risks arising from fluctuations in interest rates and foreign exchange rates as well as to hedge non-ferrous metal price risks.

NOTES TO THE FINANCIAL STATEMENTS

Hedge accounting is applied if the criteria for an effective hedge relationship as defined by IAS 39 are fulfilled. This can take the form of both fair value and cash flow hedges.

In accordance with IAS 39 all derivative financial instruments are stated at fair value. In general, changes in the fair value of derivatives, which are not a component of a cash flow hedge, are recognised in income. For fair value hedges, the derivative as well as the underlying transaction are adjusted with an impact on income. For cash flow hedges, the gain or loss on the effective part of the derivative is recognised in equity whereas the ineffective part of the derivative is included in income. The gain or loss is recognised in income when the hedged underlying transaction affects earnings.

In the Group, various derivative financial instruments such as futures, options and interest derivatives are used to hedge operational risks resulting from changes in non-ferrous metal prices, foreign exchange rates and interest rates. The agreements are made with reputable brokers and banks and monitored as part of a risk management system.

The fair values of the financial instruments are determined by reference to market values or valuation methods. For cash and cash equivalents as well as other non-derivative financial instruments, except for liabilities to banks, the fair values correspond to the carrying amounts on the respective balance sheet dates.

NOTES TO THE PROFIT AND LOSS ACCOUNT

1. Revenues

in thousand €	2002/03	2001/02
By product groups		
Copper cathodes	278,450	304,606
Continuous cast wire rod	603,198	556,160
Continuous cast shapes	256,388	279,988
Pre-rolled strip, strips and shaped wires	187,418	169,829
Precious metals	412,766	454,948
Chemicals	24,156	15,901
Other	53,418	60,382
	1,815,794	1,841,814

The revenues of continuous cast wire rod and shapes include revenues from “Wandelkathoden” (copper on account) which have already been sold but are only delivered in the requested sizes after receipt of the customer’s specification.

The decline in revenues of 1.4 % is mainly attributable to lower metal prices on a € basis. Additional revenues from increased unit sales as well as from the consolidation of Prymetall GmbH & Co. KG and Schwermetall Halbzeugwerk GmbH & Co. KG for twelve months was compensated by this.

Segment revenues are reported in the segment reporting on page 42.

2. Other operating income

in thousand €	2002/03	2001/02
Reversal of provisions	1,746	1,272
Net change in usage of provisions	3,923	4,342
Gains from disposals of assets	229	66
Recharges to third parties	7,057	8,028
Compensation in damages and indemnities	1,882	3,761
Other income	22,261	14,423
<i>of which rent received on investment property</i>	133	127
	37,098	31,892

Other income includes in particular lease income, income relating to prior periods as well as income from the disposal of current assets and from the amortisation of negative goodwill in the amount of 9,947 thousand € (6,217 thousand € in the previous year) in accordance with IAS 22.61. As of 30 September 2003 the negative goodwill had been fully amortised.

3. Cost of raw materials

in thousand €	2002/03	2001/02
Raw materials, supplies and purchased goods	1,420,701	1,436,045
Cost of purchased services	50,744	59,823
	1,471,445	1,495,868

Cost of raw materials and supplies has decreased due to lower revenues. Taking the changes in inventories into account the ratio of cost of raw materials and supplies remained almost constant at 82.7 %.

4. Personnel expenses and human resources

in thousand €	2002/03	2001/02
Wages and salaries	153,925	143,954
Social security, pension and other benefit expenses	37,891	34,166
<i>thereof pension expenses</i>	4,877	4,543
	191,816	178,120

The increase in personnel expenses by 13,696 thousand € has several reasons. For the subsidiaries Prymetall GmbH & Co. KG and Schwermetall Halbzeugwerk GmbH & Co KG expenses are reported for twelve months (nine months in the previous year). For Hüttenwerke Kayser AG severance payments were incurred in the amount of 5,091 thousand €. With respect to social contributions, increases in social insurance rates and in the contributions to the employers' liability insurance occurred.

NOTES TO THE FINANCIAL STATEMENTS

The total number of employees of the consolidated subsidiaries and the proportionally consolidated joint venture on a yearly average amounted to:

	2002/03	2001/02
Blue collar	2,275	2,232
White collar	999	969
Apprentices and trainees	184	173
	3,458	3,374
(thereof no. of employees in joint ventures)	164	130

5. Depreciation and amortisation expense

Depreciation and amortisation in the Group totalled 62,502 thousand €. This includes goodwill amortisation in the amount of 3,742 thousand €. Depreciation and amortisation on intangible assets and property, plant and equipment as well as financial assets is detailed in the non-current assets schedule on pages 60/61.

The increase in depreciation and amortisation by 6,872 thousand € result from impairment losses on the thin strip casting project and an anode mould press at NA AG in the sum of 3,898 thousand €, from the consolidation of the companies Prymetall GmbH & Co. KG and Schwermetall Halbzeugwerk GmbH & Co. KG for twelve months (nine months in the previous year) and from higher depreciation for the new Kayser Recycling System at Hüttenwerke Kayser AG.

6. Other operating expenses

in thousand €	2002/03	2001/02
Expenses relating to prior periods	2,317	1,439
Additions to provisions	2,143	2,723
Other expenses	26,284	21,877
Administration expenses	20,465	24,132
Marketing expenses	32,702	30,657
Other taxes	826	775
	84,737	81,603

Expenses relating to prior periods include mainly losses from the disposal of assets and allowances for doubtful receivables. Other expenses consist of the costs of maintenance, cleaning and disposal not included under purchased services in the costs of materials and supplies, as well as foreign currency losses. Administration expenses have declined due to lower consultancy fees. Marketing expenses primarily include increased freight costs.

7. Income from investments

Income from investments in the Group mainly includes dividend payments from Spiess-Urania Chemicals GmbH, which is accounted for under IAS 39.

8. Finance costs

in thousand €	2002/03	2001/02
Income from loans	45	58
Interest income	4,064	4,097
Interest expenses	(17,002)	(15,001)
	(12,893)	(10,846)

Interest expenses include the interest component of pension costs in the amount of 4,209 thousand € (2,999 thousand € in the previous year).

9. Income taxes

Paid or owed income taxes as well as deferred taxes are reported as income taxes. The total income taxes including deferred taxes are as follows:

in thousand €	2002/03	2001/02
Current taxes	8,604	17,476
Deferred taxes	(9,696)	(7,541)
	(1,092)	9,935

Current taxes include tax payments (refunds) for prior years in the amount of 108 thousand € (370 thousand € in the previous year).

In accordance with IAS 12.81, income taxes must be reconciled to the tax expense that would have resulted if the applicable tax rates were applied to the consolidated income before taxes.

The total tax rate of 40 % used in the reconciliation consists of 25 % corporation tax plus a solidarity surcharge of 5.5 % on corporation taxes, plus an effective trade tax rate of 18.5 % determined on the basis of various municipal rates.

