Annual Report 2006/07

THE NA FUTURE FORMULA

$$(M+G) \times Q+E+R^3=NA_{Future}$$

Norddeutsche Affinerie AG

The NA Group (NA)

is the largest copper producer in Europe and holds a leading position worldwide in copper recycling. With almost 3,300 employees, it produces about 800,000 tonnes of copper and copper products annually and is also one of the leading copper producers worldwide. The NA Group is active in two main business sectors along the value added chain of copper: in copper production and copper processing. Its direct customers include companies in the semi-finished product and cable and wire industries. The main customer sectors for copper are the electrical engineering and electronics industries, machine and plant construction as well as the building industry and transport sector. The NA Group is oriented to long-term growth and increasing enterprise value.

Copper Production

At NA we produce copper cathodes from copper concentrates and recycling raw materials. Both types of raw materials are sourced worldwide, although recycling raw materials are also procured in Germany. Our revenues are mainly determined by treatment and refining charges, which are agreed with the raw material suppliers as the refining fee. The copper price quoted on the metal exchanges is a transitory item. Our copper cathodes fulfil the very high quality requirements of the metal exchanges. The Copper Production Segment also includes the production of precious metals, sulphuric acid, iron silicate products as well as other metal and chemical products produced from copper's by-elements in the raw materials.

Copper Processing

As an integrated copper group, we continue the value added of copper in this segment and process our copper cathodes into a variety of copper products. In the first processing stage, we produce continuous cast wire rod from cathodes for the cable and wire industries and continuous cast shapes for the market and for processing further internally. The processing into pre-rolled strip, strip and shaped wires is performed at the group production sites in Stolberg. Our earnings in the Copper Processing Segment are determined by processing fees that reflect the value added.

Key figures

NA Group (IFRS)		2005/06 [1]	2006/07 [1]	Change in %
Copper price LME settlement (average)	US$/t	6,033	7,088	+17.5
Results				
Revenues	€ million	5,753	6,469	+12.4
EBITDA	€ million	163	318	+95.1
EBIT	€ million	111	260	+134.2
EBT	€ million	103	251	+143.7
Net income	€ million	60	159	+165.0
Gross cash flow	€ million	112	231	+106.3
Balance sheet				
Total assets	€ million	1,811	1,940	+7.1
Non-current assets	€ million	360	610	+69.4
Capital expenditure	€ million	48	94	+95.8
Depreciation and amortisation	€ million	52	58	+11.5
Equity	€ million	501	654	+30.5
NA shares				
Market capitalisation [2]	€ million	705	1,146	+62.5
Earnings per share	€	1.64	4.24	+158.5
Dividend per share	€	1.05	1.45	+38.1
Human resources				
Number of employees (average)		3,187	3,219	+1.0
Personnel expenses	€ million	194	215	+10.8
Production				
Cathodes	1,000 t	551	572	+3.8
Continuous cast wire rod	1,000 t	423	451	+6.6
Continuous cast shapes	1,000 t	266	232	−12.8
Pre-rolled strip	1,000 t	130	120	−7.7
Strips	1,000 t	54	46	−14.8
Shaped wires	1,000 t	13	16	+15.4
Gold	t	35	33	−5.7
Silver	t	985	1,255	+27.4

[1] *before revaluation of LIFO inventories using the average cost method*

[2] *at fiscal year-end on 30 September*

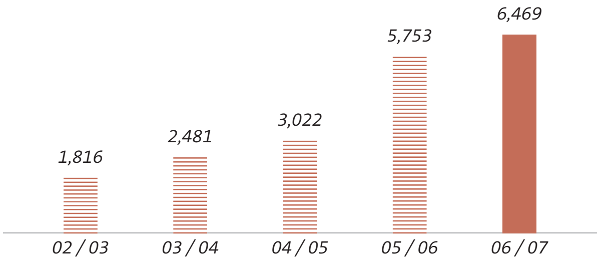
NA Group
2006/07

- Norddeutsche Affinerie (NA) achieved the best results in company history in fiscal year 2006/07.
- NA benefited from favourable general conditions on the raw material and product markets and its convincing operating performance (group surplus +165.0%, EBIT +134.2%, earnings per share +158.5%)
- The positive business performance was, above all, due to good utilisation of the production plant for copper production, the increased output of copper cathodes and the very good supply of copper scrap. In addition, the high refining charges for recycling materials, satisfactory treatment and refining charges for the concentrate throughput, higher surcharges for copper products and improved profit contributions from the subsidiaries also had a positive impact.

+ 12.4 % revenues

Higher metal prices and increased unit sales, above all for wire rod, just as higher revenues for cathodes and precious metals ensured that revenues rose again for NA's business.

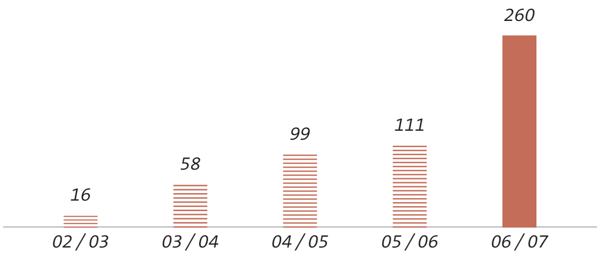
Group revenues *in € million*



+ 134.2 % EBIT

Earnings before interest and taxes rose once again very strongly year-on-year on account of good general conditions and the improved operating performance.

Earnings before interest and taxes (EBIT) *in € million*



> We follow with vision an industrial logic that we have combined in the NA Future formula: *Market plus Growth times Quality plus Efficiency plus Responsibility cubed equals NA Future*

Contents

The Year in Review

November 2006

- Optimised by-products with new technologies: the copper sulphate plant in Hamburg is commissioned.

February 2007

- Seeking young talent: NA opens its doors for the second technical university day. About 600 school-children are given information.

March 2007

- Annual General Meeting 2007 on 29 March 2007 is again well attended by shareholders.
- NA enhances its copper recycling activities. The new plant for the sampling of precious metal-bearing electronic scrap in the Lünen recycling centre is commissioned.

July 2007

- From product innovation to production: the pilot plant for the production of a flexible, copper-based CIS solar cell is ready for operation.

December 2006

- Further step towards reducing costs and enhancing performance: NA's new handling and storage system for copper concentrates in Brunsbüttel is inaugurated.

January 2007

- NA starts new image campaign to enhance recognition.

May 2007

- NA acquires a virtual slice of the Vattenfall power plant in Hamburg-Moorburg for the electricity supply from 2010 onwards and secures a cost-effective electricity supply for 30 years.

June 2007

- NA and Cumerio plan a merger. NA will make Cumerio shareholders a takeover bid of € 30 per share.

August 2007

- NA presents voluntary climate protection concept. CO_2 emissions should be reduced by 40,000 tonnes per year by 2012.
- NA welcomes 54 new apprentices and presents the 9 Plus training project.

September 2007

- Ole von Beust and Dr Werner Marnette open the exhibition "Twelve bronzes – an odyssey" with historical statues from the Berlin Reichstag in Hamburg's City Hall.
- Prize-giving Responsible Care: NA is awarded second prize for the Logistics Sector.
- The performance enhancement project, NA LEAD, is started.

Dr Michael Landau *has been employed by NA since 1981. In March 1998 he was appointed a deputy member of the Executive Board and has been a full member since 1 July 1999. On 9 November 2007 he took over the position of Director of Labour Affairs. Dr Landau is responsible for the Personnel Management and Recycling Sectors in the NA Group. He is additionally in charge of international projects.*

Dipl.-Ing. Peter Willbrandt *joined NA in 1988. After senior positions in the smelter production sectors, he was put in charge of the Metallurgy business unit in 2001. This was followed by his appointment as General Manager of Primary Copper Production. He was appointed a deputy member of the Executive Board on 1 April 2007. He is responsible, above all, for copper and precious metal production at the Hamburg site.*

Dr Bernd Drouven *began his career in the NA Group in 2001 as the Managing Director of the then subsidiary Spiess-Urania Chemicals. In 2004 he moved to the group headquarters and was appointed Chief Financial Officer on NA's Executive Board in January 2006. Since 9 November 2007 Dr Drouven has coordinated the work of the Executive Board and represents it externally.*

Dr Bernd Langner *has worked for NA since 1982. In 1996 he was appointed General Manager of the Copper Products business unit. He has been a full member of the Executive Board since 1 January 2003 and is responsible for the Copper Processing Segment. Dr Langner has been the Managing Director of Prymetall since 2002 and the company spokesman since 2003.*

Foreword of the Executive Board

Dear Shareholders and Friends of Norddeutsche Affinerie,

For Norddeutsche Affinerie (NA), fiscal year 2006/07 was a year of change: we made a lot happen and put a lot into motion.

Although the start to the fiscal year was accompanied by considerable economic optimism, above all in Europe, the global economic situation clouded over from summer 2007 onwards. The U.S. real estate crisis turned into an international credit crisis that called the leading central banks throughout the world into action. The uncertainties on the financial and raw material markets increased in line with the danger of a recession in the U.S.A. and possible repercussions for economic growth in other industrial nations, a low U.S. dollar, high energy prices and increasing inflation rates.

Nevertheless, the raw material markets lost none of their appeal for market analysts and investors, even if they were meanwhile put under pressure on account of their sensitivity to the business cycle. The copper market was in a robust state during the fiscal year. Supported by a combination of positive factors, the copper price reached a new high. Good demand, insufficient production output and overall low copper stocks formed the fundamental basis of this development.

We were able to exploit the favourable general conditions in the course of the fiscal year due to the excellent production performance in our operations. Our recycling business developed particularly well. We also succeeded to a great extent in avoiding the declined conditions on the copper concentrate market due to our long-term procurement policy. In the product business, apart from the very good sales situation for continuous cast wire rod, our strategy of focusing on high-value products has proven a success. Business at our subsidiaries and affiliated companies has also developed well. At the same time, we have understood how to utilise special price combinations on the London Metal Exchange and could thus realise further contributions to operating income.

In total, a consolidated net income has resulted that is without comparison in NA's company history. We are therefore in a position to strengthen NA's equity basis and recommend to our company's shareholders at the Annual General Meeting the payment of a dividend of € 1.45 per share. This corresponds to a dividend yield of 4.7%, related to the closing price at the Frankfurt Stock Exchange on 28 September 2007. Thus we have yet again shown that a dividend-oriented investment in NA shares is worthwhile.

There have also been internal changes. NA's long-standing Chief Executive Officer, Dr Werner Marnette, requested the Supervisory Board on 9 November 2007 to release him from his duties by mutual consent with immediate effect. Under his leadership, NA has become a company that is respected worldwide and has very good future prospects. Special thanks go to him from the Executive Board and all employees for his contributions. We will continue the work of Dr Marnette in the newly structured Executive Board and develop NA further into an international group. At the same time, we are focusing the work of the Executive Board on continuity and teamwork.

New projects, which will give NA even more momentum, have also been triggered. With an extensive performance enhancement programme, we want to become even more efficient. As far as possible, we want to counter cost increases, such as those arising, above all, in the energy sector, by ideas and the utilisation of our know-how. In doing so, we want to make ourselves fitter to meet the challenges of international competition. Accordingly, the project name, NA LEAD, is both the programme and the target.

Consolidation in the international copper industry has made further progress in 2007. For the future of the NA Group, the steps taken towards internationalisation were of particular significance. Companies wanting to hold their own in the coalescing global markets must create the right tailor-made base. We wish to do this by acquiring our Belgian competitor, Cumerio, which will strengthen our core competence in the production and processing of copper. A merger would create a future-oriented copper group that covers significant sectors along the value added chain of copper in a variety of European locations. When the plan is brought to a successful conclusion, we can, above all, accelerate the development of the propitious Southeast European market. The respective company structures, which ideally complement each other, also offer a number of approaches to create synergy potential. On this basis, after the two companies have grown together, we will have an excellent platform for further international growth.

After the announcement of the planned M&A project in June 2007, we took all the necessary steps to bring it to a successful conclusion quickly. We are hopeful that we will manage this.

We are now in a fiscal year that is again characterised by significant changes. The global economic trend harbours risks, while on the copper market a lot argues in favour of continuing good market conditions. China and other emerging markets remain the driving forces in copper demand. Their economic dynamics will contribute to compensating for economic downtrends in the traditional industrial nations. From today's viewpoint, copper production will hardly be in a position in the current year to cover demand – good news for NA and its shareholders.

We are therefore very optimistic as regards NA's further business development. Even if an excellent result like that of fiscal year 2006/07 should be very difficult to achieve again, the new fiscal year has started off successfully and prospects are good that this trend will continue.

As regards the ongoing process with the Cumerio takeover, essential decisions will be taken in the first few months of 2008. We will keep you up-to-date.

We are sure that NA shares will therefore also remain an interesting investment for you in the new fiscal year.

Hamburg, 4 January 2008

Your NA Executive Board

Dr Bernd Drouven   Dr Michael Landau   Dr Bernd Langner   Dipl.-Ing. Peter Willbrandt

Report of the Supervisory Board

Dear Shareholders,

In fiscal year 2006/07, Norddeutsche Affinerie Aktiengesellschaft recorded its best results by far in its long history. Apart from the strong economic growth, this success was due in particular to the excellent production performance in all sectors of the group, good revenues from treatment and refining charges, and the positive results from favourable metal exchange combinations. Credit is due once again to the Executive Board, senior staff and employees in all segments for their performance, which has contributed to this particularly good business result.

The Supervisory Board was again in constant contact with the Executive Board in fiscal year 2006/07, gave it advice and monitored and supervised the main business processes on a continuous basis. The Supervisory Board supports the group's current strategic orientation, which it has approved, and the management of the Company by the Executive Board.

The Supervisory Board consists of twelve members with equal representation in accordance with the German Co-determination Act, six of whom represent the shareholders and six the employees. During the past fiscal year, the members of the Supervisory Board were Dr Ernst J. Wortberg (Chairman of the Supervisory Board), Dr Peter von Foerster, Mr Ulf Gänger, Mr Rainer Grohe, Prof. Dr Jürgen Hausselt and Prof. Dr Fritz Vahrenholt, representing the shareholders, and Mr Hans-Jürgen Grundmann (Deputy Chairman of the Supervisory Board), Dr Joachim Faubel, Mr Gottlieb Förster, Mr Gerd Körner, Mr Rolf Schwertz and Mr Helmut Wirtz, representing the employees.

The Supervisory Board performed the functions incumbent upon it by law and in the articles of association with great care during the past fiscal year. The Executive Board and the Supervisory Board cooperated closely, with the common aim of achieving a sustained increase in corporate value. The Supervisory Board was involved on a timely basis and in detail in all decisions of fundamental importance for the Company.

The Executive Board informed the Supervisory Board regularly, promptly and in detail, in written and verbal reports about planned business policies, all fundamental aspects of the corporate planning, including financial, investment and personnel planning and further strategic development, in particular with regard to the planned takeover of the Belgian copper group, Cumerio sa/nv, which was announced to the public on 24 June 2007. In addition, the Executive Board reported on the Company's profitability, the business trends, the group's position including the risk situation, risk management and intragroup compliance. Deviations in the course of business from the plans and targets were discussed in detail by the Supervisory Board and examined by it on the basis of the documents presented. The Executive Board also kept the Chairman of the Supervisory Board informed – also between meetings – about events, which are of fundamental importance for the assessment of the Company's situation and development as well as for the management of the Company.

The Executive Board agreed the Company's strategic orientation with the Supervisory Board continually and in detail, especially the planned acquisition of Cumerio sa/nv. The planned merger with Cumerio sa/nv was discussed in detail with the Executive Board at the Supervisory Board Meeting on 18 June 2007, was debated at the Supervisory Board plenary session and was approved by the Supervisory Board, after considering in detail all the information received at the time and the foreseeable consequences, in particular the pros and cons and the impact on the Company, its net assets, financial position and results of operations as well as on its stakeholders. In addition, the current status and progress of the project accounted for a significant part of all subsequent Supervisory Board meetings and were debated at them in detail.

Following a detailed discussion and the subsequent consideration of the existing interests, in particular the interest in the exclusion of shareholder subscription rights, the Supervisory Board resolved on 8 November 2007 to approve the increase of almost 10% in the Company's subscribed capital, which had been resolved by the Executive Board that day, by issuing 3,715,430 new shares for a cash contribution under exclusion of shareholder subscription rights. It was intended that the proceeds from this increase in capital would be used primarily to finance the Company's planned merger with Cumerio sa/nv.

Furthermore, following the receipt of detailed reports from the Executive Board, all important business transactions were discussed at length by the Supervisory Board and debated in the respective committees. The documents required for making decisions, in particular the financial statements, the consolidated financial statements and the long-form audit report, were issued to the members of the Supervisory Board in good time before the meetings, and reviewed by them.

The Supervisory Board has defined rights of veto in favour of the Supervisory Board for transactions of fundamental importance, in particular those that will have a fundamental effect on the net assets, financial position and results of operations. The Supervisory Board or the responsible committees gave their approval to important business requiring approval after detailed consultations in each case, such as the planned acquisition of Cumerio sa/nv or the abandonment of the construction of the SF power plant that had initially been planned, and instead of this the acquisition of a virtual slice of the planned Vattenfall power plant in Hamburg-Moorburg.

Outside the Supervisory Board meetings, the Chairman of the Supervisory Board was in regular close contact with the Executive Board and was always informed on a timely basis and in detail about the current development of the business situation and key business issues; he conducted separate discussions on important questions of Company strategy and business policy.

Five scheduled Supervisory Board meetings were held in fiscal year 2006/07, and five further extraordinary Supervisory Board meetings, above all on account of the fundamental importance of the acquisition of Cumerio sa/nv. No member of the Supervisory Board attended less than half of the Supervisory Board meetings.

Work of the committees

In addition to the Conciliation Committee required by law in accordance with Section 27 paragraph 3 German Co-determination Act, the Supervisory Board again appointed a Preparatory Committee, a Personnel Committee and an Audit Committee, as well as a Nomination Committee for the forthcoming election of shareholder representatives to the Supervisory Board. Apart from the Nomination Committee, which consists of three shareholder representatives, all committees have an equal number of 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 Chairman of the Audit Committee, Mr Ulf Gänger, has specialist knowledge and experience in the application of accounting principles and internal audit procedures.

The Personnel Committee convened five times in the year under review, the Audit Committee twice as scheduled and the Nomination Committee once. The auditors participated in one meeting of the Audit Committee. The Conciliation Committee and the Preparatory Committee did not meet in the fiscal year.

A significant focus of the work of the Personnel Committee was the preparation for the appointment of Mr Peter Willbrandt as a Deputy Member of the Executive Board and the review of the appropriateness of the structure and level of the compensation paid to all members of the Executive Board.

The Audit Committee considered in particular the separate financial statements of NA AG and consolidated financial statements for the past fiscal year, accounting questions, risk management and internal control systems, the appointment of the auditors, the definition of the main focuses of the audit and agreeing the fee with the auditors. In addition, it monitored the independence of the auditors and received the respective declaration. The Audit Committee, in collaboration with the auditors, considered the propriety of the automated processing of invoices and handling of payments in the materials procurement area as well as the Company's risk management, including the tasks of the internal auditors. It discussed significant risks with the Executive Board.

The Nomination Committee considered the selection criteria for candidates for election as shareholder representatives on the Supervisory Board at the 2008 Annual General Meeting.

Following the meetings, the committee chairmen reported to the Supervisory Board in each case on the work of the committees and the results achieved.

Main matters considered by the Supervisory Board

Apart from the developments on the metal and foreign exchange markets, as well as the raw material, energy and product markets, the consultations at the meetings mainly considered the Company's planned merger with Cumerio sa/nv and associated topics, in particular the financing and the change in the main shareholder. The resultant impacts on the Company's business performance and its individual segments, including the subsidiaries, were discussed. In addition, the Supervisory Board considered the planned expansion of the copper production operations at the Hamburg site.

Furthermore, the Supervisory Board was informed about the positive progress with the development of CIS solar cells into a marketable product. The Supervisory Board was informed at each meeting about ongoing measures to enhance performance and increase corporate value.

Corporate governance

The Supervisory Board consulted in detail on the appropriateness of the structure of the Executive Board's compensation system and will review this at regular intervals. The Supervisory Board also regularly reviewed the efficiency of its activities.

No former members of the Executive Board serve on the Supervisory Board.

On 16 January 2008, the Executive Board and Supervisory Board once again issued a Declaration of Conformity in accordance with Section 161 Companies Act confirming that the recommendations of the “Government Commission on the German Corporate Governance Code” in the version dated 12 June 2006 and the recommendations announced on 20 July 2007 by the “Government Commission on the German Corporate Governance Code” in the version dated 14 June 2007 were and will be applied respectively, with the following justified exception. The consolidated financial statements continue to be published within 120 days of the end of the fiscal year. Since the Company's fiscal year differs from the calendar year, adherence to the 90 day time limit recommended by Section

7.1.2 sentence 3 of the German Corporate Governance Code would mean that the consolidated financial statements were published during the public holiday period at the end of the calendar year, and would therefore receive insufficient attention. The Declaration of Conformity is available at *www.na-ag.com*.

The joint report by the Executive Board and Supervisory Board in this annual report provides further information on corporate governance at Norddeutsche Affinerie Aktiengesellschaft.

Audit of the separate and consolidated financial statements

The financial statements for the Company prepared by the Executive Board in accordance with the HGB (German GAAP) and the consolidated financial statements prepared in accordance with IFRS (International Financial Reporting Standards) for the fiscal year from 1 October 2006 to 30 September 2007 and the management reports for the Company and the group have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin, together with the bookkeeping system, in accordance with the resolution passed at the Company's Annual General Meeting on 29 March 2007 and their subsequent appointment as auditors by the Supervisory Board. The auditors have issued an unqualified auditors' report. A main focus of the audit was the propriety of the automated processing of invoices and handling of payments in the materials procurement area.

The meeting of the Supervisory Board to approve the financial statements was held on 16 January 2008. All members of the Supervisory Board received copies of the financial statements and the audit reports as well as the Executive Board's recommendation for the appropriation of the net earnings and all other documents in good time before this meeting. These documents were discussed in detail at the meeting of the Supervisory Board to approve the financial statements. The auditors participated in this meeting, reported in detail on how the audit had been performed and their audit main findings and were available to provide the Supervisory Board with further information, discuss the documents and make additional comments.

Following a detailed discussion on the audit and the auditors' findings and a thorough consideration of the report by the auditors and the recommendation of the Executive Board on the appropriation of the net income, and on the basis of its own review of and discussion on the separate financial statements of NA AG, the consolidated financial statements, the management reports for the Company and the group and the Executive Board's recommendation on the appropriation of the unappropriated earnings, the Supervisory Board concurred with the results of the audit. The Supervisory Board concluded that no objections need to be raised, based on the results of its review, and approved at this meeting on 16 January 2008, the separate financial statements of NA AG, which were thus adopted, as well as the consolidated financial statements, the management report for NA AG and the consolidated management report. The Supervisory Board concurred with the Executive Board's recommendation on the appropriation of the unappropriated earnings.

Changes in the Executive Board

The Supervisory Board appointed Mr Peter Willbrandt a deputy member of the Executive Board with effect from 1 April 2007.

On 9 November 2007 the Supervisory Board complied with the request of the Chief Executive Officer and Director of Labour Affairs, Dr Werner Marnette, to relieve him of his duties with immediate effect by mutual consent. We wish to thank Dr Marnette for his achievements on behalf of the Company.

Dr Ernst J. Wortberg
Chairman of the Supervisory Board

After a transitional period, in which the Chief Financial Officer, Dr Bernd Drouven, took over the coordination of the work of the Executive Board at the request of the Supervisory Board and represented the Executive Board externally, the Supervisory Board appointed him Chief Executive Officer on 16 January 2008 with immediate effect.

The Supervisory Board would like to thank the Executive Board, the management, the employees and the employees' representatives from all the group subsidiaries for their responsible, dedicated service and successful work during the year under review.

Hamburg, 16 January 2008

The Supervisory Board

Dr Ernst J. Wortberg
Chairman

Supervisory and Executive Boards

Supervisory Board

Dr Ernst J. Wortberg, Dortmund
Chairman
Former Chairman of the Executive Board of
L. Possehl & Co. mbH, Lübeck

Hans-Jürgen Grundmann, Seevetal *
Deputy Chairman
Shop mechanic
Chairman of the Works' Council of
Norddeutsche Affinerie AG

Dr Joachim Faubel, Hamburg *
Graduate engineer
Strategic planning/International relations
of Norddeutsche Affinerie AG

Gottlieb Förster, Itzstedt *
Union Secretary of the Industrial Union:
Mining, Chemistry, Energy, Hanover
> Currenta GmbH & Co. OHG, Leverkusen
  Deputy Chairman of the Supervisory Board
> Gerresheimer AG, Düsseldorf
  Deputy Chairman of the Supervisory Board
> Chemie Pensionsfonds AG, Munich
  Member of the Supervisory Board

Dr Peter von Foerster, Hamburg
> Holcim (Deutschland) AG, Hamburg
  Chairman of the Supervisory Board
> Hamburger Hafen- und Lagerhaus AG, Hamburg
  Chairman of the Supervisory Board until 31 August 2007
> Unilever Deutschland GmbH, Hamburg
  Member of the Supervisory Board
> Hemmoor Zement AG i.L., Hamburg
  Member of the Supervisory Board
> Desitin Arzneimittel GmbH, Hamburg
  Deputy Chairman of the Advisory Board
> 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)
> NAVIS Schiffahrts- und Speditions-Aktiengesellschaft, Hamburg
  Chairman of the Supervisory Board
> Peter Cremer Holding GmbH & Co, Hamburg
  Chairman of the Advisory Council
> Gewürzwerk Hermann Laue (GmbH & Co.), Ahrensburg
  Deputy Chairman of the Advisory Council
> First Ship Lease Pte. Ltd., Singapore
  Member of the Board

Rainer Grohe, Otterstadt
Former Executive Director of Galileo Joint Undertaking, Brussels, Belgium
> Ball Packaging Europe GmbH, Ratingen
  Chairman of the Supervisory Board
> K+S Aktiengesellschaft, Kassel
  Member of the Supervisory Board
> PFW Aerospace AG, Speyer
  Member of the Supervisory Board

Prof. Dr Jürgen Haußelt, Germersheim
Head of the Institute for Material Research III of Forschungszentrum Karlsruhe GmbH, Karlsruhe
> Chair for Material Process Technology, Institut für Mikrosystemtechnik, Albert-Ludwigs University, Freiburg i. Br.

Gerd Körner, Hamburg*
Employee in the Accounts Department of Norddeutsche Affinerie AG
Member of the Works' Council of Norddeutsche Affinerie AG

Rolf Schwertz, Datteln*
Bricklayer and boiler operator
Member of the Works' Council of Norddeutsche Affinerie AG, Lünen works

Prof. Dr Fritz Vahrenholt, Hamburg
Chairman of the Management Board of RWE Innogy GmbH, Essen, since 1 January 2008
Chairman of the Executive Board of REpower Systems AG, Hamburg, until 31 December 2007
> Ersol Solar Energy, Erfurt
  Member of the Supervisory Board
> ThyssenKrupp Technologies AG, Essen
  Member of the Supervisory Board
> VERBIO Vereinigte Bioenergie AG, Zörbig
  Chairman of the Supervisory Board

Helmut Wirtz, Stolberg*
Managing Director of IG Metall, Stolberg

** elected by the employees*

Supervisory Board Committees

Conciliation Committee in accordance with Section 27 par. 3 Law on Co-determination
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 Joachim Faubel
Dr Peter von Foerster
Hans-Jürgen Grundmann
Gerd Körner
Prof. Dr Fritz Vahrenholt

Preparatory Committee
Dr Ernst J. Wortberg (Chairman)
Dr Peter von Foerster
Hans-Jürgen Grundmann
Rolf Schwertz

Nomination Committee
Dr Ernst J. Wortberg (Chairman)
Dr Peter von Foerster
Rainer Grohe

Executive Board

Dr Werner Marnette, Hollenstedt
born: 27 September 1945
Chairman of the Executive Board and Director of Labour Affairs until 9 November 2007
> Leoni AG, Nürnberg
  Member of the Supervisory Board
> L. Possehl & Co. mbH, Lübeck
  Member of the Advisory Council until 23 July 2007

Dr Bernd Drouven, Hamburg
born: 19 September 1955
Member of the Executive Board since 1 January 2006
appointed until 31 December 2008

Dr Michael Landau, Mölln
born: 26 July 1950
Member of the Executive Board
appointed until 31 May 2010
Director of Labour Affairs since 9 November 2007

Dr Bernd Langner, Winsen/Luhe
born: 30 January 1949
Member of the Executive Board
appointed until 31 December 2008
> Prymetall GmbH & Co. KG, Stolberg
  Spokesman of the Management Board

Dipl.-Ing. Peter Willbrandt, Winsen/Luhe
born: 16 February 1962
Deputy Member of the Executive Board since 1 April 2007
appointed until 31 March 2010

Corporate Governance Report

Report of the Executive Board and Supervisory Board on the Company's Corporate Governance

Responsible, transparent corporate governance aimed to increasing corporate value has always been attributed great importance at Norddeutsche Affinerie AG. The Company complies with the recommendations of the German Corporate Governance Code with the following justified exception:

The consolidated financial statements continue to be published within 120 days of the end of the fiscal year. Since the Company's fiscal year differs from the calendar year, adherence to the 90 day time limit recommended by Section 7.1.2 sentence 3 of the German Corporate Governance Code would mean that the consolidated financial statements were published during the public holiday period at the end of the calendar year, and would therefore receive insufficient attention.

The Company complies with most of the Code's voluntary proposals.

Service and Internet information for our shareholders

A financial calendar, which is published in the Annual Report, the quarterly reports and on the Company's website, provides regular information with adequate advance notice to our shareholders on important deadlines. We hold regular meetings with analysts and institutional investors as part of our investor relations activities. In addition to an annual analysts' conference, telephone conferences are also held for analysts, in particular in connection with the publication of the quarterly figures. We also make all matters disclosed to financial analysts and comparable addressees available immediately to the shareholders on the Company's website.

The Company uses its website to provide its shareholders and investors with timely and uniform information; in this way, the Company makes published information on the Company available to its shareholders and investors. Information is also published in English.

Declarations of Conformity with the German Corporate Governance Code, which are no longer current, remain available on the Company's website for five years.

Annual General Meeting

The relevant reports and documents for the Annual General Meeting are posted on Norddeutsche Affinerie AG's website (*www.na-ag.com*) in order to assist shareholders in exercising their rights and preparing for the Annual General Meeting, and are sent to shareholders on request. Shareholders unable to exercise their voting rights in person at the Annual General Meeting have the opportunity to appoint a Company employee as proxy to act on their instructions, who is also reachable during the AGM.

Close cooperation between Executive Board and Supervisory Board

The Executive Board and the Supervisory Board work closely together in the interests of the Company. In particular, the Chief Executive Officer and the Chairman of the Supervisory Board are in regular contact and discuss the Company's strategy, business development and risk management. The Chief Executive Officer kept the Chairman of the Supervisory Board informed at all times in detail and promptly on all matters of importance that were significant for assessing the situation, the budget and the development of the business, the risk situation, risk management and compliance, and for the management of the Company. The Executive Board provided detailed explanations to the Supervisory Board on any deviations from the plans and targets. Furthermore, the Company's strategic orientation is agreed regularly with the Supervisory Board. The Supervisory Board has defined rights of veto in favour of the Supervisory Board for transactions of fundamental importance, in particular those that will have a fundamental effect on the net assets, financial position and results of operations.

The Company has a Supervisory Board pursuant to the German Co-determination Act. Representatives of the shareholders and the employees prepare for the Supervisory Board meetings separately in each case with members of the Executive Board.

No former members of the Company's Executive Board serve on the Supervisory Board.

The Company has taken out D&O insurance (pecuniary loss/third party indemnity) for the Executive Board and the Supervisory Board and for the management of group companies, with appropriate retentions.

No consultancy or other service contracts or contracts for work and services existed between members of the Supervisory Board and the Company during the past fiscal year. Conflicts of interest of Executive and Supervisory Board members, which must be disclosed to the Supervisory Board without delay, did not occur.

Committees

Personnel Committee:

The Supervisory Board has appointed a six-member Personnel Committee with equal numbers of representatives of the shareholders and the employees. During the fiscal year, it mainly considered the appointment of Mr Peter Willbrandt as Deputy Member of the Executive Board, the appointment of the Executive Board member, Dr Michael Landau, for a further three years, and the structure and level of the compensation paid to all members of the Executive Board. The Chairman of the Personnel Committee is the Chairman of the Supervisory Board.

Based on the proposals of the Personnel Committee, the Supervisory Board discusses the structure of the remuneration system for the Executive Board and reviews this on a regular basis.

Audit Committee:

The Supervisory Board has appointed a four-member Audit Committee with equal numbers of representatives of the shareholders and the employees. The Chairman of the Supervisory Board is a member of the Audit Committee, but is not its Chairman.

The German Corporate Governance Code recommends that the Chairman of the Audit Committee has specialist knowledge and experience in the application of accounting principles and internal audit procedures. Norddeutsche Affinerie AG also complies with this recommendation. The Chairman of the Audit Committee, Mr Ulf Gänger, was a member of the Executive Board of Hamburgische Landesbank (now HSH Nordbank AG), and served for several years as Chairman of the Supervisory Board of Helm AG. His professional career provided Mr Gänger with extensive practical knowledge and experience in the approach to internal audit procedures.

The Audit Committee concerned itself in particular with the previous year's separate and consolidated financial statements, accounting questions, risk management and internal control systems, the necessary independence of the auditors, the appointment of the auditors, the main focuses of the audit and the agreement of the fee with the auditors. At its meeting on 22 January 2007, the Audit Committee concentrated inter alia on the main focus of the audit (the propriety of the automated processing of invoices and handling of payments in the materials procurement area) that had been previously defined, as well as the results of the audit of the 2004/05 financial statements by the Financial Reporting Enforcement Panel.

Nomination Committee:
A Nomination Committee was formed, consisting of three representatives of the shareholders, to propose candidates for election as shareholder representatives on the Supervisory Board. It is chaired by the Chairman of the Supervisory Board. At its meeting on 9 August 2007, the Nomination Committee considered the selection criteria for candidates for election to the Supervisory Board as shareholder representatives at the 2008 Annual General Meeting.

Conciliation Committee and Preparatory Committee:
Neither the Conciliation Committee nor the Preparatory Committee met during the past fiscal year.

The committee chairmen report regularly and in detail to the Supervisory Board on the work of the committees.

Examination of efficiency
The Supervisory Board reviewed the efficiency of its activities by means of questionnaires and subsequent discussions and considered possible ways of optimising this.

Independence
The Supervisory Board believes that it has an adequate number of independent members.

Transparency
Our corporate communications attach great importance to the challenge of providing all target groups with the same information in both German and English at the same point in time. Private investors, too, can keep up-to-date on current developments in the group via the Internet. Norddeutsche Affinerie's ad-hoc announcements and press releases are disclosed to the shareholders via the Company's website. The Company's articles of association are likewise available in the Internet. The Declaration of Conformity with the German Corporate Governance Code and all Declarations of Conformity that are no longer current are posted on the website.

In accordance with Section 15a of the German Securities Trading Act, members of the Executive and Supervisory Boards have to disclose acquisitions and sales of Company shares. The Executive Board member, Dr Bernd Drouven, informed the Company that he had transacted notifiable business in the period from 1 October 2006 to 30 September 2007, in that he purchased a total of 1,000 no-par-value shares during that period. The Company has reported this information to the Federal Authority for Financial Services Supervision and has published it.

Responsible handling of risks
Good corporate governance also includes the responsible handling of risks by the Company. With the framework of our value-oriented group management, appropriate risk management and risk controlling ensure that risks are identified promptly and risk positions minimised. It is continuously evolved and adapted to the changing conditions. In addition to the compliance measures already in place, a compliance officer was appointed with effect from 1 November 2007.

Financial reporting and annual audit
The consolidated financial statements of Norddeutsche Affinerie AG and its subsidiaries and its interim reports are prepared pursuant to International Financial Reporting Standards (IFRS) in accordance with the requirements of the International Accounting Standards Board. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin und Frankfurt am Main, were appointed auditors for fiscal year 2006/07 at the 2007 Annual General Meeting. In accordance with the recommendation of the German Corporate Governance Code, the Audit Committee obtained a declaration from the auditors, before submitting the proposal for the election of the auditors, on whether and, if applicable, which professional, financial, personal or other relationships existed

between the auditors and its executive bodies and the auditor staff responsible for the audit, on the one hand, and the Company and members of its executive bodies, on the other hand, that could cast any doubts on the auditors' independence. The declaration also covered the extent to which any other services were provided for the Company, in particular in the consultancy sector, during the previous fiscal year or had been contractually agreed for the coming year.

Furthermore, the Audit Committee of the Company's Supervisory Board agreed with the auditors that the Chairman of the Audit Committee would be informed without delay about any grounds for exclusion or lack of impartiality, also in the event that such grounds were remedied immediately.

Finally, it was agreed with the auditors that they would report without delay any facts and events of significance for the duties of the Supervisory Board, which came to their attention during the audit, and that the auditors would advise the Supervisory Board or note this in the auditors' report, if they ascertained any facts when performing their audit that were inconsistent with the Declaration of Conformity issued by the Executive Board and Supervisory Board.

The auditors participated in the Supervisory Board's meeting on the separate and consolidated financial statements and reported on the main results of their audit.

The auditors did not ascertain any incorrectness in the declaration on the German Corporate Governance Code.

Compensation report

Compensation of the Executive Board*

The compensation paid to the individual members of the Executive Board is defined in their employment contracts and consists of a number of compensation components. In detail, these include fixed compensation, a guaranteed bonus, a variable bonus, against which the guaranteed bonus is offset, a component with long-term incentive effect, and fringe benefits and pension plans.

The Supervisory Board discusses the structure of the compensation system for the Executive Board based on the proposal of its Personnel Committee, and reviews its appropriateness at regular intervals. The Personnel Committee is responsible for setting the individual levels and deciding the appropriate compensation. The criteria for the appropriateness of the compensation are based, in particular, on the responsibilities of the respective Executive Board member, his personal performance, the performance of the Executive Board as a whole, and the financial position, success and future prospects of the company compared with similar companies.

Components of the compensation

The compensation of Executive Board members comprises non-performance-related and performance-related elements. The non-performance-related portions consist of the fixed compensation, the guaranteed bonus (minimum bonus), fringe benefits and pension plans. The fixed compensation and guaranteed bonus are paid out monthly in equal instalments. In addition, the members of the Executive Board receive fringe benefits in the form of benefits in kind, mainly comprising the value of insurance premiums in accordance with fiscal guidelines and the use of a company car. The individual Executive Board members must pay tax on these fringe benefits as components of their compensation.

The first part of the performance-related compensation is the bonus, which is dependent on the dividend paid for the respective fiscal year.

** The Report on the Compensation paid to the Executive Board is part of the Management Report of NA AG and the Group Management Report.*

The second part of the performance-related compensation is the component with long-term incentive effect. This is the company's incentive plan.

This plan has two components: It is oriented firstly to the performance of NA shares and is activated when the NA share price has risen by a previously determined percentage during the reference period (Part A, so-called hurdle component). Secondly, the incentive plan is oriented to the performance of the NA share compared with the performance of the CDAX (Part B, so-called performance component). The Executive Board members' participation in the incentive plan is conditional on his continued ownership of a certain number of NA shares. One acquired share is entitled to five options in each case each from Part A and Part B of the plan. The profit per option is limited to the NA share price at the beginning of the term.

The hurdle component (Part A) takes into account the performance of the NA share during the reference period (usually three years) and is only triggered once the price has risen by a percentage fixed at the beginning of the term (usually an exercise hurdle of 10%). The difference between the price when exercising the option plus the most recent dividend and the price at the beginning of the term multiplied by the number of options is paid.

The performance component (Part B) takes into account the performance of the NA share in relation to the performance of the CDAX and is only triggered if NA shares outperform the CDAX over a period of three years.

The incentive plan is not financed by an increase in the company's capital, but through personnel expenses in the income statement (phantom stocks).

Pension plans have also been agreed for the individual Executive Board members. The pension benefits are determined as a varying percentage of the fixed compensation and the guaranteed bonus (in the case of the newer agreements for Dr Drouven and Mr Willbrandt without the guaranteed bonus). The percentage increases in line with the length of service on the Board. The pension is payable once the Executive Board member reaches the age of 65 (Dr Drouven and Mr Willbrandt) or 62 (Dr Landau and Dr Langner) or in the event of their disability.

The employment contracts of Executive Board members include no change of control clauses. In the event of non-renewal of their Executive Board contracts for reasons for which they are not responsible, Executive Board members under certain conditions receive an early retirement pension from the pension benefit plan. These conditions are fulfilled if the Executive Board member has completed at least five years of service at NA and is at least 55 years old (Dr Drouven and Mr Willbrandt) or has completed either 25 years of service or 15 years of service respectively and is at least 50 years old (Dr Landau and Dr Langner). Pensions paid before they reach the age of 62 or 65 years respectively have the character of a bridging payment. Compensation paid to an Executive Board member for activities outside the NA Group after termination of his contract is offset from the pension until he reaches the age of 62 or 65 respectively.

Dr Werner Marnette, the Chief Executive Officer who resigned from the Executive Board on 9 November 2007, will continue to receive his fixed income and guaranteed bonus until his contract expires on 31 March 2010. The dividend-related bonus will gradually be reduced until the end of fiscal year 2009/10. Dr Marnette will draw a pension from April 2010 onwards.

The total compensation paid to active members of the Executive Board for activities in fiscal year 2006/07 amounted to € 4.310 million.

The following table provides details of the compensation of the individual members:

in €	Fixed salary	Fringe benefits	Variable compensation	Compensation from incentive plan	Total	Allocation to pension provision in fiscal year
Marnette, Dr Werner	390,000	45,450	689,100	154,693	1,279,243	386,875
Drouven, Dr Bernd	290,000	22,611	487,700	31,060	831,371	79,948
Landau, Dr Michael	290,000	30,550	487,700	136,640	944,890	232,552
Langner, Dr Bernd	290,000	45,722	487,700	96,810	920,232	242,048
Willbrandt, Peter	136,000	8,035	144,800	46,350	335,185	585,146
Total	1,396,000	152,368	2,297,000	465,553	4,310,921	1,526,569

The company has set up pension provisions on the basis of IFRS to cover the pension entitlement of the members of the Executive Board. Allocations to the pension provisions for active members of the Executive Board in the year under review amounted to € 1.526 million. This amount comprises service costs and interest costs.

The following table shows the value of the options from the company's incentive plan for the Executive Board members:

	Number of options	Value of options as at 30 September 2007 in €			Total in €
		2nd tranche	3rd tranche	4th tranche	
Marnette, Dr Werner	55,000	171,889	49,892	19,990	241,771
Drouven, Dr Bernd	18,000	0	13,304	18,658	31,962
Landau, Dr Michael	42,000	96,258	46,566	18,658	161,482
Langner, Dr Bernd	30,000	96,258	26,609	10,661	133,528
Willbrandt, Peter	22,200	55,005	20,622	10,661	86,288
Total	167,200	419,410	156,993	78,628	655,031

Former members of the Executive Board and their surviving dependents received a total of € 1,005,638, while € 10,866,323 has been provided for their pension entitlement.

The following table provides details of the compensation of the individual members of the Supervisory Board for fiscal year 2006/07:

in €	*Fixed compensation*	*Variable compensation*	*Long-term compensation components*	*Compensation for committee membership*	*Attendance fees*	*Total*
Wortberg, Dr Ernst J.	20,000	37,534	30,082	10,000	7,700	105,316
Grundmann, Hans-Jürgen	15,000	31,267	22,562	5,000	7,200	81,029
Faubel, Dr Joachim	10,000	25,000	15,041	2,500	6,300	58,841
Förster, Gottlieb	10,000	25,000	15,041	2,500	5,400	57,941
von Foerster, Dr Peter	10,000	25,000	15,041	5,000	6,400	61,441
Gänger, Ulf	10,000	25,000	15,041	5,000	5,400	60,441
Grohe, Rainer	10,000	25,000	15,041	363	5,000	55,404
Haußelt, Prof. Dr Jürgen	10,000	25,000	15,041	0	4,500	54,541
Körner, Gerd	10,000	25,000	15,041	5,000	5,800	60,841
Schwertz, Rolf	10,000	25,000	15,041	2,500	5,000	57,541
Vahrenholt, Prof. Dr Fritz	10,000	25,000	15,041	2,500	5,400	57,941
Wirtz, Helmut	10,000	25,000	15,041	0	5,000	55,041
Total	135,000	318,801	203,054	40,363	69,100	766,318

On this basis, the Supervisory Board members received a total of € 766,318.