Reconciliation:

in thousand €	2002/03	2001/02
Consolidated income before taxes	3,345	31,299
Expected tax expenses at 40%	1,338	12,520
Changes in expected tax expenses due to:		
loss carryforwards	(1,836)	(1,151)
taxes paid for prior years	(90)	(370)
tax refund on dividends paid	0	(3,204)
non-deductible expenses ¹	472	269
non-taxable income	(1,099)	995
other	123	876
Income taxes	(1,092)	9,935

¹⁾ including amortisation on goodwill

NOTES TO THE FINANCIAL STATEMENTS

The following deferred tax assets and liabilities result from recognition and measurement differences in individual balance sheet items and from tax loss carryforwards:

in thousand €	Deferred tax assets 2002/03	Deferred tax liabilities 2002/03	Deferred tax assets 2001/02	Deferred tax liabilities 2001/02
Intangible assets	206	3	149	33
Property, plant and equipment	772	53,966	3,122	59,241
Financial assets	1,014	10,171	36	4,356
Inventories	1,153	0	1,449	0
Receivables and other assets	3,749	13,656	752	9,546
Other current assets	0	0	23	1
Pension liabilities	2,139	1,156	1,539	545
Other provisions	11,412	809	11,040	623
Payables	3,745	1,263	3,699	2,970
Tax loss carryforward	10,784	0	2,037	0
Balance	(27,762)	(27,762)	(23,257)	(23,257)
Consolidation	1,060	(3,381)	0	(2,216)
Consolidated balance sheet total	8,272	49,881	589	51,842

10. Income attributable to minority interest

From the consolidated net income before minority interest of 4,437 thousand € (21,364 thousand € in the previous year) 1,209 thousand € are attributable to minority interest in the fiscal year (935 thousand € in the previous year). This refers to the interest of other shareholders in Deutsche Giessdraht GmbH, Emmerich, as well as in Hüttenwerke Kayser AG, Lünen, in the previous year.

11. Earnings per share

Basic earnings per share are calculated as the ratio of consolidated net income to the weighted average number of shares outstanding during the fiscal year.

in thousand €	2002/03	2001/02
Consolidated net income	3,228	20,429
Weighted average number of shares (in 1,000)	32,875	32,516
Basic earnings per share in €	0.10	0.63

To determine the diluted earnings per share, the maximum number of shares which would be issued if all conversion rights on the convertible bonds of Norddeutsche Affinerie AG were exercised, were added to the weighted average of the shares outstanding in the fiscal year. The consolidated net income were increased by the interest expenses incurred for the convertible bonds less the corresponding income taxes.

in thousand €	2002/03	2001/02
Consolidated net income	3,228	20,429
+ interest expenses for convertible bonds	98	123
– income taxes	(39)	(49)
Adjusted net income for the period	3,287	20,503
Weighted average number of shares – diluted (in '000)	33,863	33,642
Diluted earnings per share in €	0.10	0.61

NOTES TO THE BALANCE SHEET

12. Non-current assets

Details of changes in non-current assets are given on pages 60 and 61.

Intangible assets include acquired licenses and goodwill as well as negative goodwill resulting from business combinations. Goodwill is amortised over 15 years. Development costs were not capitalised since the recognition criteria in IAS 38 were not completely satisfied. Additions resulted in particular from the migration of our SAP software to R/3 and from licence payments for the Kayser Recycling System.

As part of a squeeze-out process Norddeutsche Affinerie AG acquired the remaining minority interest in Hüttenwerke Kayser AG. This acquisition resulted in goodwill of 669 thousand €. The negative goodwill reported as at 30 September 2002 was fully amortised in income. Additions to fixed assets in Hamburg refer mainly to the continuation of the capital project to optimise the precious metal processing, general maintenance in the primary smelter as part of a boiler overhaul and various measures taken to increase enterprise value under the dyNAMic project. At the other subsidiaries capital expenditure was directed into expansions and replacements, particularly at Prymetall GmbH & Co. KG and Schwermetall Halbzeugwerk GmbH & Co. KG.

Leased property, plant and equipment totals 5,605 thousand € (6,269 thousand € in the previous year) and mainly consists of tanks for storing sulphuric acid, motor vehicles and EDP hardware.

As at 30 September 2003 non-current assets of the group with a carrying amount of 35,891 thousand € were pledged as securities for loans (38,239 thousand € in the previous year). Purchase commitments for property, plant and equipment amounted to 14,998 thousand € (18,142 thousand € in the previous year).

A detailed overview of the interests included in the financial assets of Norddeutsche Affinerie AG is given on page 83.

The changes in financial assets result from redemption payments for other loans.

13. Inventories

in thousand €	30.09.2003	30.09.2002
Raw materials and supplies	116,709	128,717
Unfinished goods	105,432	116,498
Finished goods, merchandise	37,311	56,422
Prepayments	30	104
	259,482	301,741

For metal inventories the difference between the net realisable value and the carrying amount amounts to 31,188 thousand €. In the fiscal year write-downs amounted to 5,918 thousand € (13,190 thousand € in the previous year). The carrying amount of all inventories carried at the lower net realisable value amounted to 27,798 thousand € (52,213 thousand € in the previous year) as of the balance sheet date. Write-downs made in earlier years were reversed in the fiscal year to the extent of 824 thousand €. At a subsidiary, inventories in the amount of 10,600 thousand € (13,126 thousand € in the previous year) were pledged as a security.

14. Receivables and other assets

in thousand €	Maturing in			Total	Total
	less than 1 year	1 to 5 years	more than 5 years	30.09.2003	30.09.2002
Trade accounts receivable	139,878	–	–	139,878	122,590
Receivables due from related parties	1,865	–	–	1,865	3,803
Other receivables and assets	27,352	4,735	22,804	54,891	52,952
				196,634	179,345

Trade accounts receivable have increased due to higher amounts outstanding at major customers and the precious metal business. As of the balance sheet date impairments in the amount of 718 thousand € (303 thousand € in the previous year) were recognised.

Receivables from related parties refer to receivables from non-consolidated subsidiaries.

Other receivables and assets include an asset in the amount of 22,804 thousand € calculated in accordance with IAS 19.54 as well as positive fair values from derivative financial instruments in the amount of 8,988 thousand €. Furthermore, claims for tax refunds from the tax authorities in the amount of 5,826 thousand € and deferred charges in the amount of 1,238 thousand € are included. It also consists of the 20 % interest (60 % in the previous year) in Spiess-Urania Chemicals GmbH.

15. Short-term securities

All short-term securities are pledged.

16. Cash and cash equivalents

Cash and cash equivalents include bank deposits, cash in hand, deposits at the Bundesbank as well as cheques. The bank deposits are mostly Euro deposits at various banks.

17. Deferred tax assets

Deferred tax assets are the result of future tax savings due to loss carryforwards.

18. Equity

The subscribed capital of Norddeutsche Affinerie AG as at 30 September 2003 amounts to 84,592,640 €. It is divided into 33,044,000 bearer shares. Each share has a calculated par value on the subscribed capital of 2.56 €.