Compensation of the Supervisory Board

The compensation paid to the Supervisory Board is agreed at the Annual General Meeting and is covered by Section 12 of Norddeutsche Affinerie Aktiengesellschaft's Articles of Association. It is oriented to the duties and responsibilities of Supervisory Board members as well as the business situation and the company's business success. It was amended as follows with effect from 1 April 2007.

In addition to the reimbursement of expenses incurred while carrying out his office, each member of the Supervisory Board receives a fixed fee of € 10,000 per fiscal year. The Chairman of the Supervisory Board receives twice this amount and his deputy one and a half times this amount. Supervisory Board members, who serve on a Supervisory Board committee, receive an additional € 2,500 per fiscal year per committee, not however exceeding € 5,000 per fiscal year. Supervisory Board members, who chair a Supervisory Board committee, receive an additional € 5,000 per fiscal year per chairmanship, not however exceeding € 10,000 per fiscal year. Apart from the fixed component, the members of the Supervisory Board receive a performance-related bonus of € 200 per € 0.01 of dividend distributed to the shareholders over € 0.20 per no-par-value share for the fiscal year. The Chairman of the Supervisory Board receives twice and his deputy 1.5 times this amount.

In addition, each member of the Supervisory Board receives an annual bonus linked to the company's long-term performance of € 500 for every € 1,000,000 of the company's earnings before taxes (EBT) over € 70,000,000 per annum on average over the last three fiscal years (reference period). The Chairman receives twice and his deputy 1.5 times this amount.

Furthermore, Supervisory Board members receive an attendance fee of € 500 for each meeting of the Supervisory Board and of its committees attended.

The following compensation arrangements applied for the Supervisory Board for the period from 1 October 2006 until 31 March 2007:

In addition to the reimbursement of expenses incurred while carrying out his office, each member of the Supervisory Board received a fixed fee of € 10,000 per fiscal year. The Chairman of the Supervisory Board received twice and his deputy one and a half times this amount. Supervisory Board members, who served on a Supervisory Board committee, received an additional € 2,500 per fiscal year per committee, not however exceeding € 5,000 per fiscal year. Supervisory Board members, who chaired a Supervisory Board Committee, received an additional € 5,000 per fiscal year per chairmanship, not however exceeding € 10,000 per fiscal year. Apart from the fixed compensation, the members of the Supervisory Board received a performance-related bonus of € 200 per € 0.01 of dividend distributed to the shareholders over € 0.20 per no-par-value share for the fiscal year.

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Hamburg, 16 January 2008

The Executive Board

Dr Bernd Drouven

Dr Michael Landau

The Supervisory Board

Dr Ernst J. Wortberg
Chairman

Declaration of Conformity in accordance with Section 161 Companies Act

The Executive Board and Supervisory Board of Norddeutsche Affinerie AG declare that in the period from 1 October 2006 to 20 July 2007 the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 12 June 2006 and subsequently the recommendations announced by the "Government Commission on the German Corporate Governance Code" on 20 July 2007 in the version dated 14 June 2007 were and will be applied respectively with the following exception:

The Company's fiscal year ends on 30 September of each year. By adhering to the 90 day time limit, publication of the consolidated financial statements would take place during the public holiday period at the end of the calendar year, since the Company's fiscal year differs from 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 after the end of the fiscal year (deviation from Code Section 7.1.2. sentence 2).

Hamburg, 16 January 2008

The Executive Board

Dr Bernd Drouven

Dr Michael Landau

The Supervisory Board

Dr Ernst J. Wortberg
Chairman

NA shares

- Best result in company history
- Memorandum of Understanding to take over the Belgian competitor Cumerio
- Significant changes in shareholder structure
- Far above-average NA share performance
- New all-time high in July 2007
- Considerably higher dividend

The prior-year uptrend continued at the German stock exchanges in the fiscal year. The DAX improved by 31%, carried along by the economic recovery in Germany and Europe. The MDAX rose by almost 21%. From summer 2007 onwards, however, the impacts of the mortgage and financial crisis in the U.S.A. also left their mark on the European banks and the German stock markets.

In contrast, NA shares performed very well and, with an almost 60% rise, outperformed the German share indices.

Strong share performance

The NA share price rose right from the beginning on account of the company's excellent earnings situation. This trend was strengthened even further after the announcement of the planned takeover of the Belgian competitor Cumerio sa/nv and the major change in the shareholder structure. From the € 19.35 quoted at the beginning of the fiscal year, the NA share price rose to € 34.78 by 4 July 2007, its highest closing price to date on the Frankfurt stock exchange.

This was followed by a weaker phase that then developed into a sideways trend, which continued until the end of the fiscal year. The price was then initially driven on by takeover fantasies before consolidating at a lower level. The impacts of the crisis on the U.S. real estate market and increasing uncertainties on the international capital markets also influenced the share performance. The weakness of the U.S. dollar against the Euro put additional pressure on the stock markets. However, the good business trend supported NA shares. At the end of the fiscal year they closed at € 30.83, 62.4% higher than the closing price of the prior year.

During the following consolidation phase, the MDAX weakened. Companies in the commodity sector were also hit. NA shares could not escape this development. The price declined to € 22 per share. However, after publication of the very good results for the fiscal year, the quotations rose again. On 28 December 2007, NA shares closed on the Frankfurt Stock Exchange at € 26.85 per share. This corresponds to market capitalisation of about € 1.1 billion.

NA shares' good performance

The NA share performance in the fiscal year was a continuation of the positive trend of the prior years. From the IPO in July 1998 until the end of fiscal year 2006/07, they gained more than 140%. The shareholders have benefited additionally from NA's above-average high dividend payments.

The long-term positive expectations for the copper market and NA's future-oriented projects represent an excellent basis for NA's continuing successful development and additional potential for the share performance.

Rise in trading volumes of NA shares

The increasing attractiveness of NA shares is also reflected in the rise in the average trading volume in the course of the year. After a daily average of about 190,000 shares in the prior fiscal year, the volume grew in the year under review to a daily average of almost 280,000 shares.

Continued stable shareholder structure with high free float

On 29 June 2007 A-TEC-Industries AG, Vienna, announced that it had acquired a 15.1% interest in NA. The company had already reported the acquisition of a 10% interest in NA on 15 June 2007. At the same time Lübecker Possehl Beteiligungsverwaltung GmbH announced the sale of their NA share block of likewise 10%. The remaining 85% of NA shares were in free float. About 50% of these shares are distributed among institutional investors and about 35% among private investors.

Increase in dividend

Since its IPO in 1998 it has been NA's declared goal to pay a high dividend. NA has held a leading position for years as regards the payout ratio and dividend yield. After paying a higher dividend of € 1.05 per share in the prior year, the Executive Board and Supervisory Board will recommend at the Annual General Meeting that the dividend be increased once again, to € 1.45 per share. In doing so, NA is continuing its

NA share performance since January 1999 *in € per share*

established dividend policy. The dividend yield on the basis of the closing price at the Frankfurt stock exchange on 28 September 2007 is therefore again very high at 4.7%. The payout ratio at 50% is also again at a very high level. Half of the consolidated net income of € 118.5 million, i.e. some € 59 million, will be allocated to revenue reserves to strengthen NA's equity basis. The remaining unappropriated net earnings of about € 59 million will be paid out as dividend.

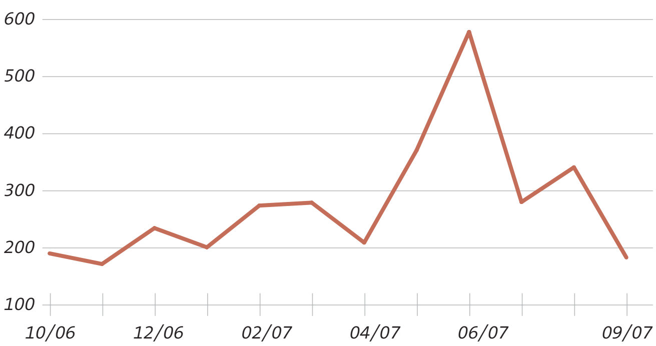
Active communication with the capital market successfully continued

NA's financial market activities again focused on continuing the intensive communication with institutional and private investors as well as the financial media. Both the Executive Board and the Investor Relations team maintained close contact with institutional and private investors. NA carried out national roadshows and investor conferences and gave presentations to a professional audience in Europe and the U.S.A. The good analyst coverage by a large number of specialists from well-reputed banks corroborates and promotes the importance of NA shares.

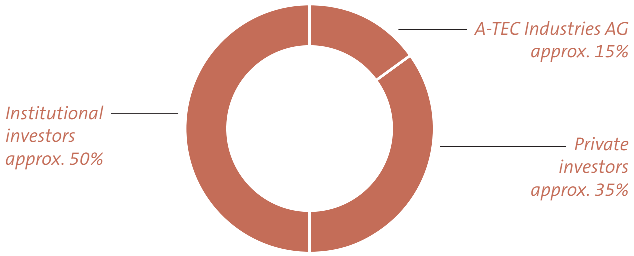
NA attaches great significance to maintaining contact with private investors. They hold some 35% of the subscribed capital and mostly regard their investment as long-term. The annual events "Dialogue with the shareholders" were fully booked despite being extended by an additional date. This documents the continued great interest of private shareholders in learning about their company's economic situation at first hand and having a tour of the production facilities. A total of 5,500 shareholders and other interested parties visited NA.

The ninth public Annual General Meeting proved again to be a crowd puller. Almost 3,000 shareholders attended the event in Hamburg's Congress Centre and were informed about the results of fiscal year 2005/06, NA's current situation and the future outlook. NA will also continue and enhance its active communication with the capital market in future.

Trading volume of NA shares on daily average (XETRA) *in thousand units*



Shareholder structure as at the end of September 2007 *in %*



Key figures of NA shares		2002/03	2003/04	2004/05	2005/06	2006/07
Closing price in Frankfurt as at fiscal year-end	*in €*	8.82	12.93	18.48	18.98	30.83
Year high (close)	*in €*	11.97	12.93	18.73	26.98	34.78
Year low (close)	*in €*	8.40	8.94	11.70	17.14	19.05
Market capitalisation as at fiscal year-end	*in € million*	291	432	625	705	1,146
Number of shares	*in thousand units*	33,044	33,409.2	33,813.4	37,154.3	37,154.3
Dividend or recommended dividend	*in €*	–	0.65	1.00	1.05	1.45
Payout ratio	*in %*	–	76	75	66	50
Earnings per share (IFRS) *	*in €*	0.10	0.76	1.77	1.64	4.24
Price/earnings ratio as at fiscal year-end *		89.8	17.1	10.5	11.6	7.3

** on the basis of LIFO inventory valuation method*

Information on NA shares	
Security identification number:	*676650*
International Securities Identification Number:	*DE 0006766504*
Stock market segment:	*MDAX*
Stock exchanges:	*Official trading in Frankfurt am Main and Hamburg, unofficial market in Düsseldorf, Stuttgart, Berlin/Bremen*
Market segment:	*Prime Standard*
Issue price:	*€ 12.78*
Average daily trading volume:	*276,460 shares in XETRA trading* *59,518 shares at all German stock exchanges*
Deutsche Börse code	*NDA*
Reuters code	*NAFG*
Bloomberg code	*NDA GR*

Analyst coverage 2007
Bankhaus Lampe
Berenberg Bank
Deutsche Bank
Dresdner Kleinwort
DZ Bank
Haspa
HSBC
HVB/Unicredit
LBBW
Nord LB
Solventis
Viscardi Securities
M.M. Warburg
West LB

The NA
Future Formula

$$(M+G) \times Q+E+R^{3}=NA_{Future}$$

Market plus Growth times Quality plus Efficiency plus Responsibility cubed equals NAFuture

The primary smelter (left) and contact plant for sulphuric acid production (right) in Hamburg.

We are well prepared for the future.

Fiscal year 2006/07 was a record year for NA with excellent results – the best in company history! Positive market conditions together with a tailor-made strategy and operating strength have made this further profit jump possible. You will ask yourself: what comes next after such a business year? What route will NA take so as to enable sustained growth? How will the general conditions be changed? What is happening on the copper market? And what are our answers to all these topics? First off: the commodity boom is continuing and the prospects for the copper market are auspicious. We are creating the prerequisites for internal and external growth in order to obtain maximum benefit from the potential offered by the copper market.

As part of our strategy, we are enhancing our core business and working intensively on the creation of a European platform to achieve stronger internationalisation of our successful business model. In doing this, we are well equipped for the future. We have worked hard to achieve this position in recent years by implementing many programmes to reduce costs and enhance performance. However, we also understand improvement as a continuous process and are continuing our optimisation initiatives. Consequently, we are becoming increasingly effective. At the same time, more scope for new ideas and basic approaches is created, such as the development of future products and the reorganisation of logistic and energy supply concepts.

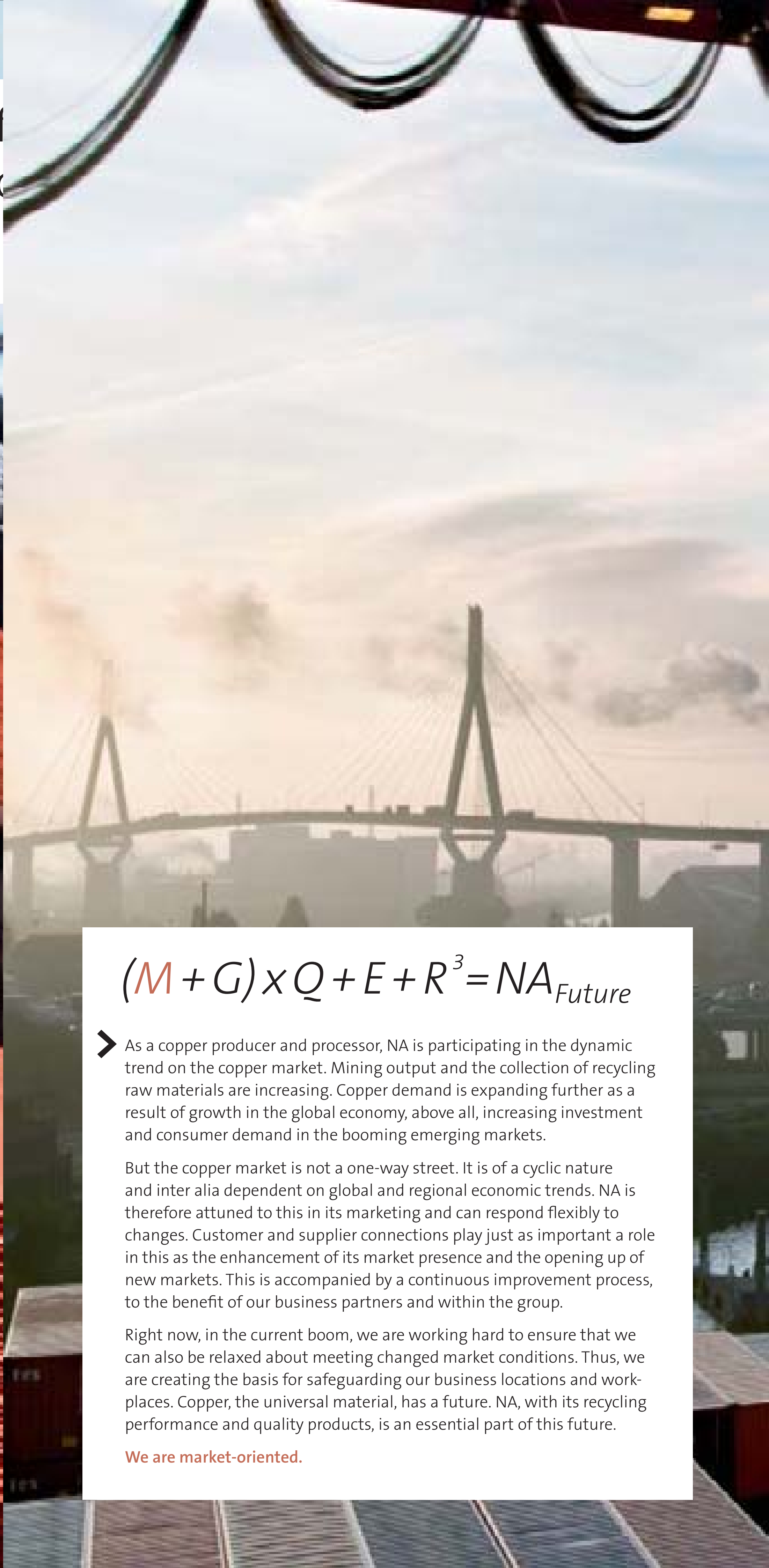
It is not our way to do things for the sake of doing them. We are only driven by long-term perspectives. Our industrial logic is convincing. We rely on the knowledge of our experts, on experience, stamina and clever tactics. We share with our customers the orientation toward high quality and an all-embracing service. We consider ourselves to be directly responsible for our employees, our company and our environment. A collective and clear-sighted personnel policy is characteristic of this. We give environmental concerns priority in our corporate targets by using the best available technology. The expansion of recycling in the group helps close material cycles in an environmentally sound manner and is thus an important contribution to sustainable development. Our social commitment is reflected, above all, in our endeavours to support young people in the vicinity in their further education and in the promotion of sport and cultural events in the neighbourhood.

The direct orientation to the market and to growth, the clear commitment to efficiency and continual performance enhancement processes, high quality awareness in all sectors, as well as the acceptance of ecological and social responsibility: all that is part of how we are securing the future of the NA Group intelligently.

The market for copper is booming.

$$(M+G)\times Q+E+R^3=NA_{Future}$$

The market f
copper is boo



$$(M+G) \times Q+E+R^{3}=NA_{Future}$$

As a copper producer and processor, NA is participating in the dynamic trend on the copper market. Mining output and the collection of recycling raw materials are increasing. Copper demand is expanding further as a result of growth in the global economy, above all, increasing investment and consumer demand in the booming emerging markets.

But the copper market is not a one-way street. It is of a cyclic nature and inter alia dependent on global and regional economic trends. NA is therefore attuned to this in its marketing and can respond flexibly to changes. Customer and supplier connections play just as important a role in this as the enhancement of its market presence and the opening up of new markets. This is accompanied by a continuous improvement process, to the benefit of our business partners and within the group.

Right now, in the current boom, we are working hard to ensure that we can also be relaxed about meeting changed market conditions. Thus, we are creating the basis for safeguarding our business locations and workplaces. Copper, the universal material, has a future. NA, with its recycling performance and quality products, is an essential part of this future.

We are market-oriented.

Logistically the Hamburg production site is NA's gateway to the world.

The signs point to growth.

$$(M+G) \times Q+E+R^{3}=NA_{Future}$$

Conditions on the global markets are becoming tougher – far-reaching transformation processes have affected every sector. The global concentration process also determines the rules of the game in the copper industry. Vision and drive have become decisive competitive factors like never before. We accept the challenges of these times because they help us on our way forward.

NA, as Europe's leading integrated copper group, is already in a top position. But what is excellent today, is only good tomorrow and the day after tomorrow perhaps not even good enough. Thus, internal and external growth forms an elementary part of our group strategy. It enables us to strengthen our basis and to expand our radius of action in the markets. In this way, we are repeatedly redefining our boundaries.

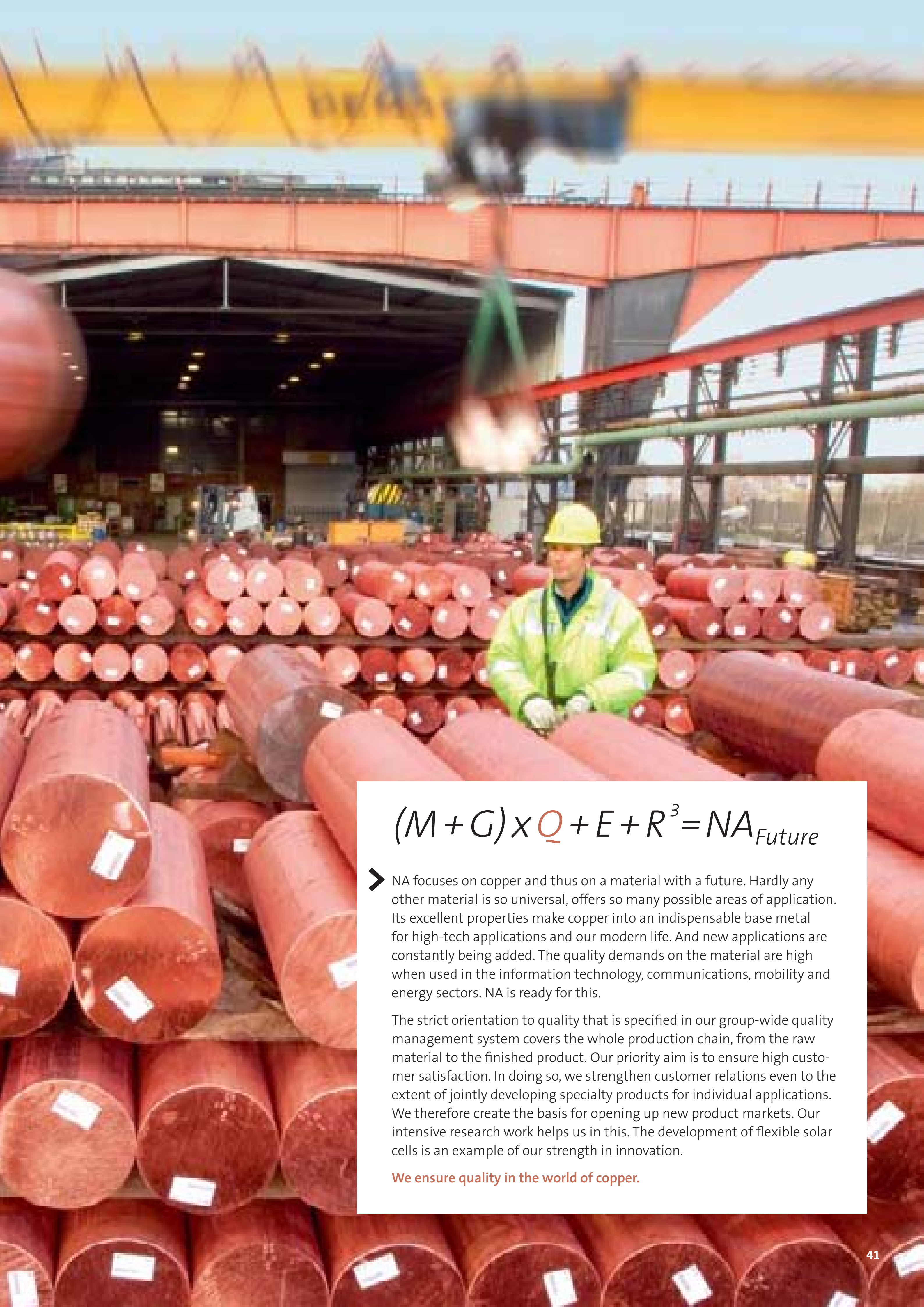
Our aim is to press on with the consolidation of the European copper industry and to penetrate growth regions. From a wider European platform NA will then develop further into a global player in the copper industry.