In the last fiscal year 341,000 new bearer shares were issued to the Executive Board and senior staff in exchange for convertible bonds as part of the stock option plan. The calculated par value on the subscribed capital totals 872,960 €. The share premium from the capital increase in the amount of 0.16 € per share, 54,560 € in total, was allocated to additional paid-in capital.

The conditional capital now amounts to 36,993 thousand € and consists of Conditional Capital I in the amount of 1,993 thousand € and Conditional Capital II in the amount of 35,000 thousand € which is used to grant rights to the holders of warrants and/or convertible bonds that could or can be issued by 11 June 2003 or 31 March 2005 respectively.

There is still an authorised capital of 40,000 thousand €. The Executive Board subject to the approval of the Supervisory Board is authorised to increase the subscribed capital until 31 March 2005 by issuing new shares at once or in several instalments for a cash contribution or contribution in kind.

Retained earnings include the consolidated net income as well as the revenue reserves of the Group companies, the amount included in equity resulting from the conversion to IFRS, the accumulated retained earnings of the subsidiaries since being consolidated as well as the accumulated amounts resulting from consolidation techniques unless allocated to minority interest. The statutory reserves in the amount of 6,391 thousand € which are not available for dividend payments are also included here.

A detailed statement of shareholders' equity is given on page 62 of this Annual Report.

Proposed appropriation of earnings

The individual financial statements of Norddeutsche Affinerie AG were prepared in accordance with HGB – German Commercial Code.

Net profit of Norddeutsche Affinerie Aktiengesellschaft	28,170,000.00 €
Allocations to other revenue reserves	10,000,000.00 €
Net earnings	18,170,000.00 €

It will be proposed to the Annual General Meeting that the net earnings of Norddeutsche Affinerie AG in the amount of € 18,170,000.00 are carried forward.

19. Minority interest

This item includes the interest of non-Group shareholders in the equity of the consolidated companies. As at 30 September 2003 this only concerns Deutsche Giessdraht GmbH. The comparative information for the previous year includes an additional minority interest in Hüttenwerke Kayser AG which was traded on the stock exchange at that time. This minority interest was taken over by NA AG in a squeeze-out process in the current fiscal year.

20. Pension liabilities

In the Group, retirement benefits are granted based on both defined benefit plans and defined contribution plans.

Most of the pension plans are defined benefit plans which are either funded or unfunded.

NOTES TO THE FINANCIAL STATEMENTS

The pension liabilities were computed based on the following market discount rates as well as salary and pension trends:

	30.09.2003	30.09.2002
Discount rate	5.25 %	6.0 %
Expected trend in income	2.5 %	3.0 %
Expected trend in pensions	4.5 % every 3 years	6.1 % every 3 years
Fluctuation	3.5 % bis 6.2 %	3.5 % bis 6.2 %

The retirement age was assumed to be the earliest age at which an employee can claim benefits under the state pension scheme in accordance with the 1999 pension reform law. The corresponding assumptions are based on the 1998 guidelines from Prof. Dr Klaus Heubeck.

For overfunded pension plans, the resulting assets are reported under other assets. The net liability recognised in the consolidated balance sheet for defined benefit plans is reconciled as follows:

in thousand €	2002/03	2001/02
present value of unfunded pension obligations	32,614	32,113
+ present value of funded pension obligations	218,136	207,103
= present value of pension obligations	250,750	239,216
– fair value of plan assets	(211,574)	(200,237)
+ assets in accordance with IAS 19.58	22,804	22,051
– unrealised actuarial losses	(13,825)	(12,952)
= Net liability in the balance sheet	48,155	48,078

In the current fiscal year the development of the net liability was as follows:

in thousand €	2002/03	2001/02
Net liability at the beginning of the fiscal year	48,078	36,214
+ change in consolidation group	0	6,645
+ net expense recognised in the profit and loss statement	8,215	6,765
– benefits paid (unfunded plans)	(2,359)	(2,417)
–/+ contributions to/from pension funds (funded plans)	(5,779)	871
= Net liability at the end of the fiscal year	48,155	48,078

The following amounts were included in the profit and loss account:

in thousand €	2002/03	2001/02
Current service costs	4,006	3,766
Interest expense on the pension obligation	14,015	13,506
Expected return from plan assets	(9,806)	(10,507)
Total of the amounts affecting net income	8,215	6,765

The difference between the expected return from plan assets and the actual return amounts to 5,149 thousand €.

21. Deferred tax liabilities

The deferred tax liabilities are shown in detail under note 9 Income taxes.

22. Other provisions

In the current fiscal year the individual classes of provisions changed as follows:

in thousand €	Status per 01.10.2002	Claims	Amount released	Additions	Status per 30.09.2003
Personnel provisions	35,250	7,804	456	12,027	39,017
Environmental provisions	6,803	304	257	66	6,308
Expected losses on onerous contracts	19,384	1,949	284	10,770	27,921
Other	7,953	4,048	741	3,732	6,896
	69,390	14,105	1,738	26,595	80,142

The personnel provisions consist of obligations to employees with respect to Christmas bonuses, outstanding holiday claims, anniversary bonuses, bridging loans, severance payments and from the early retirement scheme.

23. Liabilities

in thousand €	less than 1 year	1 to 5 years	more than 5 years	30.09.2003	30.09.2002
Financial liabilities	45,674	120,808	8,908	175,390	197,417
<i>thereof convertible bonds</i>	945	1,048	–	1,993	2,895
<i>thereof lease liabilities</i>	602	2,873	3,003	6,478	7,071
<i>thereof bills payable</i>	6,816	–	–	6,816	8,250
Trade accounts payable	119,459	–	–	119,459	126,191
Payments received on orders	1,725	–	–	1,725	1,701
Liabilities due related parties	1,228	–	–	1,228	5,251
Liabilities for income taxes	1,623	–	–	1,623	7,879
Other liabilities	43,126	2,713	–	45,839	50,275
				345,264	388,714

More information with respect to liabilities to banks and interest risks is given in the following:

in thousand €	2002/03	2001/02
Loans with fixed interest rates	131,848	126,681
Loans with variable interest rates	13,092	36,500
Credit lines used with variable interest rates	15,263	15,588
	160,203	178,769

The interest rates for loans with fixed interest and interest-swap agreements are between 2.35 % and 6.3 %. The fair value of the long-term financial liabilities amounts to 132,587 thousand € based on the current market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

Subsidiaries have pledged mortgages as well as inventories and property, plant and equipment as collateral for liabilities to banks in the amount of 46,991 thousand €.

Convertible bonds with a face value of 1,993 thousand € are split into 3,892 bearer bonds with a face value of 512 € each with interest payable at 5.2 % p.a. and 4.6 % p.a. They have been acquired by senior staff in the NA Group as part of a stock option plan.

Liabilities for social security taxes amounted to 6,754 thousand € (6,167 thousand € in the previous year). Further material items under other liabilities are tax liabilities and negative market values for metal futures and foreign exchange derivatives.