We are on our way to becoming an international group.

A further step towards launching on to the growth market of renewable energy – the pilot plant for the production of strips for CIS solar cells has started operation.

Quality is the benchmark.

Optimally adapted to our customers' requirements – NA's continuously cast shapes fulfil the highest demands on type and quality.



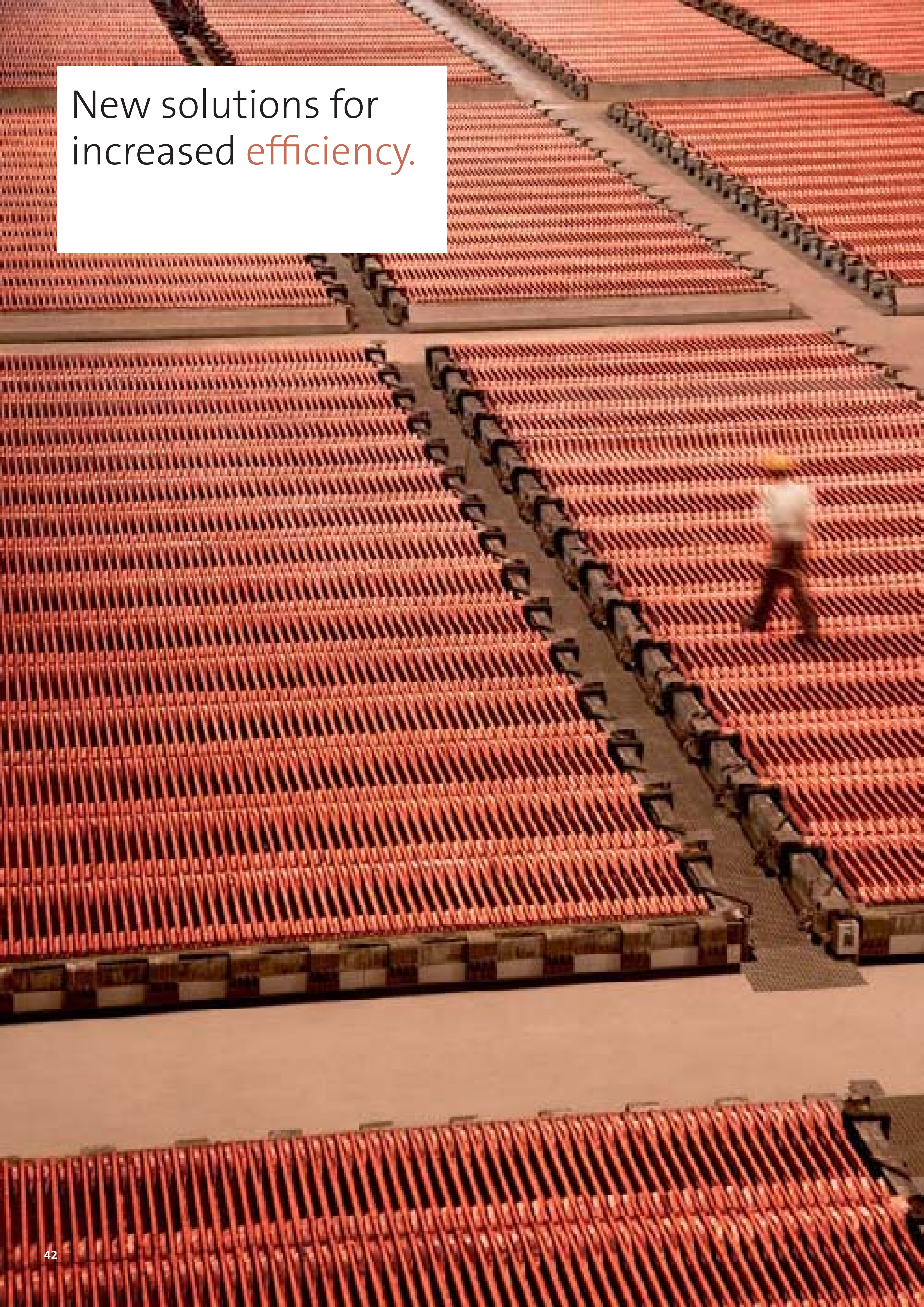
$$(M+G) \times Q + E + R^3 = NA_{Future}$$

NA focuses on copper and thus on a material with a future. Hardly any other material is so universal, offers so many possible areas of application. Its excellent properties make copper into an indispensable base metal for high-tech applications and our modern life. And new applications are constantly being added. The quality demands on the material are high when used in the information technology, communications, mobility and energy sectors. NA is ready for this.

The strict orientation to quality that is specified in our group-wide quality management system covers the whole production chain, from the raw material to the finished product. Our priority aim is to ensure high customer satisfaction. In doing so, we strengthen customer relations even to the extent of jointly developing specialty products for individual applications. We therefore create the basis for opening up new product markets. Our intensive research work helps us in this. The development of flexible solar cells is an example of our strength in innovation.

We ensure quality in the world of copper.

New solutions for increased efficiency.



$$(M+G)\times Q+E+R^{3}=NA_{Future}$$

New solutio
increased ef

Responsibility determines our actions.

With hands-on training – in this case chemical industry workers – we train young people for their later employment and thus create the basis for NA's future.

$$(M+G)\,x\,Q+E+R^{3}=NA_{Future}$$

We accept responsibility for our employees, the environment and the community. Sustainable development and environmental protection are firmly anchored in NA's company policy. Thus, economical, ecological and social targets are reconciled sensibly to achieve overall corporate success. With almost 7.5 percent of apprentices in the workforce, NA has one of the most extensive training programmes of all the companies in the German chemical industry. Young people can choose between 18 different trades and professions throughout the group.

We are also facilitating the transition from school to the working life with a new initiative. In the new forward-looking NA qualification project "9 Plus", we, together with the Hamburg Slomanstieg School, are offering pupils who have completed their secondary schooling but have not found an apprenticeship a unique opportunity. For an additional year they can qualify in a work experience programme three days a week in our workshops and prepare for their working life. The remaining two days are spent in school when the trainees improve their knowledge of German, English and mathematics. The thought behind it: every project participant should have his or her chance.

We also accept responsibility in other sectors. As a result NA belongs to the group of the most environmentally friendly companies in the copper industry worldwide. The protection of the environment has top priority for us. In addition, we have committed ourselves to sustainable development. We are therefore participating in the global "Responsible Care" initiative of the chemical industry. It demands a firm obligation in the protection of health and the environment as well as the safety of employees and fellow citizens

We take responsibility seriously.

Group Management Report

Contents

Fiscal year 2006/07 was extraordinarily successful for Norddeutsche Affinerie (NA). Good general conditions and our operating strength created the basis for increasing earnings once again. EBIT rose 134.2% to € 260 million. This is the best result in company history. Revenues increased by 12.4% to € 6,469 million on account of the further rise in metal prices and higher unit sales. On the basis of this very good result, the dividend should be increased from € 1.05 per share in the prior year to € 1.45 per share for fiscal year 2006/07. In this way we are continuing our shareholder-friendly dividend policy.

Business development and general economic conditions

BUSINESS ACTIVITIES AND STRUCTURE OF THE GROUP

Business portfolio

The NA Group's business portfolio combines the production, recycling and processing of copper. These activities cover all the main sectors of the copper value added chain. Our product spectrum is rounded off by the production of specialty products. We consistently focus on our customers' requirements in all segments. With 3,284 employees, we currently operate primarily at German production sites. Copper production, the recycling activities and some of the wire rod production and the production of continuous cast shapes are performed in Hamburg and in Lünen, Westphalia, while the processing of the copper shapes into strips and shaped wires is carried out in Stolberg near Aachen.

Legal structure of the group and main steps in its development

NA was founded in 1866 as a joint stock corporation with interests held by Norddeutsche Bank and Allgemeine Deutsche Kreditanstalt. After various changes in the ownership structure, an IPO was carried out in 1998. The shares were initially listed in the SDAX market segment of the Deutsche Börse, and were admitted to the MDAX in 2003. Since then, NA has also been represented in the Deutsche Börse's Prime Standard.

Several acquisitions, which characterise the present-day group structure, have been made since the IPO in 1998:

- On 31 December 1999, NA acquired the majority interest in Hüttenwerke Kayser AG. Its integration was finally accomplished when the company was amalgamated with NA AG with effect from 1 October 2003. At the same time, the Lünen site was developed and expanded from the outset as the group's recycling centre. Today, NA occupies an outstanding position in the international copper recycling business.

- Our acquisition of Prymetall GmbH & Co. KG and its 50% holding in Schwermetall Halbzeugwerk GmbH & Co. KG in Stolberg with effect from 1 January 2002 enhanced our development along the copper value added chain and at the same time we achieved closer proximity to the end customer markets.

- The acquisition of a slitting centre, EIP Metals Ltd., Smethwick (UK), on 1 January 2005, represented for NA a further step towards the achievement of better customer proximity.

- In February 2007, another slitting centre, Prymetall Slovakia s.r.o., was established as a wholly-owned subsidiary of Prymetall. We are focusing on customer orientation in the Eastern European business with the activities of this slitting centre.

There were no further changes in the group structure in the last fiscal year. A Business Combination Agreement was however concluded with Cumerio sa/nv (Cumerio) on 24 June 2007, a company listed on the Euronext stock exchange in Brussels, aimed at enhancing the group's horizontal strategic position. Subsequently, we announced that we would make a tender offer of € 30 per Cumerio share following receipt of the approval of the antitrust authorities to the planned acquisition. NA held just under 30% of the shares in Cumerio at the end of the fiscal year.

NA's business model

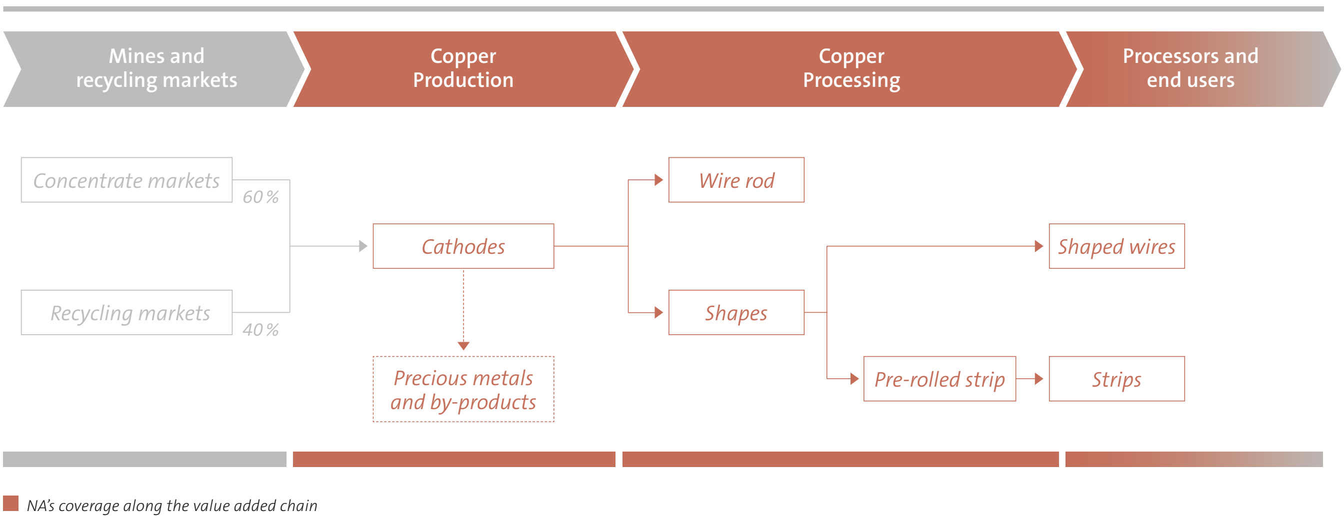
NA's core competence lies in the production and processing of copper. The recycling of copper-bearing secondary raw materials closes the materials cycle for copper and other metals.

As regards the copper content, about 60% of NA's raw material basis consists of copper concentrates and about 40% of recycling materials. Following suitable preparation, all raw materials pass through multi-stage melting and refining processes, culminating in the production of NA's qualitatively high-grade copper cathodes. This product provides the basis for the copper trading on the international metal exchanges.

Copper cathodes are also the starting product for the group's own processing activities into continuous cast wire rod and shapes, strips and shaped wires. Our customers in the cable and wire industry, as well as in the semi-finished product industry, process these into products for the end user.

In addition, NA's product range includes precious metals and specialty products, whose production is based on the other elements contained in the raw materials.

Value added chain of copper and NA's coverage



Organisational structure

The NA Group is managed centrally from its corporate and administrative headquarters in Hamburg. The organisational structure is primarily based on the Copper Production and Copper Processing Segments. In addition, administrative and service sectors exist with group-wide functions, such as the personnel management and accounting departments, and the Central Services Segment, which includes material procurement, maintenance and logistics.

The Copper Production Segment combines the smelting and refining activities at the Hamburg and Lünen production sites. The activities of the segment are augmented by minor subsidiaries and investments in adjacent business fields. We produce copper cathodes from the primary raw material, copper concentrates, at the central production site in Hamburg. The production of cathodes from recycling raw materials is primarily performed in Lünen, Westphalia, where the NA Group's recycling centre is located. The Copper Production Segment furthermore includes the production and marketing of precious metals, such as silver and gold, and specialty products, such as sulphuric acid or iron silicate.

From the production aspect, the Copper Processing Segment follows on directly from the Copper Production Segment and includes two separate stages in the copper value added chain. In one processing stage, NA produces continuous cast wire rod at the Hamburg production site and at the subsidiary, Deutsche Giessdraht GmbH, Emmerich (60% NA) from copper cathodes. Furthermore, continuous cast shapes (cakes and billets) are produced in Hamburg. In a separate second processing stage, the subsidiaries, Schwermetall Halbzeugwerk (50% NA) and Prymetall (100% NA) in Stolberg, produce pre-rolled strip, strips and shaped wires, mainly from the continuous cast shapes made in Hamburg.

Management responsibility in the group

The principle of further development and optimisation is also applied in the NA Group for the organisation of the management structure. In accordance with the organisation plan, the Executive Board is responsible for the operating side and works closely together with a management team, in which the general managers of the business units, the directors of the subsidiaries and the departmental and production heads are represented. Following Dr Werner Marnette's resignation from the Executive Board, a new organisation plan was adopted on 11 December 2007.

We place emphasis on excellent performance in all management sectors. To this end, employee potential is exploited and qualified high-flyers selectively encouraged. Our senior staff team is a balanced mixture of younger and experienced men and women, and specialists with a national and international background.

The compensation of the Executive Board and senior staff comprises fixed and variable elements. The latter include one-off and annually recurring components linked to business performance, and components with long-term incentive and risk elements.

NA

Organisational Structure

EXECUTIVE BOARD

Dr Bernd Drouven | Dr Michael Landau | Dr Bernd Langner | Dipl.-Ing. Peter Willbrandt (Deputy Member of the Board)

Copper Production

Marketing Metallurgy | *Marketing Recycling* | *Primary Copper Production* | *Secondary Production/ Precious Metals*

	Capital	NA holding
CABLO Metall-Recycling & Handel GmbH, Fehrbellin	€ 767 thousand	100%
Peute Baustoff GmbH, Hamburg	€ 52 thousand	100%
RETORTE GmbH Selenium Chemicals & Metals, Röthenbach	€ 2,045 thousand	100%

Copper Processing

Copper Products

	Capital	NA holding
Deutsche Giessdraht GmbH, Emmerich	€ 3,200 thousand	60%
EIP Metals Ltd. Smethwick (UK)	£ 2,130 thousand	100%
Prymetall GmbH & Co. KG, Stolberg	€ 12,800 thousand	100%
Prymetall Slovakia s.r.o., Dolný Kubín	SKK 30,600 thousand	100%
Schwermetall Halbzeugwerk GmbH & Co. KG, Stolberg	€ 12,500 thousand	50%

Central Services

Material Procurement | *Logistics* | *Maintenance Process Engineering* | *Technical Office* | *Analytical Laboratories* | *Energy Management* | *General Administration/ Works Security*

Active Investment

	Capital	NA holding
CIS Solartechnik GmbH & Co. KG, Bremerhaven	€ 800 thousand	50%

Significant legal and economic factors for the business

International copper and raw material markets

NA's business is affected by the trends on the international copper market and the raw material markets, whereby changes in the market factors, production, availability and demand, play a central role. In addition, the general economic environment, the situation on the foreign exchange markets, political interventions in competition and factors related to environmental protection also have an impact on the prevailing situation. Together with the activities of funds and capital investors on the exchanges, these variables influence the price formation on the copper market. This is mainly carried out at the London Metal Exchange (LME), which is organised as a commodity futures exchange.

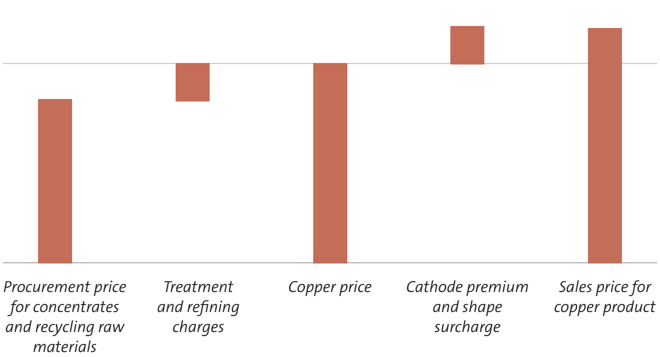
For NA, in common with all the other companies in the copper industry, the copper price, which is formed in trading on the LME, represents a key benchmark and guideline. However, since it forms the basis for both raw material procurement and product sales, it is only a transitory item in our special copper business, in contrast to the mining business. The commodity exchange price for copper however has an indirect influence on the supply of raw materials and the demand behaviour of the end customers.

The decisive factor in the procurement of raw materials is the treatment and refining charges, which are negotiated and agreed as the remuneration for the processing of the raw materials into copper cathodes. While the agreements on recycling raw materials are mostly concluded in euros, the international concentrate business is based on U.S. dollars. This results in dependence on the development of the dollar compared with the euro. The sales prices for our copper products are based on the LME quotations. In addition, we negotiate premiums, for instance for quality or the type of pricing, and shape surcharges for converting cathodes into copper products.

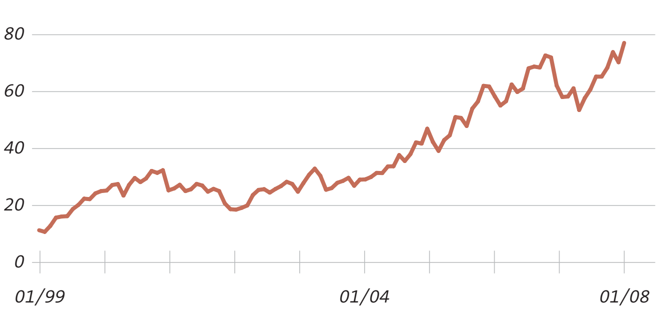
Energy prices

The production of copper is energy-intensive. The price trend on the energy markets is therefore of vital importance for NA. The oil price continued to rise during the fiscal year and, at over US$ 77/bbl in September, was almost 23% higher than a year earlier. Parallel to the development of the oil price, the price for globally traded bituminous coal from South Africa increased by 27% to US$ 61.55/t. The energy price trend on a euro basis was however significantly mitigated by the appreciation of the euro.

Price formation along the value added chain



Price trend for Brent crude oil *in US$/bbl*



Source: IEA, Degussa

The nationally-oriented electricity and natural gas markets displayed disparate price trends. While the price of natural gas declined between September 2006 and September 2007, the electricity price on the European Energy Exchange (EEX) continued at a high level. The EEX price for base load electricity for the supply commencing on 1 January of the following year in futures trading was quoted at just over € 55/MWh in September 2007, corresponding with the price in September 2006. NA is unable to influence the energy procurement prices in these markets. The increase in energy efficiency and the reduction of energy consumption in the group therefore continue to be priority targets. The conclusion of a very long-term electricity supply agreement for the entire group from 2010 onwards has secured the supply of electricity on a comprehensible cost basis.

CORPORATE STRATEGY AND MANAGEMENT

Dynamic development in the copper industry

The international copper industry again recorded dynamic growth in demand in fiscal year 2006/07. Demand for the raw material, copper, which is characterised by excellent mechanical, chemical and physical properties, continued at a high level, particularly in the emerging markets. Copper has also held up well and even in some cases enhanced its position in the industrial countries as the material of modern life. Copper is the basis for energy production and distribution, electrical drive systems, computer technology, communications and many other applications. The substitution of copper in a sector such as the construction industry, as a result of the high price, has changed nothing in this. The copper industry has developed further in line with this market situation. The trend towards consolidation in the base metal industry continued.

Strategy and targets of the NA Group

NA excellently positioned

NA is a known quantity in the global copper industry. Its strategy is oriented to growing with this industry and to making its contribution to the consolidation of the industry. On account of its very good position on the European and global raw material and product markets, NA has an ideal starting basis to achieve this.

Against this background, the group's strategic development is determined by the guiding principles of growth, improvement in efficiency and productivity and responsibility.

Growth

External growth through the planned merger with Cumerio

The NA Group made good progress in the fiscal year on the way to stronger international orientation. Following several months of negotiations, we laid the foundations for commencing the takeover process for the Belgian copper producer and processor, Cumerio.