24. Contingent liabilities and other commitments

in thousand €	2002/03	2001/02
Contingent liabilities under bills	7,808	8,767
Commitments for capital projects	14,998	18,142
Commitments under tolling agreements	14,785	15,828
Warranty obligations and other contingencies	2,245	1,501
	39,836	44,238

Commitments under tolling agreements refer to the value of the metal extracted during the tolling process which must be returned. These obligations are accounted for by corresponding recourse claims.

Commitments from lease contracts

The lease liabilities reported under financial liabilities in the consolidated balance sheet include the present value of minimum lease payments as well as the guaranteed residual values at the end of the lease term. Minimum lease payments are due as follows:

in thousand €	less than 1 year	1 to 5 years	more than 5 years
Minimum lease payments	1,112	3,894	3,819
Interest portion	451	1,362	816
Redemption portion	661	2,532	3,003

As at 30 September 2003, minimum lease payments under operating leases amounted to 3,504 thousand €, of which 1,719 thousand € were due within one year.

25. Derivative financial instruments

In its operations, the NA Group is in particular subject to non-ferrous metal price and exchange rate fluctuations. It is company policy to mitigate these risks by entering into non-ferrous metals future and foreign currency forward contracts covering primarily copper and the U.S. dollar.

In addition, interest risks are hedged by interest derivatives.

in million €	Notional amount	
	30.09.2003	30.09.2002
Non-ferrous metal future contracts		
Maturity of up to 1 year	319.7	232.1
Maturity of 1 to 5 years	30.3	36.1
	350.0	268.2
Foreign currency forward contracts		
Maturity of up to 1 year	344.9	299.5
Maturity of 1 to 5 years	9.0	51.1
	353.9	350.6
Options		
Foreign currency options	51.2	57.6
Interest derivatives	81.0	64.5

The notional amount of the derivative financial instruments is the sum of all purchase and sales contracts. The market value is based on the measurement of all contracts at the prices on the measurement date and indicates the impact of the settlement of all derivatives on income without taking into account the underlyings. As of the balance sheet date, the market value resulting from offsetting gains and losses of the individual contracts, amounted to – 2.7 million € for metal future contracts, 7.1 million € for foreign currency forward contracts and – 2.5 million € for interest derivatives. For option contracts with payment of a premium, the difference between the acquisition cost and the market value amounted to 5 million €.

NOTES ON THE CASH FLOW STATEMENT

The cash flow statement shows the change in cash and cash equivalents in the NA Group in the fiscal year. In accordance with IAS 7, the cash flows were separated into cash flows from operating activities, investing activities and financing activities.

Based on net profit from ordinary activities, the gross cash flow is derived by adjusting non-cash expenses and income as well as finance costs and income taxes paid. Finance costs consist of interest income in the amount of 4,109 thousand € (4,155 thousand € in the previous year) and interest expense of 17,002 thousand € (15,001 thousand € in the previous year). Any write-ups were set off against depreciation and amortisation. The cash inflow from operating activities (net cash flow) is computed by adjusting the gross cash flow for these changes.

The cash outflow from investing activities primarily covered capital expenditure on assets. In detail, 2,359 thousand € (3,433 thousand € in the previous year) was invested in intangible assets, 24,030 thousand € (42,978 thousand € in the previous year) in property, plant and equipment and 57 thousand € (601 thousand € in the previous year) in financial assets.

The financing activities include proceeds and payments from issuing and the redemption of bonds and financial liabilities, capital increases, dividend and interest payments.

NOTES TO THE FINANCIAL STATEMENTS

SEGMENT REPORTING

in thousand €	Copper Production segment		Copper Processing segment		Other		Group total	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
Revenues								
total	1,231,027	1,455,997	1,351,051	1,333,432	575	1,848	2,582,653	2,791,277
thereof with other segments	740,784	919,069	26,041	30,227	34	167	766,859	949,463
thereof with third parties	490,243	536,928	1,325,010	1,303,205	541	1,681	1,815,794	1,841,814
Earnings before taxes	(3,027)	17,055	5,763	13,724	609	520	3,345	31,299
EBIT	4,506	23,221	10,910	18,278	822	646	16,238	42,145
EBITDA	48,844	64,345	28,855	32,688	1,041	742	78,740	97,775
Income from investments	1	1	5	5	1,026	258	1,032	264
Non-current assets	311,233	325,964	122,935	135,266	3,247	3,252	437,415	464,482
Capital expenditure	18,234	35,319	7,987	11,693	225	0	26,446	47,012
Depreciation and amortisation	44,338	41,124	17,945	14,410	219	96	62,502	55,630
Other non-cash expenses	1,122	17,956	628	5,158	1,152	33	2,902	23,147
Segment assets	569,122	610,648	320,116	331,029	5,460	5,397	894,698	947,074
Liabilities	148,146	162,784	20,665	23,639	1,063	4,875	169,874	191,298
Average number of employees	2,284	2,301	1,174	1,073			3,458	3,374
Personnel expenses	128,067	121,316	63,749	56,804			191,816	178,120

The segment reporting uses the internal organisation and reporting in the NA Group. The identification of segments is based on internal processes and the production structure. Under the column "Other" all amounts and results that cannot be allocated to a particular segment are reported.

The segment information was determined using the accounting principles as described in the Notes to the Financial Statements. A geographical segmentation was not necessary as the Group only has production sites in Germany.

Of the Group revenues, 66 % was generated in Germany, 24 % in countries in the European Union and 4 % in the rest of Europe in the fiscal year. The remaining 6 % of the revenues resulted from sales to customers in non-European countries, mainly in North America.

Copper Production segment

NA Business Unit Metallurgy
Hüttenwerke Kayser
CABLO
Retorte
Peute Baustoff

Copper Production segment

The Copper Production segment comprises all the sectors from the procurement of copper and precious metal bearing raw materials to the production of marketable metals. Raw materials include above all copper concentrates, copper containing recycling materials and precious metal containing raw materials. These are processed into marketable copper cathodes, marketable gold, silver and platinum metal products, but also products made of the natural by-elements of the raw materials, such as sulphuric acid and iron silicate stone.

Precious metals, sulphuric acid and iron silicate stone are sold mostly to external buyers. The copper cathodes produced are in contrast passed on to the Copper Processing segment. There they are processed into copper products and sold externally. Thus, the greater part of the revenues in the Copper Production segment is generated within the Group. This segment also includes the production of high-grade selenium products as well as the environmentally friendly recycling of cables and the sale of the resultant granules.

Copper Processing segment

NA Business Unit Copper Products
Deutsche Giessdraht
Prymetall
Schwermetall

Copper Processing segment

The Copper Processing segment includes in particular the production of continuous cast wire rod and shapes, pre-rolled strip, strips and profiles as well as the copper trade. The starting products for these are chiefly the copper cathodes produced in the Copper Production segment. The products of the Copper Processing segment are largely sold in Europe.

Segment information

The revenues of the individual segments consist of intergroup revenues and revenues with third parties. The latter corresponds to the Group revenues. Products and services are exchanged at market prices between Group companies and correspond to those with third parties.