NA's employees, shareholders and the general public were informed on 24 June 2007 in an ad-hoc announcement that NA would be making a public takeover bid for Cumerio. On 10 July 2007, Cumerio's management board recommended acceptance of the offer of € 30 per share. The takeover is currently being examined by the antitrust authorities. According to the EU Commission, this procedure should be completed by 5 February 2008.

Creation of an integrated copper group

With the acquisition of Cumerio, we will create a new integrated copper group that will assume the leading position in the European copper industry. The locations of the two companies complement each other ideally. The production centres in Hamburg, Lünen and Olen (Belgium) will form a unit in Northwest Europe, while the works in Pirdop, Bulgaria, will become NA's second production base in Southeast Europe. The copper smelter there provides an ideal basis for exploiting the fast growing Southeast European market. A further significant advantage is the already very good cost structure at the Bulgarian production site. In addition, NA's know-how will make it possible to utilise significant optimisation and expansion potentials.

The merger will create a platform that will provide the basis for the further growth of the NA Group. Minor acquisitions and investment projects in Europe can be integrated, as the occasion arises, to regionally complement or extend the value added chain. In particular, however, we will have better opportunities to expand in non-European countries on account of our stronger position in the European market.

> With its current annual output of about 800,000 tonnes of copper products, NA is further expanding its position in the European product markets. As an integrated downstream copper processor, we offer our customers top quality and delivery reliability.

Expansion of the core business by internal growth

We are further expanding our good position on the international raw material, product and recycling markets through internal growth and thus consolidating NA's good profitability.

We have established ourselves as an experienced and reliable partner for mining companies and raw material suppliers in the raw material markets for copper concentrates and blister copper. By expanding the concentrate processing facilities in Hamburg, we aim to achieve a concentrate processing capacity of 1.25 million tonnes of copper concentrates per annum in 2009. We also have a very good market position in the copper recycling markets, in which NA has positioned itself increasingly as a competent processor of complex recycling materials containing copper and precious metals. We have, in particular, strengthened the recycling of electrical and electronic scrap. This sector will be developed further together with the other recycling activities.

In a leading position with high-grade products

With its current annual output of about 800,000 tonnes of copper products, NA is further expanding its position in the European product markets. As an integrated downstream copper processor, we offer our customers top quality and delivery reliability. The marketing activities are supported by extensive technical and commercial service. We are developing new products and optimising the existing range in collaboration with our customers. With our competence in the market and customer focus, we are optimally placed for the increasing demands of the future in the product business.

Our good position in the various sectors of the copper market has reduced NA's possible dependence on certain weak market sectors. Consequently, we benefited in the past fiscal year from the good trends in the recycling sector and the high demand for copper products, despite unfavourable concentrate markets.

Improvement

The second element of our strategy is the continuous improvement in the group's performance and productivity. This includes production optimisation at all sites and improvements along the value added chain, as well as the NA LEAD performance enhancement initiative or the implementation of proposals from the group-wide company suggestion scheme.

Efficiency and productivity improvement has the highest priority

NA lives from its operative strength and wide-ranging technical know-how. Continuous improvement in efficiency and productivity in all corporate sectors therefore has the highest priority. At the same time, the larger measures are augmented by many small ideas. An outstanding example is the acquisition of a virtual slice of the future Vattenfall power plant in Hamburg-Moorburg. The cost-based procurement prices of a coal power plant will at the same time ensure NA's long-term access to favourably priced electricity.

A further example is the new handling facility for copper concentrates in Brunsbüttel. Since commissioning the facility at the beginning of 2007, we have redefined our concentrate logistics and achieved a more consistent optimised concentrate blend for the flash smelter at the Hamburg works.

Sustainability of measures is a matter of principle

We are also forging ahead with the thrifty use of raw materials and energy in all sectors. The eNergiA plus energy saving programme, which incorporates more than 150 projects and individual measures is at the core of these endeavours. These include, for example, the generation of electricity from steam or the further reduction of electricity consumption at individual plants.

Sustainability is NA's main objective in all improvements. Our entire business model is oriented to uncoupling the NA Group from the general short-term trends in the markets and to avoiding or reducing speculations as far as possible on volatile parameters, such as metal prices and exchange rates, through hedging and long-term agreements.

Responsibility

In order to achieve our corporate objectives, we rely to a considerable degree on good customer relations, the know-how and commitment of our own employees, and our responsibility towards the environment and the community. This important element of NA's strategy is subsumed under the term "responsibility".

Responsibility towards the customers

NA's business success is based on the high quality standards of our products and services. Strong relationships with our customers and suppliers through to exclusive and strategic partnerships, together with constant improvements in our cost position, form the basis of our success in intensely competitive markets.

On the raw material markets, NA's central objective is to maintain and intensify the good links to our suppliers. In doing so, we regard our raw material suppliers as customers, who make use of our processing services. The basic elements of this procurement policy are above-average technical availability, competence in the efficient and environmentally-friendly processing of raw materials and comprehensive commercial service.

Our activities on the product markets are determined by the close cooperation with customers and the fulfilment of extensive quality demands. We swap technical experience with our customers in joint project work in order to maximise the benefit to the customer and match our copper products even better to their specific requirements. Service is a further instrument for ensuring high customer satisfaction. We support our business partners here in copper price hedging and optimising the logistics and inventories.

Responsibility for the environment

NA pursues a consistent environmental protection policy throughout the group. Environmental management systems, such as EMAS and DIN EN ISO 14001:2005, have for many years ensured the maintenance of its high standards.

Our activities to protect the environment are currently focusing on further reducing fugitive emissions. Following the successful implementation of the commensurate measures in the secondary smelter (RWN) in Hamburg, an investment project for the collection of fugitive emissions at other core facilities, such as the anode furnace and anode casting wheel, commenced last year in the primary smelter (RWO). The capital expenditure will amount to some € 7 million. The project will reduce specific fugitive emissions in the respective sector by about 70% and should be completed in the new fiscal year.

Environmental dialogue for a common target

NA is a willing dialogue partner for environmental organisations and initiatives. During the past year, we also further enhanced the group-wide collaboration with the authorities. Implementation of the emission reduction programme at the Lünen site, which was defined jointly with the local officials, has already begun and should be completed by 2009.

At the Hamburg site, NA has on its own initiative developed a far-reaching climate protection concept, going beyond its active role in the Environmental Partnership Hamburg. As part of this concept, we intend to reduce CO_2 emissions at the Hamburg site by at least an additional 40,000 tonnes between 2007 and 2012. Regardless of the company's considerable past achievements in this field, NA is therefore also playing a major role in the City of Hamburg's 2007 to 2012 Climate Protection Concept.

Responsibility towards employees and the community

The acceptance of social responsibility for our employees and the social environment in the vicinity of NA's production sites represents an important basis of the group's values system.

The further training of senior staff and employees is promoted intensively by the internal vocational training measures. With an above-average apprenticeship rate of 7.5% percentage of the workforce, NA is making a significant contribution to the training of the next generation of highly qualified commercial and technical staff. NA's innovative compensation system enables all employees to share in the company's success.

We are also supporting the improvement of the career prospects for young people outside our company. NA has entered into a commitment with the 9 Plus Project in conjunction with the Hamburg Senate's project for the integration of young migrants in work and education. Its aim is to facilitate the transition between leaving school and starting an apprenticeship by providing an additional year's schooling with practical job-related experience. NA is also supporting sporting and cultural activities and projects at other group locations that contribute to the development of the districts close to these locations and improving the prospects of the people living there.

Management control system based on the contribution to increased corporate value

The essential aim of management control is to increase NA's corporate value, in that a positive contribution to the enterprise as a whole is generated beyond the capital costs. The basis of the company's internal management control system is provided by uniform evaluations of the operating business and the optimisation and investment plans using accounting and financing ratios. Qualitative criteria are also taken into account.

One of the main ratios used to determine and compare profitability is ROCE (return on capital employed), which reflects the efficiency with which the capital is utilised in the operating business or to fund investments.

ROCE is the ratio of EBIT (earnings before interest and taxes) to average capital employed. ROCE in the group as a whole once again increased significantly in the last fiscal year on the basis of the LIFO valuation.

In addition to ROCE, other criteria, such as capital payback, value creation or the impact on earnings during the period, are taken into account when planning capital expenditure and making decisions on individual improvement measures. Management control also takes into account further NA business targets. For instance, particular consideration is given to positive effects in the health protection and occupational safety areas or improvements in the quality of our products and services. This across-the-board approach of management control is also demonstrated by the tremendous importance attributed to the contribution of investment measures to environmental and climate protection.

GENERAL ECONOMIC ENVIRONMENT

Global economy still on course for growth

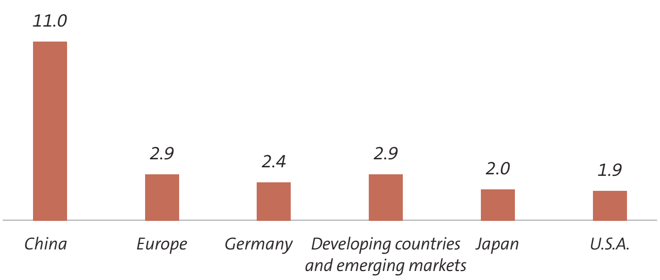
Since 2003 the global economy has grown faster than in the last thirty years. This trend continued in 2007 with a probable growth rate of 5.2%. At the same time, however, 2007 was also a year that saw increasing risks for the global economy due to the real estate crisis in the U.S.A. and increase in the oil price. While economic growth in the emerging markets at 6.2% was higher than average, growth in the industrial countries was around 2.4%.

Divergent economic trends from one region to another

The main growth motor was the Chinese economy. Carried along by investment and exports, it once again expanded very strongly in the first half of 2007 with a growth rate of 11.9%. There was a slight slowdown in the third quarter of 2007. The Chinese side described this as a step towards more regular development. China is expecting economic growth of 11% for 2007 as a whole.

The economic situation in the leading industrial countries was flatter. The U.S. economy in particular tended towards a downturn, triggered by the reduced level of construction. Although private consumption was not affected by the reversal on the real estate market until the beginning of 2007, it did then decline. Surveys on consumer confidence indicated a sustained drop in consumption. The foreign trade deficit decreased. The U.S. economy is forecast to have grown by 1.9% in 2007.

Expected GDP growth 2007 *in %*



Source: International Monetary Fund Autumn Survey 2007

Japan was also unable to maintain the pace of economic activity. Net exports fell, and public and private investment declined. In addition, the propensity to consume slowed down. Japanese economic output in 2007 will only have grown by 2%.

The developments in Europe on the other hand, were better, especially in Germany, France and Italy, where the economic situation was positive. The significant upturn in industrial output and well-filled order books ensured an expansive trend that was only muted by the turbulence on the financial markets and foreign trade effects. In view of the high capacity utilisation and good earnings situation, there was a pronounced propensity to invest. Gross domestic product in the Euro zone is believed to have gone up 2.6% in the calendar year 2007.

Following a lengthy period of weak growth and high unemployment, Germany in particular found itself in a stable upswing phase. Corporate restructuring efforts, moderate wage policies combined with greater flexibility and the reorientation of the labour market policy were responsible for this. German gross domestic product increased year-on-year by 3.3% in the first quarter of 2007 and by 2.5% in the second quarter. Industrial output grew even more strongly, by 6.8% in the first quarter and by 5.8% in the second quarter. At over 87%, industrial capacity utilisation in the first six months was at a very high level. The upswing was substantially helped, apart from foreign trade, by the driving forces in the domestic economy. These included the continuing high expenditure on plant and equipment, the increasingly stable construction industry and the recovery in private consumer spending. It is expected that the German economy will have grown in 2007 between 2.4% and 2.6%.

Most of the industries particularly relevant for the use of the material, copper, developed positively in 2007.

Copper benefits from positive economic trend in industry

Most of the industries particularly relevant for the use of the material, copper, developed positively in 2007.

Germany is ranked No. 4 worldwide in automobile manufacture. German car-makers produced some 4.7 million automobiles between January and September 2007, an improvement of more than 7% compared with the prior-year period. This was due in particular to the production of commercial vehicles, which increased by 16%.

Following a phase of overbooking and a subsequent return to normal, German demand for construction picked up again significantly in 2007. The individual sectors of the construction industry however reported divergent trends. High revenues for commercial and public sector buildings were offset by a reduction in house construction. The German construction industry is assuming revenue growth of 4.5% overall in 2007.

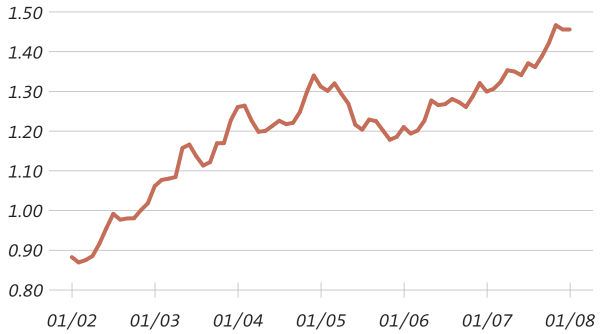
At 11%, the German machine and plant construction sector achieved double-digit growth for the first time since 1969. The trend was supported by the increased order intake in Germany and abroad. Capital expenditure in China, India and in many countries that mine raw materials was responsible for the high demand from abroad. Domestic business received a boost from the backlog in demand and increased investment in the expansion of capacity.

Germany's electrical and electronic industry similarly benefited from the increased propensity to invest in 2007 and was additionally strengthened by booming demand from important customer industries in some cases. In the electrical industry, business was particularly good in the energy transmission and distribution, and in the automation technology sectors. Their worldwide growth had a positive impact on the development of the sales. The increase in sales in Germany in the second quarter of 2007 exceeded the improvement abroad for the first time for ten years and therefore contributed significantly to the positive development. As a result, sales in the electrical engineering and electronics industry increased by about 6% in 2007.

U.S. dollar under pressure

The U.S. dollar was under pressure on the international foreign exchange markets in the fiscal year and reached a new all-time low against the euro, which helped to support the base metal prices. Although the euro was still valued at a dollar exchange rate of 1.27 at the beginning of October 2006, it strengthened increasingly from mid-February 2007 onward, as confidence in the U.S. dollar evaporated. While it became clear that the economy in the Euro zone was going to grow more strongly than initially expected, the negative financial news from the United States continued. An increasing burden emerged from the problems in the U.S. mortgage and credit markets. The interest differential between the U.S.A. and the Euro zone was a further major factor. The dollar temporarily reached a new record level of US$ 1.36 per euro at the end of April 2007. Following declines in the interim, even this was surpassed as the year went on. At the end of September 2007, the U.S. currency was quoted at almost US$ 1.42 to the euro.

Trend *US$/€ exchange rate*



INDUSTRY-SPECIFIC GENERAL ECONOMIC FRAMEWORK

Industrial metals still in demand

Especially the markets for industrial metals profited during the past fiscal year from the good level of international economic activity. While the average demand for metal has increased substantially in this decade, output has not improved to a sufficient extent. Although the uncertainties have increased due to the mortgage crisis in the U.S.A. and prices have become more volatile, the sector as a whole was in a robust state.

Precious metals were considerably in demand, whereby the main emphasis was on the security aspect in view of the increasing uncertainties. The price of platinum and gold in particular increased. The price of silver, which is also partly regarded as an industrial metal, was unable to follow this trend and the silver price moved sideways from May 2006 until the end of the fiscal year.

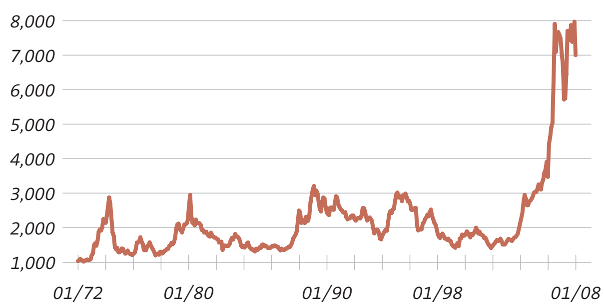
Copper market proves to be robust

NA's core business is the production and processing of copper. The market situation was marked by shortages and growing demand. The copper market benefited equally from the investment-driven boom of the global economy and a stoppage-prone production situation. Investors again influenced the price formation at the metal exchanges. Although investors were inclined to minimise the risks in their portfolio strategies following the outbreak of the mortgage and credit crisis in the U.S.A., the reduced prices were also still used to build up new commitments.

Copper price stable at a high level, following a decline

The average copper price of US$ 7,088 (settlement) during the fiscal year was significantly higher than in the prior year (US$ 6,033). The development of the price was however at times marked by strong fluctuations. Following an unsettled beginning with quotations between US$ 7,250 and 7,600/t, the copper price fell by February 2007 to US$ 5,225/t, accompanied by a strong increase in stocks at the metal exchanges. As the year progressed, more positive market assessments outweighed the negative ones. Analysts repeatedly scaled up their price forecasts for copper. The metal price passed the US$ 8,000/t mark in mid-April 2007, and reached a record level for the fiscal year of US$ 8,205/t on 9 May 2007, which at the same time was nominally an all-time high. A floor at some US$ 7,500/t was then established, with a continued tendency for sharp fluctuations. Increasing uncertainty on the financial markets after the summer of 2007 encountered only a slight reaction on the copper market. The copper price once again rose to over US$ 8,000/t during the final few days of September 2007.

Copper price trend since 1972 *in US$/t – 3-month quotation LME*



> The average copper price of US$ 7,088 (settlement) during the fiscal year was significantly higher than in the prior year (US$ 6,033). The development of the price was however at times marked by strong fluctuations.

Global demand for copper still increasing

The most important single factor in the copper market in fiscal year 2006/07 was again the demand for copper that developed well globally overall, but showed disparate trends regionally.

The driving force behind the global growth rate of 4% to 5% was the dynamic development of demand in China. Following a more restrained pace in 2006, Chinese demand for copper increased significantly in 2007. This was manifested by the sharp increase in cathode imports. The momentum for this development came from the expansion of the energy production facilities and local distribution networks, the modernisation of the rail network, and constant growth in the production of components for the automotive industry and air conditioning technology. In addition, the sustained expansion of the processing industries resulted in increased demand for cathodes. It is also believed that the strategic stocks of copper in China were built up again. With a share of some 25% of global demand, China is in the meantime the largest consumer of copper worldwide. Experts differ in their estimates of the growth in demand in 2007, but it is currently expected to have amounted to at least 16%.

High copper demand in Western Europe, despite weaknesses

Following the extraordinary increase in the demand for refined copper in Western Europe in 2006 by about 10% to an all-time high, demand in 2007 was unable to repeat this feat. It was 3.5% to 4.5% lower than in the prior year, which compared with 2005 was however still very high. In the Eastern European countries, on the other hand, demand for refined copper rose by about 16%.

Demand for continuous cast wire rod and the cable and wire produced from wire rod remained high until the end of the fiscal year. All the main countries in Western Europe reported growth in demand that is believed to have exceeded 4%. In Eastern Europe, demand with an increase of more than 8% was even greater. The driving force in Europe as a whole was the demand for energy cable, as a result of above-average investment in energy supplies.

Sales of copper flat products were initially very restrained in Europe after the summer break. The order intake in the industry was sharply lower than in the first half of the fiscal year. In Western Europe, production of copper flat rolled products fell by more than 7% by the end of September 2007, and the output of alloyed products by between 5% and 6%.

The German processing industry reported a similar trend. German demand for wire rod was almost 6% up on the level in the prior year. The business with flat rolled products slowed down, especially from the beginning of the second half of 2007 onwards. Whilst the order intake from the energy sector and the car industry still remained satisfactory, it declined in other sectors.

Real estate crisis not without effects on U.S. demand for copper

Following the deterioration in the real estate crisis in the U.S.A., critical glances were directed towards demand for copper in that country. Since the construction sector with about 50% is the main user of copper, copper sales were directly also affected by the overall economic developments. Copper is used there mainly in installation pipes, sanitary fittings, air conditioning technology and as an electricity conductor. Private construction projects in the U.S.A. fell in September to their lowest level since March 1993, and the backlog of unsold houses reached a 16 year high. This was only partly compensated by a positive trend in investment in public sector and commercial construction. Following a still relatively good first half of 2007, the demand for copper fell. As a result of this two-stage development, the decline of about 1% to 2.5% in the U.S. demand for copper for 2007 as a whole is still not excessive.

Global output of copper is not increasing to the necessary extent

The high copper price in 2006 and 2007 continued to offer tremendous incentives to increase the output of copper. Despite this, a situation of insufficient development on the supply side continued on the copper market.

This was due to various factors. On account of the prevailing high-price phase for copper and good earnings situation in the mining industry, the readiness of the workers to take strike action was also pronounced in 2007. Although wage disputes were not on the same scale as in 2006, they lasted longer in some cases, and resulted in a loss of copper mining output, especially in Chile, Peru and Mexico.

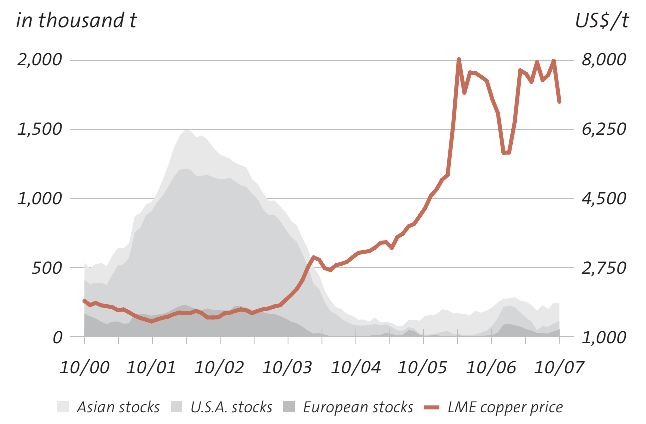
Many older mines have already passed their prime. Declining copper content in the ores could not always be compensated by increased throughput. The transition in some instances from open cast to underground mining was similarly accompanied by cutbacks.

On account of generally reduced inventory holding, reduced mining output increasingly had repercussions along the entire copper value added chain.

Market for copper concentrates under pressure

The insufficient increase in mining output at the same time as higher demand also led to a significant shortage in supply on the concentrate market. The existing stocks of copper concentrates were substantially reduced. The negotiations between the smelters and the mining companies on new treatment and refining charges proved to be very difficult, and the purchasing conditions deteriorated. In the mid-year negotiations of the Asian smelters in the summer of 2007, treatment and refining charges were mostly agreed at just over US$ 50/t and 5 cents/lb, while they had still been at a level of US$ 60/t and 6 cents/lb at the end of 2006. The shortage of concentrates also had an impact on the spot business. Many tenders could only be obtained by traders through significantly reduced TC/RCs. China's leading copper smelters responded to the low TC/RC level with the announcement that they would reduce their throughput for a time by 10% to 15%.