Earnings before taxes are the respective segment's contribution to Group earnings. Earnings attributable to minority interest were not separately reported.

EBIT (earnings before interest and taxes) of the individual segments have been adjusted by the respective net interest. EBITDA (earnings before interest, taxes, depreciation and amortisation) are the EBIT less depreciation.

The income from investments include all gains from dividend payments of non-consolidated companies.

Furthermore, the non-current assets of the segments are shown. Goodwill resulting from business combinations is allocated to the respective segment. Depreciation and amortisation on non-current assets including changes in goodwill were recorded accordingly.

Additions to provisions for each segment as well as write-downs in current assets were shown as other non-cash expenses.

Segment assets consist of all assets except for deferred tax assets and cash and cash equivalents.

Segment liabilities include both the trade accounts payable and other liabilities for each segment.

The average number of employees for each segment includes the employees of all the companies which were consolidated or proportionately consolidated in the consolidated financial statements. For proportionately consolidated companies the number corresponded to the interest held by the Group. Personnel expenses are shown accordingly.

OTHER INFORMATION

Information on the relationship to related parties

In accordance with IAS 24, related parties consist of all persons and enterprises that are influenced by the company or which can influence the company.

As part of their normal business activities the companies in the NA Group provide and consume various services to or from related companies. These supplies and services are charged at market prices. Services are charged on the basis of existing contracts.

Cash management is centrally performed in the NA Group. Thus, Norddeutsche Affinerie AG takes over the function of a bank for the Group companies. All transactions are settled at market conditions.

There are no individual shareholders of Norddeutsche Affinerie AG who exercise a significant influence on the Group. The relationships to the Executive Board and Supervisory Board are given in the following.

Executive Board and Supervisory Board

The members of the Supervisory Board and the Executive Board are listed on pages 87 and 88 of this Annual Report.

The compensation of the Executive Board for fiscal year 2002/2003 totalled 1,412 thousand € and included a fixed component in the amount of 1,146 thousand € as well as a long-term incentive component in the amount of 266 thousand €. No performance-related component was paid. Former members of the Executive Board and their survivors received a total of 924 thousand €, 10,863 thousand € have been accrued for their pension claims.

In fiscal year 2002/2003 the compensation of the Supervisory Board amounted to 181 thousand €.

Members of the Supervisory Board hold 7,581 shares, members of the Executive Board 7,891 shares in Norddeutsche Affinerie AG. In addition, the members of the Executive Board have acquired convertible bonds with a face value of 276 thousand € which can be exchanged on maturity in accordance with the bond conditions into shares of Norddeutsche Affinerie AG.

Declaration of Conformity with the German Corporate Governance Code in accordance with Section 161 Companies Act

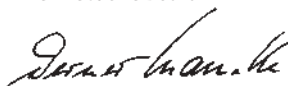
The declaration stipulated under Section 161 Companies Act has been submitted by the Executive Board and Supervisory Board and has been made accessible to the shareholders at the company's website.

Subsequent events

Since the end of fiscal year 2002/2003 events of particular importance which are significant for the consolidated financial statements and could result in a changed assessment of the Group have not occurred.

Hamburg, 12 January 2004

The Executive Board



Dr Werner Marnette



Dr Michael Landau



Dr Toralf Haag



Dr Bernd Langner

SHAREHOLDINGS OF NORDDEUTSCHE AFFINERIE AG

as at 30 September 2003

Company name and seat	% of capital held by NA Group	Currency	Subscribed capital in 1,000	Held directly by	Stake in %
1. Norddeutsche Affinerie AG, Hamburg		€	84,593		
2. Hüttenwerke Kayser AG, Lünen	100	€	23,400	1	100
3. Prymetall GmbH, Stolberg	100	€	30	1	100
4. Prymetall GmbH & Co. KG, Stolberg	100	€	12,800	1	100
5. Gesellschaft für Metallanlagen GmbH, Hamburg	100	€	3,900	1 2	67 33
6. CABLO Metall-Recycling & Handel GmbH, Hamburg	100	€	767	1	100
7. PEUTE BAUSTOFF GMBH, Hamburg	100	€	52	1	100
8. RETORTE Ulrich Scharrer GmbH, Röthenbach	100	€	2,045	1	100
9. Berliner Kupfer-Raffinerie GmbH, Hamburg	100	€	2,557	1 2	67 33
10. NA Venture GmbH, Hamburg	100	€	25	1	100
11. Hüttenbau-Gesellschaft Peute mbH, Hamburg	100	€	26	1	100
12. Spiess-Urania Chemicals GmbH, Hamburg	20	€	8,667	1	20
13. CIS Solartechnik GmbH, Hamburg	45	€	45	10	45
14. Schwermetall Halbzeugwerk GmbH, Stolberg	50	€	52	4	50
15. Schwermetall Halbzeugwerk GmbH & Co. KG, Stolberg	50	€	12,500	4	50
16. Deutsche Giessdraht GmbH, Emmerich	60	€	6,200	5	60
17. Hüttenwerk Kayser GmbH, Lünen	100	€	26	2	100
18. E.R.N. Elektro-Recycling NORD GmbH, Hamburg	70	€	512	2	70
19. C.M.R. International N.V., Antwerp	50	€	1,000	2	50
20. JoSeCo GmbH, Kirchheim/Schwaben	33	€	225	8	33
21. Hungurania Kft., Budapest	20	HUF	3,000	12	100
22. J.M. Lauff GmbH, Cologne	20	€	256	12	100
23. Dr. Spiess Chemische Fabrik GmbH, Kleinkarlbach	20	€	512	12	100
24. Spiess-Urania Pflanzenschutz GmbH, Ochsenfurt	20	€	200	12	100
25. EGC Eisenbahn- u. Gleisbau-Consulting GmbH, Berlin	10	€	31	12	50

Companies 2, 4 to 10 as well as 16 were fully consolidated as part of the consolidated financial statements. Company 15 was consolidated proportionately. A complete list of shareholdings is on file at the commercial register of the Hamburg courts under number B 1775.

AUDITORS' REPORT

We have audited the consolidated financial statements, comprising the balance sheet, profit and loss account and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by Norddeutsche Affinerie AG for the business year from 1 October 2002 to 30 September 2003. The preparation and the content of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with International Financial Reporting Standards.

Our audit which also extends to the group management report prepared by the Company's management for the business year from 1 October 2002 to 30 September 2003 has not led to any reservations. In our opinion on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from 1 October 2002 to 30 September 2003 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Hamburg, 16 January 2004

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Krall
Wirtschaftsprüfer


Ditting
Wirtschaftsprüfer

SUPERVISORY BOARD'S REPORT

Dear Shareholders,

In fiscal year 2002/2003 the Supervisory Board's activities continued to be characterised by a constant dialogue with the Executive Board. In view of the difficult economic environment the Supervisory Board supported the measures and course taken by NA. We wish to compliment the Executive Board as well as all the employees on their decisive and foresighted actions.

During the year the Supervisory Board performed the duties that are incumbent upon it by law and under the Articles of Association. The Executive Board and Supervisory Board worked closely together. The Supervisory Board regularly advised and constantly monitored the Executive Board in its management of the Company. The Supervisory Board was included in all decisions of fundamental importance.

The Executive Board kept the Supervisory Board informed at regular intervals, promptly and extensively, on all relevant questions regarding company policy and strategic development. In addition, it advised about the course of business, the Group's situation including the risk situation as well as risk management. Deviations in the course of business from the prepared plans and targets were explained, discussed and reasons given.

The Executive Board agreed upon the Company's strategic orientation with the Supervisory Board and at regular intervals discussed the progress in implementing the strategy. After being given detailed reports by the Executive Board, all the significant business transactions were debated in detail at the Supervisory Board meetings and by the respective responsible committees. Documents requiring decisions to be taken, in particular the financial statements, the consolidated financial statements and the auditor's report, were sent to the members of the Supervisory Board in good time before the meetings. The Supervisory Board or the responsible committees respectively gave their approval to important business requiring approval, in some cases after consulting with the preparatory committees.

Apart from at the Supervisory Board meetings, the Chairman of the Supervisory Board was in regular contact with the Executive Board and was kept constantly informed about the current trend in business and significant business issues.

In fiscal year 2002/2003 one constituent and four regular Supervisory Board meetings were held as well as one extraordinary meeting.

Work on the Committees

In addition to the Committee required by law in accordance with Section 27 § 3 Codetermination Law, a Preparatory Committee, a Personnel Committee and an Audit Committee were formed. The Committees each have equal representation with representatives of the shareholders and the employees. With the exception of the Audit Committee the Chairman of the Supervisory Board is also the Chairman of the Committees. The Personnel Committee convened twice in the year under review, the Audit Committee three times. The Audit Committee is, in particular, concerned with questions regarding accounting standards and risk management. This Committee just as the Personnel Committee has already held two meetings in the current fiscal year.

After each meeting the respective Chairmen of the Committees reported to the Supervisory Board on the Committees' work.

The Supervisory Board has no former members of the Company's Executive Board in its membership.

Focal points of the Supervisory Board consultations

The regular consultations in the meetings covered the developments on the metal and exchange markets as well as the raw material and product markets. The resultant impacts on the business performance of the Company as well as of its individual segments including the subsidiaries were discussed. The Supervisory Board was particularly concerned with enhancing performance and increasing enterprise value in the Group and the recommendations of the German Corporate Governance Code. At an extraordinary meeting the Supervisory Board addressed the trend in earnings of the Group and measures to increase earnings. After detailed consultation the Supervisory Board approved the amalgamation of Hüttenwerke Kayser AG and Norddeutsche Affinerie AG.

SUPERVISORY BOARD'S REPORT

Corporate Governance

In accordance with the proposal made by the Supervisory Board and the Executive Board it was resolved at the Annual General Meeting on 26 March 2003 to reorganise the compensation of the Supervisory Board in compliance with the recommendations of the German Corporate Governance Code.

The Supervisory Board has consulted about the structure of the remuneration system for the Executive Board and will review this at regular intervals. The Supervisory Board has decided to examine the efficiency of its actions once a year.

On 29 January 2004 the Executive Board and Supervisory Board again issued a Declaration of Conformity in accordance with Section 161 Companies Act to the effect that the recommendations of the Government Commission on the German Corporate Governance Code published on 26 November 2002 (in the version of 7 November 2002) were applied with three well-founded exceptions and the recommendations published on 4 July 2003 (in the version of 21 May 2003) are being and will also in future be applied with three well-founded exceptions.

Annual Audit

The financial statements for Company issued by the Executive Board in accordance with the German Commercial Code and the consolidated financial statements issued for the first time in accordance with the International Financial Reporting Standards (IFRS) for the fiscal year from 1 October 2002 to 30 September 2003 as well as the management report for the Company and for the Group have been audited by KPMG Deutsche Treuhand-Gesellschaft AG, Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt a.M., in accordance with the resolution passed at NA's Annual General Meeting held on 26 March 2003 and the subsequent order placed by the Supervisory Board. The auditor has issued an unqualified report. All the members of the Supervisory Board received copies of the financial statements and the audit reports. They were discussed in detail at the Balance Sheet Meeting on 29 January 2004. During this meeting the auditor reported on the main results of the audit and was available to give the Supervisory Board further information. The Supervisory Board agreed with the results of the audit carried out by the auditors on the basis of its own examination of the financial statements, the consolidated financial statements, the combined management report and the recommendation for the appropriation of the net earnings. It approved and thereby adopted the financial statements and the consolidated financial statements. The Supervisory Board concurred with the Executive Board's recommendation for the appropriation of the net earnings.

Appointment of the Supervisory Board

Effective on conclusion of the Annual General Meeting on 26 March 2003 Messrs Joachim Bruhn, Meinhard Carstensen and Egon Schäfer retired from the Supervisory Board. As of that date Mr Rainer Grohe was newly elected to the Board as a shareholders' representative and Messrs Rolf Schwertz and Helmut Wirtz were newly elected as employees' representatives. Mr Ulf Gänger was elected as a member of the Supervisory Board as a further shareholders' representative with effect from 1 June 2003. At the constituent meeting on 26 March 2003 the Supervisory Board reelected Dr Ing. Ernst J. Wortberg as its Chairman and Mr Hans-Jürgen Grundmann as its Deputy Chairman. At the same meeting the Committees were newly formed and the members elected. Mr Ulf Gänger was elected Chairman of the Audit Committee. Our thanks go to the gentlemen who have retired for the services they rendered to the good of the Company.

The Supervisory Board thanks the Executive Board, all the employees as well as the employees' representatives for their responsible and dedicated work and achievements.

Hamburg, 29 January 2004



THE SUPERVISORY BOARD

Dr Ing. Ernst J. Wortberg
Chairman

SUPERVISORY AND EXECUTIVE BOARDS

SUPERVISORY BOARD

Dr Ing. Ernst J. Wortberg, Lübeck

Chairman

Chairman of the Executive Board of L. Possehl & Co. mbH, Lübeck

- Deutscher Eisenhandel AG, Berlin
Chairman of the Supervisory Board

Hans-Jürgen Grundmann, Seevetal*

Deputy Chairman

Shop mechanic

Chairman of the Works' Council of Norddeutsche Affinerie AG

Joachim Bruhn, Hamburg*

Coppersmith

(until 26 March 2003)

Meinhard Carstensen, Hamburg

Retired member of the Executive Board and former member of the Supervisory Board of Dresdner Bank AG, Frankfurt a. M.