Copper price and copper stocks at the metal exchanges



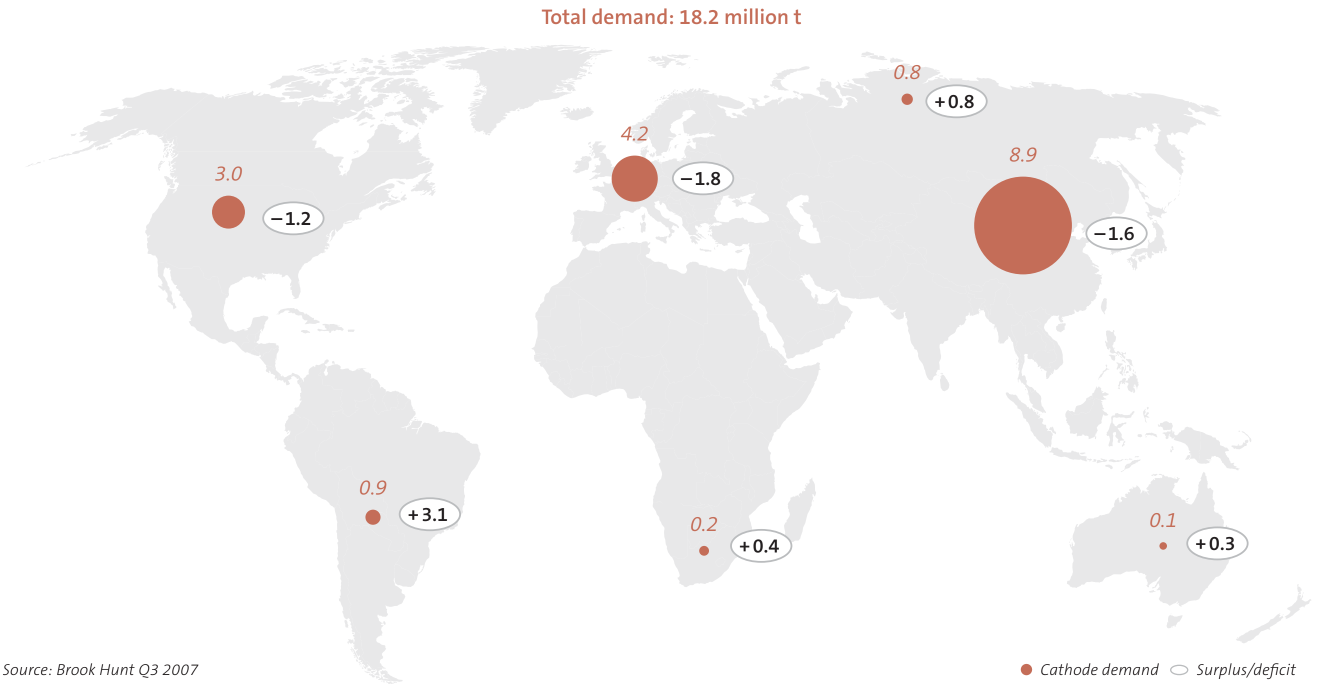
> The combination of higher demand and insufficient supply on the copper market resulted overall in a relatively balanced market situation.

Increased demand of recycling raw materials

Copper recycling raw materials form the second mainstay for smelter supplies and were in good supply in the fiscal year. The higher copper price ensured the intensive collection of raw materials and a low inclination to increase stocks in the trade. The good employment situation in the processing industry also had a positive effect, since it resulted in large quantities of copper-bearing production residues. As a result of the German Electrical and Electronic Equipment Act, which has been in force since March 2006, at least four kilograms of electronic scrap per person and year must be recycled. The implementation of this ruling resulted in the availability of larger quantities.

The good situation on the international copper scrap market is also due to the limited activities of Chinese buyers in Europe and North America. More stringent controls by the Chinese customs authorities to combat smuggling and false declarations for imports of copper and metal scrap resulted at times in piled-up scrap deliveries in Chinese ports that reduced the buying activities. The competitive pressure on the European smelters and scrap processors declined as a result, so that considerably higher refining charges could be obtained in the market. The refining charges for the other recycling raw materials also increased during the fiscal year.

Cathode demand and surplus/deficit situation by regions 2007 *in million t*



Source: Brook Hunt Q3 2007

Output of refined copper subject to limitations

The expansion of capacity on the smelter side has made further progress. In addition, endeavours were made to achieve maximum output by delaying scheduled stoppages for maintenance. This is, however, only possible to a limited extent. Strategic or operational production cutbacks at some companies have also had a negative effect on capacity utilisation.

The entire raw material sector continued to be limited by shortages of qualified personnel, equipment and energy. According to the estimates of the International Copper Study Group, this has had the consequence that global growth in the output of refined copper in 2007 will be limited. It amounted to 558,000 tonnes from January to August 2007, or not quite 5%. Capacity utilisation in the same period amounted to 83% and was thus even lower than in the prior year.

Low copper stocks overall

In addition to the production of copper, the level of the available cathode inventories is the second important determinant for the supply of copper to the market. The main indicators are the visible stocks at the warehouses of the metal exchanges. Compared with the high of more than 1 million tonnes between 2001 and 2003, they were at a low level overall during the past fiscal year.

Although the copper stocks in the warehouses of the London Metal Exchange increased from some 114,000 tonnes in October 2006 to 216,000 tonnes in February 2007, they then declined again and even fell below 100,000 tonnes at times in July. Stockpiling then became the order of the day, and resulted in an increase to 130,000 tonnes by the end of September 2007. The changes in stocks on the New York Comex were in a corridor of about 18,000 tonnes to 33,000 tonnes with a tendency to follow the trend on the LME. The copper quantities stored in the warehouses of the Shanghai Futures Exchange peaked in May and June 2007 at almost 100,000 tonnes and amounted to some 48,000 tonnes at the end of the fiscal year. The copper stocks outside the metal exchanges, such as China's strategic reserves, are not verifiable. It is, however, assumed that they will have increased again in the meantime, following the decline of quantities in the prior year. Nevertheless, in view of the expanding demand, all the copper stocks were only able to contribute to a limited degree to easing the supply situation on the copper market.

Copper market in equilibrium

The combination of higher demand and insufficient supply on the copper market resulted overall in a relatively balanced market situation, although industry experts had thought it possible in the prior year that there would be a return to a significant production surplus. Seen statistically, the assumptions for 2007 range from a slight production surplus to a slight deficit. There is, in particular, a lack of clarity about the extent of the changes in stocks outside the metal exchanges.

Business trends

The NA Segments: Copper Production and Copper Processing

NA's business success is the result of the coordinated activities of the two segments, Copper Production and Copper Processing. NA covers all the main parts of the value added chain of copper with these two sectors. The integration of copper production and copper processing offers the raw material suppliers and customers a variety of business opportunities and provides NA with significant competitive advantages in market development.

The Copper Production Segment operates smelters and tankhouses at the Hamburg and Lünen production sites. Copper cathodes are produced in Hamburg mainly from copper concentrates and in Lünen from a variety of recycling raw materials, and fulfil the highest quality demands. Copper cathodes provide the main supply basis for the products produced in the Copper Processing Segment.

Apart from copper, the Copper Production Segment also extracts the precious metals contained in the raw materials, i.e. gold and silver as well as by-metals such as nickel, lead or tin, in the form of marketable products. Sulphuric acid and iron silicate in the form of stone and granules complement the product range.

Recycling raw materials are collected and prepared at the subsidiaries and affiliated companies, CABLO Metall-Recycling & Handel GmbH and E.R.N. Elektro-Recycling NORD GmbH. The production and marketing of selenium is performed by the subsidiary, RETORTE GmbH Selenium Chemicals & Metals, while Peute Baustoff GmbH is responsible for the distribution of iron silicate products.

In the Copper Processing Segment, NA produces copper products from its own and bought-in copper cathodes, primarily focusing on the metal's high electrical and thermal conductivity.

Continuous cast wire rod and shapes are produced from copper cathodes in the first processing stage. Wire rod is made in Hamburg (NA) and Emmerich (Deutsche Giessdraht GmbH, 60% NA). The production of continuous cast shapes from pure copper materials is carried out in Hamburg (NA). Schwermetall Halbzeugwerk (50% NA) in Stolberg produces continuous cast shapes made of copper alloys.

In the subsequent processing stages in Stolberg, a large proportion of the shapes produced in the group are processed into pre-rolled strip, strips and shaped wires.

Strong position in a dynamic market

NA is most efficient both in the production and processing of copper. As a result of the integration of the processing of recycling materials and copper concentrates, scrap is melted down in a significantly more energy-efficient process than at a pure scrap processing facility. Moreover, NA is also particularly successful in the processing of electronic scrap on account of its innovative technologies. In the product sector, the reliable supply of the group's own cathodes at a constant, high quality represents a further key prerequisite for NA's business. Delivery reliability, even in difficult situations, as well as the top quality of the copper products is a decisive competitive factor, particularly in today's markets. Thus, NA products are predestined for demanding applications, such as in electronics, in chip fabrication or as a matrix material for superconductors.

BUSINESS TRENDS
COPPER PRODUCTION SEGMENT

Copper Production Segment achieves excellent results thanks to good raw material availability and high productivity
The Copper Production Segment developed very positively throughout the fiscal year. Although the concentrate market was affected by short supplies, NA was able to keep its smelter facilities fully supplied and even to increase material throughput once again. NA's long-term market development strategy again proved to be a competitive advantage. Treatment and refining charges for copper concentrates, which are mainly procured under long-term supply agreements, were at a high level.

In the procurement of recycling raw materials, the business is based on spot and longer-term agreements with a term generally of a year. The supply of copper scrap was good, and the refining charges correspondingly high. There was only a temporary downturn in the second quarter of the fiscal year, but this had no impact on the full utilisation of all the available recycling capacities in the NA Group. The processing of other recycling materials provided satisfactory margins.

The sharp increase in precious metal prices resulted in a significantly better supply of precious metal-bearing raw materials and recycling materials. The NA Group exploited this positive market trend and, above all, substantially increased its silver production.

A good, reliable supply of raw materials was assured throughout the fiscal year. At the same time, NA achieved excellent availability of its production facilities throughout.

At more than 98%, plant availability in concentrate processing was very good, even when compared internationally. The concentrate throughput in the Hamburg primary smelter (RWO) was increased by more than 7% compared with the prior year to 1.115 million tonnes.

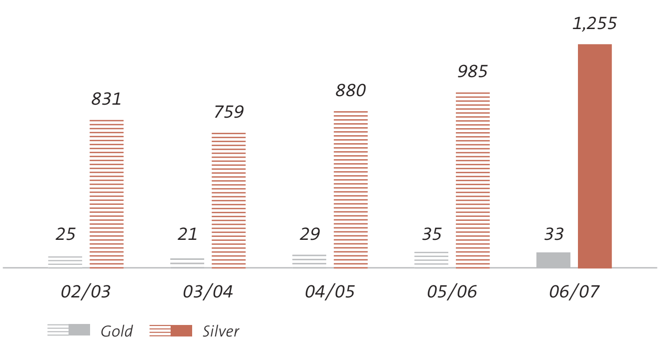
The output of sulphuric acid, which is related to the quantity of concentrates processed, exceeded 1.1 million tonnes for the first time. It was sold with increased revenues especially to customers in Northern Europe.

Before valuation of LIFO inventories

Copper Production Segment *in € million*	*2005/06*	*2006/07*
Revenues	3,980	4,474
EBT	67.0	181.5
EBIT	68.7	184.1
*Capital expenditure**	41.6	77.7
Depreciation and amortisation	40.3	45.7
Average number of employees	2,063	2,083

** on intangible assets and property, plant and equipment*

Gold and silver output *in t*



About 46,000 tonnes of the copper anodes produced in the primary smelter (RWO) were delivered to the Lünen copper tankhouse as additional supplies within the context of the group-wide production network.

We succeeded in noticeably increasing the cathode output at both group production sites compared with prior-years thanks to optimal capacity utilisation and operational improvements. A total of 572,000 tonnes of top-quality copper cathodes was produced, a significant improvement on the prior-year output of 551,000 tonnes of copper cathodes.

The processing of secondary raw materials was further enhanced at the Lünen recycling centre. In accordance with NA's recycling strategy, these were mainly complex materials with low copper contents. Throughput of electrical and electronic scrap, a key raw material sector, was up 34%.

A significant competitive advantage in NA's production processes is the possibility to feed precious metal-bearing materials into the various stages of copper production and to extract precious metals as a product in the state-of-the-art refining facilities. Since the supply situation for precious metal-bearing raw materials was good, silver production increased significantly to 1,255 tonnes compared with the prior-year output of 985 tonnes. Gold production at 33 tonnes was, however, 2 tonnes down on the prior-year output on account of the raw material mix.

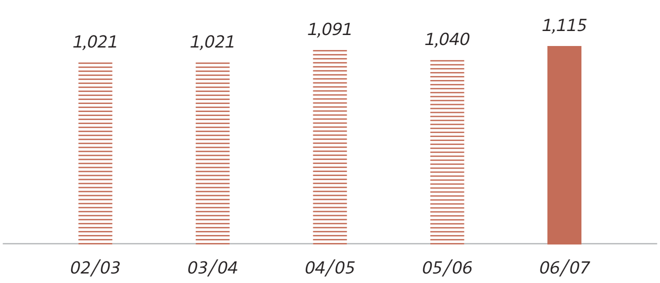
Overall, earnings in the Copper Production Segment improved considerably in the fiscal year on account of the positive state of the raw material and sales markets as well as the good operating performance in the production sectors and at the subsidiaries that are assigned to the segment, RETORTE, CABLO, Peute Baustoff GmbH and E.R.N. Elektro Recycling NORD GmbH.

On a turnover of € 4.474 billion, earnings before taxes totalled € 181 million, an increase of € 114 million or 171% year-on-year.

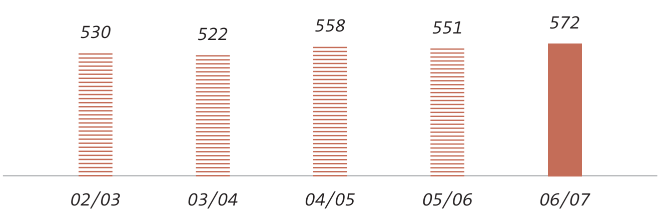
If the revaluation of LIFO inventories is included, segment earnings before taxes increased to € 224 million, an increase of € 10 million compared with the prior year.

The number of employees in the segment increased by 20 to 2,083.

Concentrate throughput *in thousand t*



Cathode output *in thousand t*



BUSINESS TRENDS
COPPER PROCESSING SEGMENT

Production in the Copper Processing Segment at the highest level

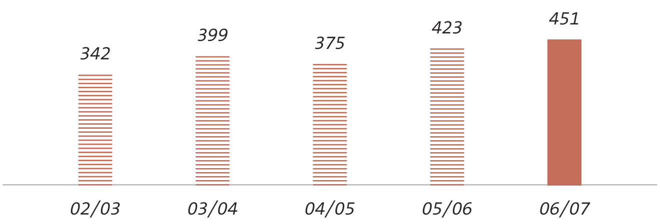
Fiscal year 2006/07 was marked by high demand for copper products in Europe. The positive trend, above all, in the production, conversion and distribution of electricity resulted in very high demand for high-grade copper products. Investment in the renewable energy and decentralised energy supply sectors also stimulated demand. However, demand in the construction industry, e.g. for copper pipe installations and copper roofing, could not keep up and even declined in some instances. Above all, the substitution tendency on account of high copper prices was crucial to this development. Although, contrary to the prior year, there were no supply bottlenecks, NA recorded lively demand overall for its products.

The group succeeded in significantly increasing revenues in the new sales agreements. At the same time, with continuing high copper prices, it was possible to offset a substantial part of the financing costs by adjusting the terms and conditions.

In its business with customers, NA primarily concentrates on long-term partnerships. The customers show great interest in this and there are now more requests for agreements with terms exceeding a year. Apart from this important sales basis, NA can react to changes quickly on account of the flexibility of its facilities and variable manpower deployment, so that opportunities in spot business can also be exploited.

The production of wire rod in the Hamburg works and at our subsidiary, Deutsche Giessdraht GmbH in Emmerich (NA share: 60%), again exceeded the prior-year's output and reached a new all-time high of 451,000 tonnes. This represents a further improvement of almost 8%. The increased sales are due in particular to very high demand for both copper-intensive energy cable and enamelled wire in Europe. This production output was made possible by a continuous shift system, while, at the same time, the scheduled weekly stoppages for maintenance were significantly shortened by optimisation measures.

Wire rod output *in thousand t*



Before valuation of LIFO inventories

Copper Processing Segment *in € million*	*2005/06*	*2006/07*
Revenues	4,488	5,053
EBT	38.0	78.4
EBIT	44.1	84.5
*Capital expenditure **	5.1	13.8
Depreciation and amortisation	11.1	11.5
Average number of employees	1,117	1,125

** on intangible assets and property, plant and equipment*

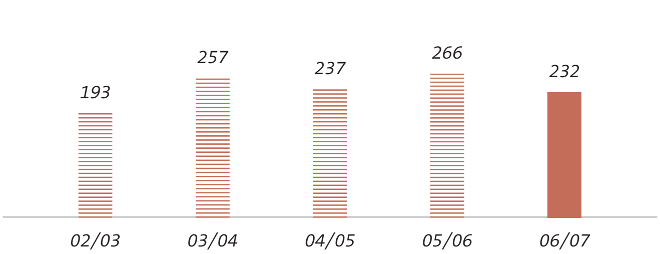
As to continuous cast shapes produced in Hamburg from pure copper, it was not possible to match the all-time high of the prior fiscal year. With a total of 232,000 tonnes, output of shapes was some 13% down on the prior-year's record level. While sales of high-grade shapes could be maintained at a stable level, the continuous cast products for the construction sector suffered from the stagnating demand for copper in this industry. Reduced unit sales of the more basic products – in particular billets – due to material substitution had to be absorbed, in particular in the final few months of the fiscal year. Likewise, sales of cakes, which are mainly processed within the group at Schwermetall Halbzeugwerk in Stolberg, were hit by a declining order intake in some sectors.

Production of pre-rolled strip was unable to reach the prior-year level. With an output of 240,000 tonnes, about 8% less was produced. This was mainly due to reduced demand for pre-rolled strip for copper roofing and the unfavourable exchange rate compared with the U.S. dollar. The export of pure copper materials to the U.S.A. is particularly affected.

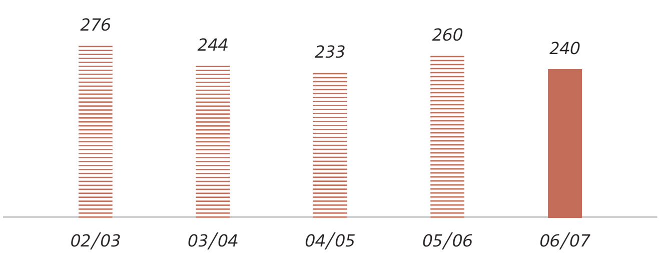
Schwermetall Halbzeugwerk however succeeded in more than compensating the loss of value added by producing alloys for special applications and by increasing its margins. In addition, the company benefited from favourable markets for directly usable scrap, which is used in production.

Prymetall in Stolberg produces copper strip and shaped wires. Output totalled 62,000 tonnes, about 8% down on the prior year. As part of its strategy to improve its earnings, Prymetall concentrated on high-quality products for the electronics industry with considerably better margins. The company has successfully continued along this route over the last few years. As an example, NA has utilised the know-how gained following the acquisition of the EIP slitting centre in Birmingham two years ago for the erection and operation of a slitting centre in Slovakia. Thus, a first important step towards the exploitation of the East European market has been taken. The slitting centre in Dolný Kubín came into operation on 1 October 2007 after a construction period of eight months.

Continuous cast shape output *in thousand t*



Pre-rolled strip output *in thousand t*

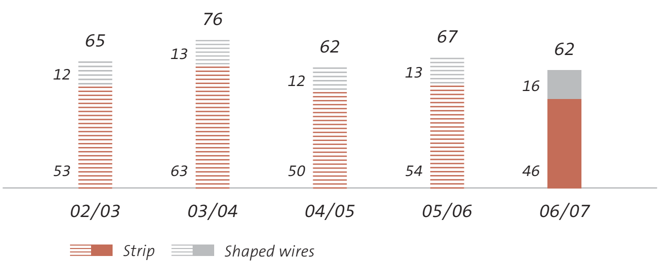


In contrast to the prior fiscal year, Prymetall's shaped wire sector made a major contribution to the company's success by achieving a record output of 15,500 tonnes in the year under review. Here too, the improved availability of directly usable copper scrap made good profit contributions.

Segment revenues rose 13% to a new record level of € 5.053 billion. Pre-tax earnings at € 78 million were 106% up on the prior year. After the inclusion of the revaluation of LIFO inventories, the segment achieved earnings of € 91 million (€ 112 million in the prior year), Schwermetall Halbzeugwerk and Prymetall also generated improved annual earnings.

The Copper Processing Segment had an average of 1,125 employees in the fiscal year (1,117 in the prior year).

Copper strip and shaped wires *in thousand t*



CENTRAL SERVICES

The Central Services sector supports the operating segments in the NA Group by providing services in maintenance, procurement, logistics and energy supplies.

The continuing positive economic trend in Germany again placed significant demands on this sector. The high level of capacity utilisation at the suppliers led to a noticeable shortage of capacities and resources in almost all markets in the past fiscal year. Equipment and parts as well as operating supplies became more expensive, while delivery times increased considerably. Nevertheless, we succeeded in reducing the procurement costs in most areas of material purchasing as a result of intensive market research, the exploitation of new procurement opportunities abroad and intensified processing of the market.

The sharp rise in energy prices was once again of major significance. NA had to digest an electricity price in the fiscal year that was higher than the level before the liberalisation of the energy markets. However, by concluding an agreement at a favourable time, NA was able to peg the electricity price for the next two years at a level that is considerably below the prices currently payable for 2008 and 2009.

In addition, we succeeded in concluding a 30-year contract with Vattenfall Europe for the cost-based procurement of electricity for the NA Group, beginning in 2010. It will provide NA with an economically favourable supply, similar to that which would have been available from our own substitute fuel power plant that was originally planned. We cancelled this project in favour of the new agreement, since the latter involves fewer risks.

> The Central Services sector supports the operating segments in the NA Group by providing services in maintenance, procurement, logistics and energy supplies.

NA is continually working on saving energy as part of the eNergiA project. This foresees the implementation of more than 150 individual measures, with which we will achieve an additional significant reduction of 40,000 tonnes per annum in CO_2 emissions.

Since the beginning of 2007, copper concentrates are being discharged, stored and mixed into a furnace-ready blend in Brunsbüttel. They are then delivered with special, newly-constructed barges to the primary smelter in Hamburg's East Works. This new logistics concept has been successfully implemented. By using a so-called ship-view system, NA's logistics system is now not only able to follow on monitors the vessels bringing the concentrates from Brunsbüttel to Hamburg, but also the seagoing vessels from the time they arrive in the English Channel. This has enabled us to improve the scheduling of the sampling processes in Brunsbüttel as well as all the logistics activities at our works.

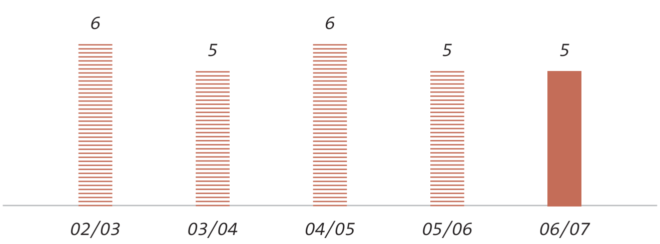
RESEARCH & DEVELOPMENT (R&D)

R&D activities reoriented

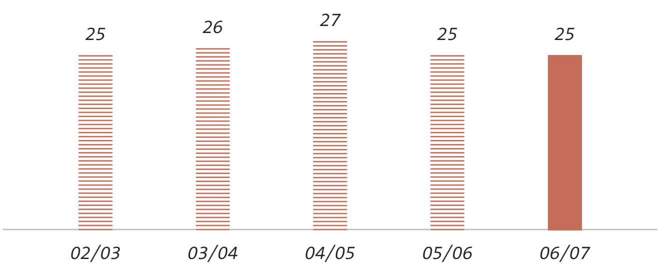
Innovation capability at all stages of the value added chain is of great importance for us. It ensures that we will be able to maintain or further enhance our technologically strong position also in the future. To this end we have restructured our group sector, R&D. It now includes the R&D sectors of Copper Production, Recycling and Copper Products.

R&D's main task in the Copper Production and Recycling Sectors is the continuous improvement of process procedures and process technology in the treatment of primary and secondary raw materials for the extraction of copper, precious metals, by-elements and chemical products. The adjustment to the permanently changing requirements on the raw material and product markets will play an important role here in future. The main aims in this sector are to achieve increased productivity and flexibility, quality improvement and the conservation of resources.

R&D expenditure *in € million*



Number of R&D employees



In the Copper Product Sector, the key task focuses on the development and optimisation of our copper semi-finished products. This is being performed by R&D together with the Product Technology Department. We are also responding here to changing requirements on the markets, developing new products adapted to customer demands and improving the properties of existing products.

The work is performed by our own R&D employees in close collaboration with the production sectors. As at 30 September 2007, the R&D team had 25 employees, including nine engineers and scientists. Most of them are employed at the Hamburg production site. It is planned to increase the team to enable us to process the growing number of projects successfully. In 2007 we also intensified our cooperation with universities and colleges and intend to expand this further.

R&D expenditure amounted to some € 5 million and mainly flowed into projects for process optimisation. We spent about € 1.2 million on the acquisition of machines for a pilot plant in the CIS solar cell project.

R&D projects optimise processes and contribute to product development

R&D in the Copper Production Segment focused on optimisation of the processing routes for complex raw materials at the production sites in Hamburg and Lünen. A key aspect of this work was the metallurgical processes for the more effective separation of copper, nickel, tin and zinc. As a result of the development of innovative process gas treatment in the secondary smelter sector, the treated SO_2-bearing process gas can now be added at a more favourable point in the production of sulphuric acid. The released off-gas quantity is now available to increase the throughput of copper concentrates. In addition, we have successfully commissioned the expansion of the electrolyte treatment facilities. This enables us to maintain or enhance our good position in the processing of impure copper concentrates. In the wastewater treatment sector, we once again succeeded in significantly improving our environmental balance sheet. A recycling system developed by R&D enables us to reduce the quantities of waste and to save chemicals.

In the Copper Processing Segment, we have continued work on the development of specialty copper products for electrical and electronic applications and the connector market. This also includes work to prepare and optimise technology for the production of high-performance alloys as well as their qualitatively high-grade surface coating in the hot tinning process.

An independent R&D project was the development of flexible CIS solar cells until production maturity. The aim of this project is the exploitation of the future market of renewable energy. We hired additional young engineers here for the commissioning of the pilot plant and increased the number of staff to 17.

The CIS solar cell project focuses on cost-effective production processes, such as electroplated deposits, and targets the cost-efficient continuous production of solar cells on metal foil. In the past year, we again succeeded in slightly improving the efficiency rate of our flexible solar cells in the laboratory to 12%. The work however mainly concentrated on transferring the very good laboratory results to continuous line production processes (roll-to-roll technology). For this purpose, we developed a pilot plant and commissioned all the necessary coating machines. Since the delivery of some of the machines has been delayed, the project schedule has been extended by some six months to 30 June 2008. With the support of our contract partner, Cordes & Graefe, we are at the same time developing the processing of CIS solar cells into complete solar systems for roofs and facades.

> Our success is sustained by our dedicated employees. They secure and shape the future of our group.

We will take a decision on the construction of a production plant when we have the results of the pilot phase. It is planned, with capital expenditure of € 60 to € 70 million, to have a production plant with 30 MWp (Megawatt peak) at the latest by 2010. This project offers NA the opportunity to enter a new, attractive business sector with innovative technology.

HUMAN RESOURCES

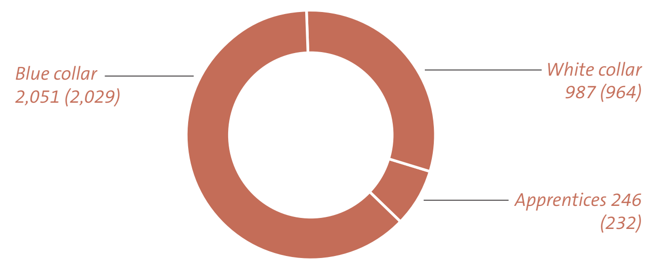
Personnel structure

Our success is sustained by our dedicated employees. They secure and shape the future of our group. We therefore support vocational training, just as intensively as the acquisition of further skills and qualifications, by participating in extensive advanced training programmes. These measures give the employees the opportunity to further develop their skills and optimally achieve their potential.

The number of employees in the group increased slightly as at 30 September 2007 to 3,284 (3,225 in the prior year). Almost two thirds are blue collar workers. About 24% of the white collar workers have degrees, while about 13% of them are employed as foremen in the production and maintenance sectors.

Personnel structure NA Group *as at 30 September*

Total 3,284 (3,255 in the prior year)



Prymetall Slovakia s.r.o. was consolidated for the first time with eight employees.

NA AG had 2,493 employees at fiscal year-end, of which 2,040 (2,005 in the prior year) were at the Hamburg site and 453 (448 in the prior year) at the Lünen recycling centre.

Qualification campaign 2007

In personnel development, NA meets the challenges of the future with a variety of programmes. Demographic developments and the current improvement in the general economic environment mean that it will in future be more difficult to find good and committed employees. We are therefore pursuing unconventional routes to improve our appeal as an employer.

Renewed increase in the training ratio

During the past fiscal year, we increased the number of apprenticeships in the NA Group by 26. At the end of the fiscal year, 246 young people at NA were in apprenticeships, representing about 7.5% of the group's workforce, up from 7.2% in the prior year.

For the new apprenticeship year 2007, we again were able to offer 82 apprenticeships in a total of 18 different trades and professions. Increasing numbers of girls are meanwhile also choosing technical apprenticeships. We encourage this trend and are proud that one of NA's female apprentices achieved the best grades in Germany in her process engineer finals. In Hamburg, the new apprentices were welcomed by the Mayor of Hamburg, Ole von Beust, in August 2007, who used this opportunity to thank NA for its great commitment to the training of school leavers.

Work experience days: setting a precedent

About 48% of all children under six years old in Germany have a migrant background. These children have special intercultural abilities that enrich our society. However, it has also emerged that the remedial needs of these children are often greater. For this reason, NA signed an exemplary Cooperation Agreement in 2004 with the Slomanstieg School in the Hamburg district of Veddel. This suburb is in the immediate vicinity of NA and has a high percentage of migrants. The schoolchildren from the 8th class are being introduced with great success to the practical side of the working world on one day in the week. They learn how to handle metals and state-of-the-art machines in our training workshops. They are allowed to file, drill and saw on the work benches and thus receive the first practical impressions of daily routine in a large industrial enterprise. At the end of the school year, they are given a certificate that will help them later on when they are looking for an apprenticeship. For NA, the project has the advantage of putting the company in contact with motivated youngsters early on.

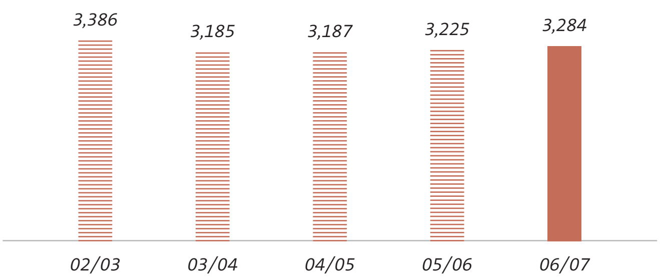
9 Plus programme: new training opportunities for secondary school leavers

NA is taking completely new routes with its 9 Plus programme. We concluded the Cooperation Agreement 9 Plus in August 2007 with the City of Hamburg and the Slomanstieg School. School leavers, who have successfully completed their schooling but have not found an apprenticeship, receive further instruction at the Slomanstieg School two days a week and are introduced to a possible apprenticeship in hands-on work experience at NA three days a week. NA has provided an additional 14 practical training places for this purpose.

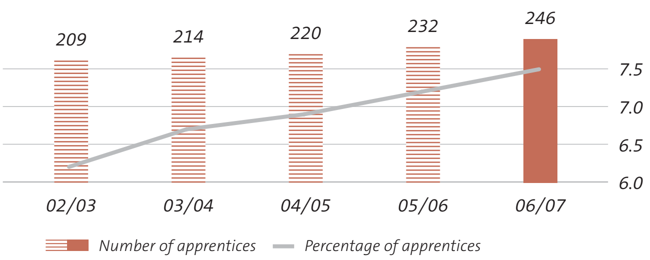
Further training is attributed great importance

Lifelong learning is necessary in order to match the constantly changing demands. In addition, we have to prepare ourselves for a longer working life. Under a new further training programme, NA production employees, who are unskilled or completed their vocational trading in a different trade, can achieve the further qualification as a production operator in the chemical industry. After successfully completing the course, these employees possess extensive skills and a recognised qualification that enables them to be employed in every production sector at NA. They can even continue their training to become foremen.

NA Group employees *as at 30 September*



NA Group apprentices *in number and % as at 30 September*



> NA regards the protection of the environment and the climate as a priority and holds a leading position in this field when compared internationally.

"NAchhaltiges (sustainable) Management" programme – optimisation of management effectiveness and efficiency

German industrial companies can only face the tough international competition with motivated and highly qualified senior staff and executives. Consequently, NA is investing long-term in the group-wide vocational and further training for its employees. During the past fiscal year, about 2,100 employees from all parts of the company participated in commensurate measures. The "NAchhaltiges Management" personnel development programme for senior staff, which started in the previous fiscal year, continued. At the same time, the participants complete consolidated and practice-related training, following a management audit. This has enabled us to further pursue the creation of uniform management understanding. Senior staff had the opportunity to reflect on and check their progress in the implementation workshops that were part of the programme. At the same time, we offered open seminars, in which individual development targets could be integrated.

Successful Technical University Open Day

Since increasingly fewer high-school graduates are deciding to study for a technical degree, we organised a Technical University Open Day at NA together with the universities for the second time on 27 February 2007. This year, some 600 pupils from numerous grammar schools in the Hamburg region gathered in the company's "Alte Schlosserei" communications centre. In addition to NA, the five partner universities of Aachen, Leoben, Clausthal, Freiberg and Hamburg-Harburg, as well as the Hamburg School of Business, provided information about careers in an industrial company. The science journalist, Ranga Yogeshwar, who is familiar as a result of a large number of TV broadcasts, chaired a discussion with the pupils on the subject of "The shortage of engineers". In view of the extremely positive feedback, we plan to make the Technical University Open Day a permanent event in the future.

Employee profit sharing at NA

Our employees participate in NA's success. Performance and success-oriented compensation is thus a fundamental element of the payroll system. Motivated and performance-oriented employees make a significant contribution to the success and value of the company. At the same time, the performance of the individual always depends on the performance of the team, department or production sector. Individual employee performance and the collective team performance complement each other and make a decisive contribution to the performance of the company as a whole, which is the third component of NA's compensation system.

Incentive programme

In December 2004, we introduced an incentive programme which provides a capital market-oriented compensation component for Executive Board members, senior staff and non-tariff employees in the form of a virtual stock option plan. The term of the first tranche of the programme ended in the spring of 2007. With this compensation component, employees share in the company's success if NA shares perform well and previously defined benchmarks are fulfilled. The prerequisite for participation is that senior staff own a certain number of NA shares, depending on their seniority.

Since the NA share price outperformed the CDAX, the participants were able to exercise a total of 472,450 options during the period from March to June 2007 and thus received a special bonus of altogether € 3.6 million as part of the incentive programme. The fourth tranche of the incentive programme was issued in April 2007.

Great demand for employee share ownership

To enable as many employees as possible to participate in the company with a growing number of shares, we offer group employees the opportunity to buy NA shares at a discount. Considerably more employees took advantage of this offer in the past fiscal year. Altogether 1,848 employees (1,241 in the prior year) bought a total of 38,335 shares (25,731 in the prior year).

Occupational safety further increased

We also worked in fiscal year 2006/07 on raising occupational safety standards and reducing accident frequency throughout the group. While this was very successful at NA in Hamburg, there is still room for improvement in the Lünen works. The 4.1 notifiable accidents per million working hours in our Hamburg operations were significantly below the average for the Employers' Liability Insurance Association of the German Chemical Industry, and represent a leading position for the industry. Accident frequency has likewise declined considerably at other group companies, indicating the positive impact of the measures taken to improve occupational safety.

Employees honoured for long service

During the reporting period, one employee celebrated 50 years, nine employees 40 years and 72 employees 25 years service with the NA Group. We should like to thank all of them for their loyalty and dedication.

Thanks from the Executive Board

The past fiscal year again presented significant challenges for NA that demanded a great deal of our employees. Together we mastered the challenges and can look back on an extraordinarily successful year. All employees contributed to this with great dedication and commitment. We would like to thank them most particularly for this. Our thanks also go to the employees' representatives for the continued very constructive and trusting cooperation.

ENVIRONMENTAL PROTECTION

NA regards the protection of the environment and the climate as a priority and holds a leading position in this field when compared internationally. We have invested some € 300 million since 1981 in environmental protection and have reduced specific emissions at the Hamburg site by about 80% since 1990. At the Lünen works, which has belonged to the NA Group since 2000, we have managed to reduce specific emissions by about 70%.

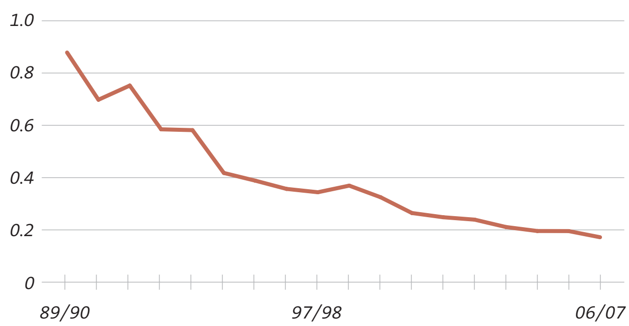
An environmental management system (EMAS und ISO 14001) has been in operation at the Lünen works for more than ten years. We also implemented a corresponding system at the Hamburg site a good five years ago. The efficiency of these environmental management systems is examined by an external verifier in an annual audit. Both systems were successfully recertified this year.

The TÜV NORD technical control board additionally certified the new material preparation plant at the Lünen works in accordance with the requirements of the Specialised Waste Management Company Ordinance and the Law on Bringing into Circulation, Return and Environmentally Safe Disposal of Electrical and Electronic Devices. With this and the certification of the quality management system at the site in accordance with DIN 9001:2001, we have taken a decisive step towards increasing the reliability of supplies of raw materials as regards the electrical and electronic scrap recycling sector.

Constructive cooperation with the authorities

NA pursues an open dialogue with the authorities throughout the group and participates in projects aimed at encouraging cooperation between industry and local government, such as the Hamburg Environmental Partnership. Contractual agreements have been concluded with the Hamburg Department for Urban Development and the Environment since 1985 covering improvements to environmental protection and increased energy efficiency on a voluntary basis. In some instances, they go far beyond the statutory requirements. In collaboration with the authorities, we define the measures to be taken as part of the Environmental Partnership that promise the greatest success in environmental and climate protection, based on their cost-effectiveness. The current agreement runs until 2008 and involves environmental protection measures totalling more than € 20 million. We have already implemented most of the measures in accordance with the agreed timetable. Projects to reduce fugitive emissions play a key role in our copper production. It is particularly important for us to develop innovative technology in the environmental protection sector. In doing so, we are also breaking new ground. Currently a project is being implemented to enclose and suck off fugitive emissions in the anode furnace and casting wheel sector in the Hamburg primary smelter (RWO). The plan involves capital expenditure of more than € 7 million.

CO_2-emissions NA AG since 1990 *in t CO_2/t copper*



We succeeded in achieving a technological advantage in Lünen with the development of the Kayser Recycling System (KRS) involving capital expenditure of some € 40 million. At the same time, we were able to achieve a significant reduction in emissions. Together with the authorities, we have agreed on a new, ambitious concept to reduce emissions involving capital expenditure of some € 10 million. Further voluntary environmental protection measures are planned in addition with an investment volume of € 8.5 million.

Responsible handling of raw materials and energy

The long-term supply of energy at economically acceptable prices is of great importance for the development of the production sites at an energy-intensive company like NA. At the same time, we believe that we are particularly committed to climate protection. We are practicing responsible care to benefit future generations through the economical use of raw materials and energy. We have succeeded in substantially increasing energy efficiency at both production sites. We have managed to cut specific CO_2 emissions by 78% at the Hamburg works and by 62% at the Lünen works since the base year 1990. Energy-saving projects have also reduced the specific energy requirement in the same period by 63% in Hamburg and by 53% in Lünen.

Results of operations, financial position and net assets

RESULTS OF OPERATIONS

The NA Group reports in accordance with International Financial Reporting Standards.

It has no longer been possible since 1 January 2005 under the current version of IAS 2 to measure inventories using the LIFO method. As a result, all available inventories in the NA Group are measured using the average cost method. Only inventories tied up permanently in the production process continue to be measured at average historic acquisition cost.

This however results in the reporting of gains and losses due to changes in the carrying amounts of inventories caused by metal price fluctuations. The resultant fictitious earnings could only be realised in the event of liquidation.

Before revaluation of LIFO inventories

Consolidated income statement *in € million*	*2005/06*	*2006/07*
Revenues	5,753	6,469
Other income	49	142
Cost of materials	(5,356)	(5,972)
Gross profit	**446**	**639**
Personnel expenses	(194)	(215)
Depreciation and amortisation	(52)	(58)
Other expenses	(89)	(106)
EBIT	**111**	**260**
Net interest expense	(8)	(9)
Earnings before taxes	**103**	**251**
Income taxes	(43)	(92)
Consolidated net income	**60**	**159**

On account of the group policy of covering metal price risks, they result in profits that can neither be taxed nor distributed as dividends. This can result in considerable discontinuities and a loss of comparability.

In the interests of meaningful business reporting, NA is therefore initially reporting the results of operations, financial position and net assets on the basis of the presentation used by group management before the revaluation of the LIFO inventories, and will then explain how the results of operations, financial position and net assets are affected by the mandatory revaluation.

Development of earnings

The NA Group achieved by far the best results in its history in fiscal year 2006/07. This was due, above all, to the high treatment and refining charges for concentrate processing, a very good supply of copper scrap and other recycling materials at refining charges, which were considerably higher than in the prior year, and very good capacity utilisation. In addition, it was also attributable to increased efficiency in the Copper Production Segment, higher sales of wire rod at improved conditions, the exploitation of price effects in the copper market, and a significant improvement in the profit contributions from the subsidiaries.

The NA Group achieved by far the best results in its history in fiscal year 2006/07.

Before revaluation of LIFO inventories

Return on capital employed (ROCE) *in € thousand*	*1.10.2005*	*30.9.2006*	*1.10.2006*	*30.9.2007*
Equity	441,535	500,996	500,996	653,915
Pension provisions	51,060	54,964	54,964	58,799
Financial liabilities	125,116	182,850	182,850	298,989
Less: Cash and cash equivalents	(29,678)	(6,566)	(6,566)	(20,018)
Capital employed as at balance sheet date	**588,033**	**732,244**	**732,244**	**991,685**
Average capital employed	**660,139**		861,965	
Earnings before taxes (EBT)	103,076		250,993	
Net interest expense	7,918		9,209	
Earnings before interest and taxes (EBIT)	**110,994**		260,202	
Return on capital employed (ROCE)	**16.8 %**		30.2 %	

Before revaluation of LIFO inventories

Value added statement *in € thousand*	*2005/06*		*2006/07*	
Source				
Consolidated operating output	5,780,837	100%	6,586,223	100%
Less: Materials and services	(5,418,577)	(94%)	(6,044,641)	(92%)
Gross value added	**362,260**	**6%**	541,582	8%
Less: Depreciation and amortisation	(51,584)	(1%)	(57,894)	(1%)
Net value added	**310,676**	**5%**	483,688	7%
Application				
Employees	193,993	62%	215,394	44%
Public sector	42,933	14%	92,216	19%
Banks	13,607	4%	17,301	4%
Shareholders	39,012	13%	59,261	12%
NA Group and outside shareholders	21,131	7%	99,516	21%
Net value added	**310,676**	**100%**	483,688	100%

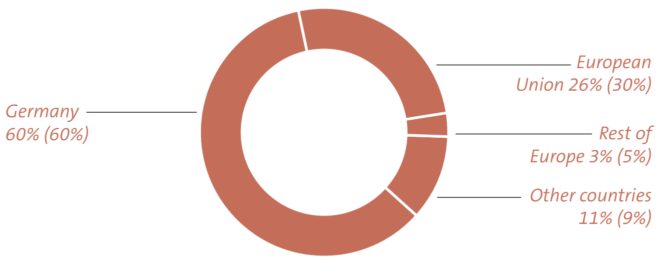
As a result, the gross profit improved by € 193 million to € 639 million. This was partly compensated by higher personnel expenses (+€ 21 million), depreciation and amortisation (+€ 6 million) and other operating expenses (+€ 17 million). In addition, the earnings were burdened by the termination of the Peute power plant project.