(until 26 March 2003)

Gottlieb Förster, Itzstedt*

Union Secretary of the Industrial Union:

Mining, Chemistry, Energy, Hanover

- Deutsche Shell GmbH, Hamburg
Member of the Supervisory Board
- Shell Deutschland Holding GmbH, Hamburg
Member of the Supervisory Board
- Gerresheimer Glas AG, Düsseldorf
Member of the Supervisory Board
- Chemie Pensionsfonds AG, München
Member of the Supervisory Board

Dr Peter von Foerster, Hamburg

Managing Director of Holcim Beteiligungs GmbH (Deutschland), Hamburg

- Holcim (Deutschland) AG, Hamburg
Chairman of the Supervisory Board
- Hamburger Hafen- und Lagerhaus AG, Hamburg,
Chairman of the Supervisory Board
- Unilever Deutschland GmbH, Hamburg
Member of the Supervisory Board
- Hemmoor Zement AG i.L., Hamburg
Chairman of the Supervisory Board
- Desitin Arzneimittel GmbH, Hamburg
Member of the Advisory Board
- Max Giese Bau, Kiel
Chairman of the Advisory Council
- Bernhard Schulte KG, Hamburg
Member of the Advisory Council

Ulf Gänger, Hamburg

Former member of the Executive Board of Hamburgische Landesbank, Hamburg (now HSH Nordbank AG, Hamburg and Kiel) (since 1 June 2003)

- Helm AG, Hamburg
Chairman of the Supervisory Board
- MobilCom AG, Büdelsdorf
Member of the Supervisory Board
- NAVIS Schiffs- und Speditionen-Aktiengesellschaft, Hamburg
Chairman of the Supervisory Board
- VON ESSEN KG BANKGESELLSCHAFT, Essen,
Chairman of the Advisory Board
- Peter Cremer Holding GmbH & Co, Hamburg
Chairman of the Advisory Council
- Gewürzwerk Hermann Laue (GmbH & Co.), Ahrensburg
Deputy Chairman of the Advisory Council

Rainer Grohe, Otterstadt

Executive Director of the Galileo Joint Undertaking, Brussels, Belgium (since 26 March 2003)

- Ball Packaging Europe GmbH, Ratingen
Chairman of the Supervisory Board
- K+S Aktiengesellschaft, Kassel
Member of the Supervisory Board

Prof. Dr Ing. Jürgen Haußelt, Gernersheim

Head of the Institute for Material Research III of the Research Centre Karlsruhe GmbH, Karlsruhe

- Chair for Material Process Technology,
11th Faculty, Albert-Ludwigs University, Freiburg i. Br.

Gerd Körner, Hamburg*

Commercial employee in the Accounts Department of Norddeutsche Affinerie AG

Member of the Works' Council of Norddeutsche Affinerie AG

Günter Kroll, Hamburg*

Graduate engineer

Head of the Vocational Training Department of Norddeutsche Affinerie AG

James P. Mooney, Rocky River, Ohio, USA

Chairman of the Board and Chief Executive Officer der OM Group, Inc., Cleveland, USA

(until 30 November 2002)

Egon Schäfer, Sarstedt*

Retired union secretary of the Industrial Union:

Mining, Chemistry, Energy, Hanover

(until 26 March 2003)

* = elected by the employees

SUPERVISORY BOARD

Rolf Schwartz, Datteln*

Bricklayer and boiler operator
(since 26 March 2003)

Prof. Dr Fritz Vahrenholt, Hamburg

Chairman of the Executive Board of REpower Systems AG, Hamburg

- SAM Smart Energy AG, Zürich, Schweiz
President of the Advisory Board
- Denker & Wulf AG, Sehestedt
Member of the Supervisory Board
- ThyssenKrupp Technologies AG, Essen
Member of the Supervisory Board
- Hamburger Sport-Verein AG, Hamburg
Deputy Chairman of the Supervisory Board

Helmut Wirtz, Stolberg*

Managing Director of the IG Metall, Stolberg
(since 26 March 2003)

EXECUTIVE BOARD

Dr Werner Marnette, Hollenstedt

Chairman of the Executive Board and Director of Labour Affairs

- Hüttenwerke Kayser AG, Lünen
Chairman of the Supervisory Board
- Leoni AG, Nuremberg
Member of the Supervisory Board

Dr Michael Landau, Mölln

Member of the Executive Board

Dr Toralf A. Haag, Hamburg

Member of the Executive Board

Dr Bernd E. Langner, Winsen/Luhe

Member of the Executive Board

(since 1 January 2003)

- Prymetall GmbH & Co. KG, Stolberg
Spokesman of the Management Board

SUPERVISORY BOARD COMMITTEES

Conciliation Committee in accordance with Section 27 § 3

Codetermination Law

Dr Ernst J. Wortberg (Chairman)

Hans-Jürgen Grundmann (Deputy Chairman)

Dr Peter von Foerster

Gerd Körner

Audit Committee

Ulf Gänger (Chairman)

Gottlieb Förster

Hans-Jürgen Grundmann

Dr Ernst J. Wortberg

Personnel Committee

Dr Ernst J. Wortberg (Chairman)

Dr Peter von Foerster

Hans-Jürgen Grundmann

Gerd Körner

Günter Kroll

Prof. Dr Fritz Vahrenholt

Preparatory Committee

Dr Ernst J. Wortberg (Chairman)

Dr Peter von Foerster

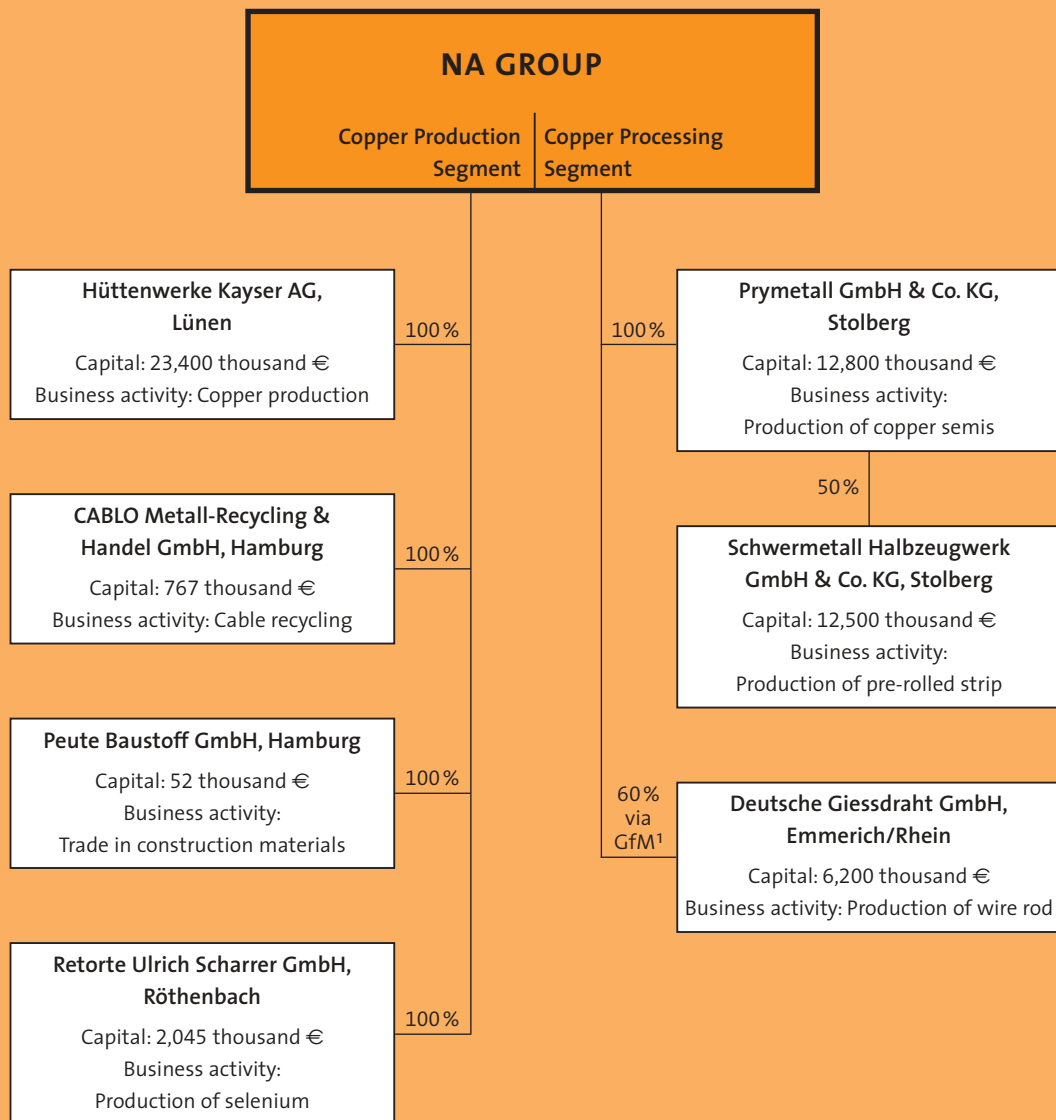
Hans-Jürgen Grundmann

Günter Kroll

* = elected by the employees

MAIN SHAREHOLDINGS

as at 30 September 2003



¹ Gesellschaft für Metallanlagen mbH

GLOSSARY

Anodes	Positive electrodes of an electrolytic cell, end-product of the RWO; copper content about 99.5 %.
Anode slimes	Important by-product of the copper tankhouse, which settles on the bottom of an electrolytic cell as the copper anodes dissolve. The precious and non-soluble components of the anodes are recovered with the anode slimes (e.g. silver, gold, selenium and lead).
Cathodes	Product of the copper tankhouse (copper content > 99.99 %) and the first marketable product in copper production which can be sold on the metal exchanges; basis of the copper price fixation on the metal exchanges.
COMEX	Together with the LME one of the two most important metal exchanges. It is of particular importance to the American market.
Continuous cast wire rod	Semi-finished product produced in a continuous process for the production of copper wire. The wire rod diameter ranges from 8 to 21.4 mm.
Continuous casting	Continuous casting produces a continuous strand. During the casting process, sizes of various lengths are separated from the casting billet by a flying saw. A variety of profiles (billets and cakes) and lengths can be created. These so-called continuous cast shapes are processed further by rolling and pressing into sheets, foils, profiles and tubes.
Converter	A furnace in which metal production or refining processes are typically carried out through oxidation. Copper matte from the flash smelter is treated in the converter to form blister copper.
Copper concentrates	A product resulting from the processing (enriching) of copper ore, NA's main raw material. Since copper is found principally only in ores in compound form and in low concentrations (0.5 to 4 % copper content), the ores, after extraction from the mine, are enriched in processing facilities into concentrates (copper content of 25 to 40 %).
Copper tankhouse	In the copper tankhouse an electrochemical process, the last refining stage in copper recovery, takes place. Anodes and cathodes are hung in a sulphuric acid solution (electrolyte) and connected to an electric current. Copper and soluble impurities (nickel, etc.) are dissolved in the electrolyte. Copper from the solution is deposited on the cathode with a purity of more than 99.99 %. More precious elements (e.g. silver and gold) and insoluble components settle as so-called anode slimes on the bottom of the tankhouse cell.
Flash smelter	First phase in the processing of copper concentrate. The concentrate, which is suspended in a reaction shaft, reacts with oxygen and is melted through the heat released. Sulphur and iron are separated into intermediary products. The copper is then enriched in the copper matte (copper content about 65 %).
Iron silicate stone	A by-product of the (primary) copper concentrate smelting process. During such process the iron contained in the copper concentrate is combined with silicate flux to yield iron silicate. Although its structure is similar to natural rock, this artificially produced stone has a substantially higher density and hardness.

KRS	Kayser Recycling System; a newly installed smelting furnace at the subsidiary Hüttenwerke Kayser AG for the treatment of a large range of copper-bearing secondary raw materials, as a result of which Hüttenwerke Kayser enhances its leading position as a copper recycler. The plant was commissioned in February 2002.
LME	London Metal Exchange: the most important metal exchange in the world with the highest turnover.
OF copper	Oxygen-free copper. Special copper brand with high conductivity for electric and electronic applications.
Primary copper	Copper recovered from copper ores.
RWO	The primary smelter at NA's production site in Hamburg.
Secondary copper	Copper produced from recycling material.
Smelter	A part of a works or company, in which crude metal or bullion are recovered, is called a smelter. Typical products are lead bullion or blister copper.
Spot market	Market for prompt deliveries.
Stainless steel cathode sheets	Negatively polarised electrodes used in the copper tankhouse, on to which the copper ions which are dissolved from the anodes are deposited cathodically as metallic copper.
Sustainable Development	Lasting future-oriented development targeted since the 1992 UN Conference as being the most sensible ideal of the way forward.
TOP ROD	Oxygen-free copper wire rod which depending on the customer's requirements contains alloying elements of up to 5 %.
Top blown rotary converter (TBRC)	A single-stage pyrometallurgical facility for the recovery of precious metals from the anode slimes in the copper tankhouse.
Treatment and refining charges (TC/RCs)	Compensation which NA receives for the processing of copper concentrates and other raw materials into copper.

NA FINANCIAL CALENDAR 2004

Annual Press Conference	30 January 2004
DVFA Analyst Conference	30 January 2004
Results of 1st Quarter	30 January 2004
Annual General Meeting	24 March 2004
Results of 2nd Quarter	11 May 2004
Results of 3rd Quarter	10 August 2004
Open Day at the Hamburg Stock Exchange	23 October 2004
Results of 4th Quarter (unaudited financial statements)	16 December 2004

LEGAL NOTICE

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.

IMPRINT

If you wish to know more, please contact:

Norddeutsche Affinerie AG
Hovestrasse 50, D-20539 Hamburg

Corporate Communication

Michaela Hessling Telephone: 040/78 83-30 53
Fax: 040/78 83-30 03

Investor Relations

Maren Schuster Telephone: 040/78 83-39 67
Fax: 040/78 83-31 30

E-Mail: info@na-ag.com

Internet: www.na-ag.com

Concept and design

HGB Hamburger Geschäftsberichte GmbH & Co. KG

Photos of the Executive Board

Werner Bartsch