As a consequence, earnings before interest, taxes, depreciation and amortisation (EBITDA) at € 318 million were € 156 million up on the prior year. The improvement of € 149 million in earnings before interest and taxes (EBIT) to € 260 million, after having already achieved a very good result of € 111 million in the prior year, was even better. Earnings before taxes (EBT) accordingly rose by € 148 million to € 251 million. After deducting the respective tax charge, consolidated net income of € 159 million remained, compared with € 60 million in the prior year. This resulted in basic earnings per share of € 4.24 (€ 1.64 in the prior year) after elimination of the minority interest.

Value-oriented management and return on capital

The NA Group is managed in accordance with the principles of value-oriented management, based on the evaluation of the return on capital employed (ROCE). In fiscal year 2006/07, the average capital employed amounted to € 862 million, up from € 660 million in the prior year.

Revenues by regions *in % (prior-year figures in brackets)*



The extraordinarily good consolidated earnings before interest and taxes (EBIT) of € 260 million result in a return on capital employed (ROCE) of 30.2%. EBIT in the prior year amounted to € 111 million, representing a return on capital employed of 16.8%.

Source and application of value added

The value added statement presents the NA Group's economic performance after deduction of all materials and services employed in achieving this. The gross value added in the past fiscal year amounted to € 542 million, compared with € 362 million in the prior year. Net value added is calculated after deduction of depreciation and amortisation, and amounted to € 484 million in fiscal year 2006/07, compared with only € 311 million in the prior year.

The application statement shows the extent to which the various entitled groups participated in the group's value added. As can be seen, the largest portion, i.e. € 215 million, of net value added was distributed to the group's employees. The other main recipients of net value added are the public sector, shareholders and the group itself.

> Despite the already very high level of € 5,753 million in the prior year, the consolidated revenues improved further to € 6,469 million in the year under review.

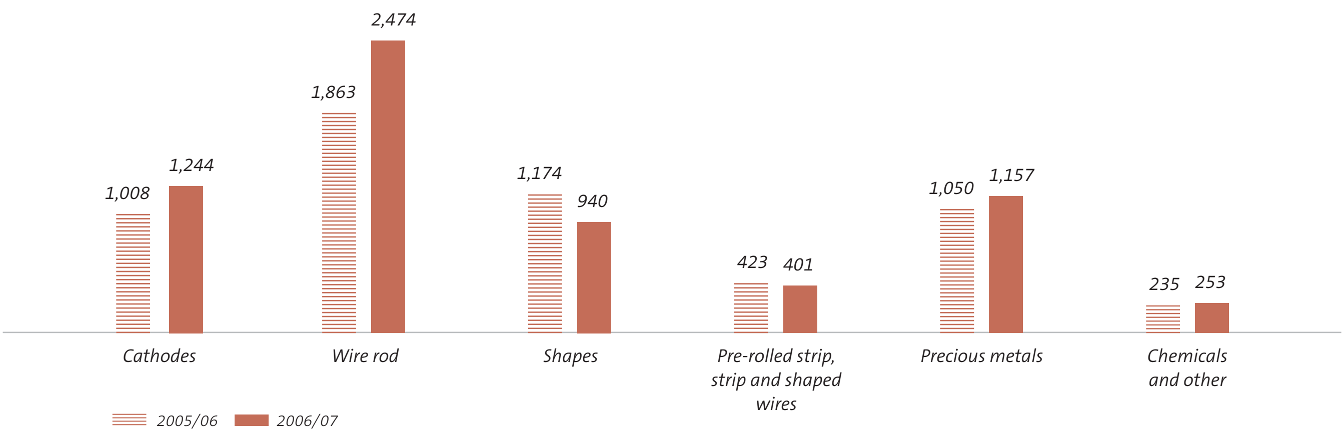
Development of revenues

Despite the already very high level of € 5,753 million in the prior year, the consolidated revenues improved further to € 6,469 million in the year under review. This was largely due to significantly higher wire rod revenues on account of increased unit sales, and higher cathode and precious metal revenues. Sales of continuous cast shapes, pre-rolled strip, strip and shaped wire however fell. Much lower unit sales also resulted in a decline in the revenues in these sectors.

As in the prior year, the NA Group generated by far the largest portion of its revenues with business partners in Germany (60%) and the European Union (26%).

As a result of the higher revenues, cost of materials increased from € 5,356 million in the prior year to € 5,972 million in fiscal year 2006/07. Nevertheless, a significantly higher gross profit of € 639 million was achieved, after including other income, compared with € 446 million in the prior year.

Development of revenues by product groups *in € million*



RESULTS OF OPERATIONS AFTER REVALUATION OF LIFO INVENTORIES IN ACCORDANCE WITH IAS 2

In accordance with IAS 2, all the group's available inventories have no longer been measured since fiscal year 2005/06 by the LIFO method that was applied until then, but on the basis of the average cost method. As a consequence, fluctuations in metal prices can lead to fictitious earnings that considerably limit the meaningfulness of the presentation of the operating earnings. This issue has already been discussed in the section on the results of operations on page 79 of this report. Despite this limitation, the consolidated results of operations after the revaluation of LIFO inventories are set out below in order to comply with legal requirements. Management, however, makes particular use of the information and ratios based on the LIFO valuation, as commented on in the previous section on results of operations, to control and evaluate the earnings.

Development of earnings after revaluation of LIFO inventories

The results of operations are also very positive after the revaluation of LIFO inventories using the average cost method. Although the effect on the earnings before taxes of the revaluation of LIFO inventories declined significantly from € 221 million in the prior year to € 56 million in the year under review, earnings before interest, taxes, depreciation and amortisation (EBITDA) in fiscal year 2006/07 at € 374 million were only slightly lower than the prior-year figure of € 383 million. This was due to the considerably higher earnings before the revaluation of LIFO inventories. In the prior year, the significantly higher valuation of the existing metal inventories on the basis of the average cost method impacted the earnings by € 221 million.

Taking into account depreciation and amortisation, earnings before interest and taxes (EBIT) amount to € 316 million, compared with € 332 million in the prior year. Following the deduction of net interest expense, earnings before taxes (EBT) after revaluation of the LIFO inventories therefore amount to € 307 million (€ 324 million in the prior year). At the same time, the change in the group tax rate due to the adoption of the 2008 corporate tax reform law, after including the revaluation of LIFO inventories, results in a significantly lower tax charge than in the prior year. The resultant consolidated net income for fiscal year 2006/07 after revaluation of LIFO inventories amounts to € 223 million, compared with € 192 million in the prior year. Following the deduction of the minority interest from the consolidated net income, basic earnings per share therefore amount to € 5.98 (€ 5.30 in the prior year) after revaluing the LIFO inventories in accordance with the average method.

After revaluation of LIFO inventories

Consolidated income statement *in € million*	*2005/06*	*2006/07*
Revenues	5,753	6,469
Other income	135	149
Cost of materials	(5,221)	(5,923)
Gross profit	**667**	**695**
Personnel expenses	(194)	(215)
Depreciation and amortisation	(52)	(58)
Other expenses	(89)	(106)
EBIT	**332**	**316**
Net interest expense	(8)	(9)
Earnings before taxes	**324**	**307**
Income taxes	(132)	(84)
Consolidated net income	**192**	**223**

Return on capital employed (ROCE) *in € thousand*	1.10.2005	30.9.2006	*After revaluation of LIFO inventories* 1.10.2006	30.9.2007
Equity	504,620	696,160	696,160	913,632
Pension provisions	51,060	54,964	54,964	58,799
Financial liabilities	125,116	182,850	182,850	298,989
Less: Cash and cash equivalents	(29,678)	(6,566)	(6,566)	(20,018)
Capital employed as at the balance sheet date	**651,118**	**927,408**	**927,408**	**1,251,402**
Average capital employed	**789,263**		**1,089,405**	
Earnings before taxes (EBT)	323,742		306,503	
Net interest expense	7,918		9,209	
Earnings before interest and taxes (EBIT)	**331,660**		**315,712**	
Return on capital employed (ROCE)	**42.0%**		**29.0%**	

Value added statement *in € thousand*	2005/06		*After revaluation of LIFO inventories* 2006/07	
Source				
Consolidated operating output	5,866,242	100%	6,592,444	100%
Less: Materials and services	(5,283,316)	(90%)	(5,995,352)	(91%)
Gross value added	**582,926**	**10%**	**597,092**	**9%**
Less: Depreciation and amortisation	(51,584)	(1%)	(57,894)	(1%)
Net value added	**531,342**	**9%**	**539,198**	**8%**
Application				
Employees	193,993	36%	215,394	40%
Public sector	131,520	25%	83,173	16%
Banks	13,607	3%	17,301	3%
Shareholders	39,012	7%	59,261	11%
NA Group and outside shareholders	153,210	29%	164,069	30%
Net value added	**531,342**	**100%**	**539,198**	**100%**

Return on capital

If the revaluation of LIFO inventories is taken into account, the average capital employed in fiscal year 2006/07 amounts to € 1,089 million compared with € 789 million in the prior year. With EBIT totalling € 316 million after the revaluation of LIFO inventories, the return on capital employed (ROCE) for the fiscal year amounts to 29.0% (42.0% in the prior year).

Source and application of value added

After including the revaluation of LIFO inventories using the average cost method, gross value added amounts to € 597 million in the past fiscal year, compared with € 583 million in the prior year, and after deducting depreciation and amortisation, net value added amounts to € 539 million, compared with € 531 million in the prior year.

Including the revaluation of LIFO inventories, the application of value added statement shows that the largest portion of net value added, in the amount of € 215 million, was distributed to the group's employees, while € 164 million has been retained in the group for future tasks. This is also necessary to enable us to compensate possible future negative fictitious earnings. In addition, in particular the public sector and shareholders receive parts of the net value added.

Development of revenues

The revenues are not affected by the revaluation of LIFO inventories, and were already commented on in the previous section on results of operations, on page 82.

The revaluation of LIFO inventories on the other hand had a significant impact on the cost of materials, which increased to € 5,923 million in the past fiscal year, compared with € 5,221 million in the prior year. This results in a gross profit of € 695 million for the year under review, compared with € 667 million in the prior year.

FINANCIAL POSITION

The task of financial management is the optimal utilisation of the resources available to the NA Group on the basis of ensured liquidity. This requires the balance sheet structure to be in equilibrium. The NA Group uses various financial ratios to monitor and control the individual items. These are discussed initially before the revaluation of LIFO inventories. Any deviations arising after the revaluation of LIFO inventories are then explained.

Gearing represents the ratio of net financial liabilities to equity and provides a clear picture of the funding structure. On 30 September 2007, it amounted to 42.7%, and was therefore at a very good level. The prior-year figure on 30 September 2006 was 35.2%. The increase in gearing is due to the greater use of loans to finance the interest acquired in Cumerio.

The ratio of net financial liabilities to earnings before interest, taxes, depreciation and amortisation (EBITDA) shows the number of periods required to redeem the existing financial liabilities from the group's income with an unchanged earnings situation. The current ratio of 0.9 indicates that this would take less than a year. The prior-year figure was 1.1. The reduction reflects the considerable improvement in EBITDA compared with the prior year.

The ratio of EBITDA to net interest or EBITDA-interest coverage expresses how net interest expense is covered by earnings before interest, taxes, depreciation and amortisation. The ratio of 34.5 for the past fiscal year shows that EBITDA amounts to 34.5 times the group's interest obligations. A very good ratio of 20.5 had already been achieved for the prior year. This ratio too improved perceptively year-on-year thanks to the significant increase in EBITDA.

The balance sheet structure as at 30 September 2007 is even stronger if the LIFO inventories are revalued using the average cost method. Gearing reaches 30.5%, compared with 25.3% as at 30 September 2006. The ratio of net financial liabilities to EBITDA amounts to 0.7 compared with 0.5 in the prior year. The EBITDA-interest coverage of 40.6 is also very high (48.4 in

	Before revaluation of LIFO inventories		*After revaluation of LIFO inventories*	
Key group financial ratios	*30.9.2006*	*30.9.2007*	*30.9.2006*	*30.9.2007*
Gearing				
= Net financial liabilities/equity	35.2%	**42.7%**	25.3%	**30.5%**
Net financial liabilities/EBITDA	1.1	**0.9**	0.5	**0.7**
EBITDA-interest coverage				
= EBITDA/net interest expense	20.5	**34.5**	48.4	**40.6**

the prior year). The somewhat lower level of both key financial ratios is due to the slightly higher EBITDA after revaluation of the LIFO inventories in the prior year. This is, however, due entirely to the especially large impact of the revaluation of the LIFO inventories using the average cost method on account of metal price increases in the course of the prior year.

Analysis of liquidity and funding

The cash flow statement provides a clear picture of the cash flows in the group and shows how the funds are generated and used.

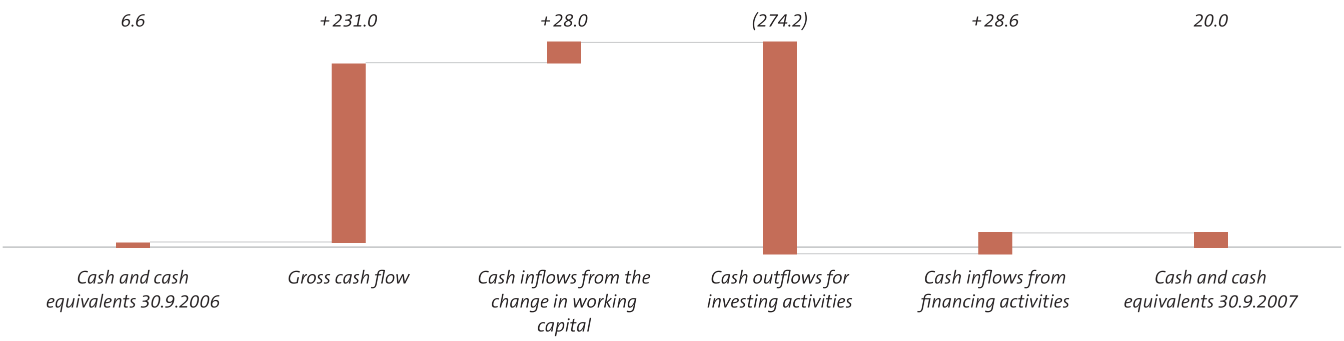
Cash inflows from the operating business before changes in working capital (gross cash flow) amounted to € 231 million in fiscal year 2006/07, compared with € 112 million in the prior year. This improvement is due above all to the significantly better operating earnings in the fiscal year that resulted in corresponding cash inflows.

At the same time, the group was able to avert an increase in working capital by reducing its receivables. This was achieved primarily through strict receivables management and the reduction of the payment terms in the course of the year, and the sale of receivables in conjunction with factoring agreements. As a consequence, cash inflow from operating activities amounted to € 259 million in the fiscal year. In the prior year, the higher working capital had resulted in a cash outflow from operating activities of € 62 million on account of increased business volumes and metal prices.

Cash outflows for investing activities amounted to € 274 million in the year under review, compared with € 40 million in the prior year. These mainly consisted of payments for purchases of property, plant and equipment and, in the reporting period, the acquisition of an interest in Cumerio in the amount of € 219 million.

The acquisition of the interest was funded both from the operating activities and by taking up bank loans. Funds of altogether € 170 million flowed into the NA Group from borrowings in the fiscal year. At the same time, the group made payments of € 84 million for the redemption of financial liabilities that had become due, interest payments of € 17 million and dividend payments of € 40 million to shareholders and the minority

Source and application of funds *in € million*



shareholders. The net inflow from financing activities therefore amounted to € 29 million in fiscal year 2006/07. In the prior year, it amounted to € 79 million, due especially to the increase in capital.

As a result, cash and cash equivalents increased year-on-year from € 7 million to € 20 million.

The group's financial liabilities amounted to € 299 million as at 30 September 2007 (€ 183 million in the prior year). These are due as follows:

in less than 1 year	€ 146 million
in 1 to 5 years	€ 97 million
in more than 5 years	€ 56 million

Information on the conditions as regards interest rates relating to the financial liabilities is provided in Note 21 on page 144.

After deduction of cash and cash equivalents in the amount of € 20 million, net financial liabilities amount to € 279 million as at 30 September 2007 (€ 176 million in the prior year).

Net financial liabilities in the group

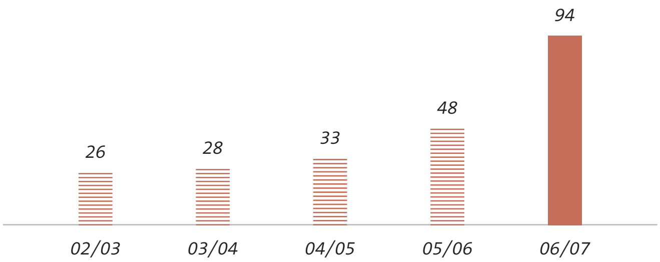
in € thousand	*30.9.2006*	*30.9.2007*
Financial liabilities	182,850	298,989
Less: Cash and cash equivalents	(6,566)	(20,018)
Net financial liabilities	**176,284**	**278,971**

The NA Group has adequate liquidity reserves on account of unused credit lines. Parallel to this, the group makes selective use of the sale of receivables without recourse as part of factoring agreements as an off-balance-sheet financial instrument. Furthermore, a framework agreement has been concluded with regard to the financing of the planned takeover of the Belgian copper producer, Cumerio, which will ensure that adequate loans are available to NA.

Analysis of capital expenditure

Parallel to the general maintenance of the plant, the investing activities in fiscal year 2006/2007 focused mainly on the expansion of the core sectors of concentrate processing, recycling and copper processing.

Capital expenditure *in € million*



Copper Production: expansion of the processing capacity for copper concentrates and electronic scrap

NA worked intensively on the gradual expansion of the concentrate processing capacity. The first expansion phase, involving an increase of about 5% in capacity at the same time as improved environmental protection, will be completed, as scheduled, by the middle of 2008. The planned capital expenditure on facilities for the processing of complex concentrates with special impurities has been carried out, as have the measures enabling the increased input of electronic scrap.

Specialised sampling plant for the electrical and electronic scrap sector was successfully commissioned at the Lünen recycling centre in the spring of 2007.

Copper Processing: enhancement of performance and energy efficiency as well as focus on higher-value products

With the increasing demand, our production capacities for continuous cast wire rod (ROD) are already very well utilised. It can be assumed that this product will also be in great demand in future. NA will therefore increase the capacity of its rod plant in Hamburg from the present level of 330,000 tonnes per annum to over 400,000 tonnes per annum in several stages by 2009. Capital expenditure has been planned for this in the amount of some € 6 million. Following the completion of this project, NA will have the world's largest production plant for copper wire rod. The first steps of this project in the plant's high temperature sector were already implemented on schedule during the past fiscal year.

New smelter plant will be constructed at Schwermetall Halbzeugwerk in 2008 which will make possible a switch from electricity to cheaper natural gas and therefore better energy utilisation. The capital expenditure will amount to € 3 million, and the orders have already been placed.

At Prymetall, capital expenditure of some € 5 million is on the agenda for the end of 2007 for the automation and renewal of a rolling system and the construction of a new continuous annealing furnace. Overall, these are investments that will prepare the way to new products by providing an improvement in quality and process automation. NA is thus continuing its orientation towards higher-value products.

All the components of the pilot plant for the production of CIS solar cells were completed and commissioned in the past fiscal year. Further capital expenditure was directed towards the automated production of single modules made from the solar cells.

> All NA's production sectors and subsidiaries can look back on a very good fiscal year 2006/07 all told.

NET ASSETS

Total assets amounted as at 30 September 2007 to € 2,321 million, an increase of € 184 million compared with the prior-year figure of € 2,137 million. This is due firstly to the acquisition of an interest in Cumerio. Together with other capital expenditure, this resulted in an increase of € 250 million in the fixed assets. Secondly, the € 141 million higher inventories also contributed to the increase in total assets. The difference alone from the revaluation of LIFO inventories using the average cost method amounted to € 56 million. A non-current asset in the amount of € 7 million was recognised as at 30 September 2007 for the first time, due to payments made for transaction costs in connection with the planned takeover of Cumerio and the associated funding. These increases were partly compensated by the € 229 million reduction in current receivables and other assets.

Equity increased by € 217 million to € 914 million as at 30 September 2007. The difference resulting from the revaluation of LIFO inventories went up by € 65 million to € 260 million. The increase in equity was due above all to the consolidated net income of € 223 million for the fiscal year 2006/07.

Provisions went up by altogether € 56 million to € 311 million due to the € 16 million increase in deferred tax liabilities to € 143 million and the € 35 million increase in current provisions to € 75 million. At the same time higher pension obligations resulted in a € 4 million rise in pension provisions to € 59 million. Other non-current provisions with an increase of € 1 million were almost unchanged.

Long-term bank loans were also used to finance the interest already acquired in Cumerio. In addition, the recognition of finance lease agreements for the concentrate handling and transport facilities in Brunsbüttel resulted in higher agreements liabilities. As a consequence, the financial liabilities increased as at the balance sheet date compared with the prior year by € 116 million to € 299 million, of which current financial liabilities amounted to € 146 million and non-current financial liabilities to € 153 million.

At € 445 million, trade accounts payable were € 102 million down on the prior year. The income tax payable of € 58 million as at 30 September 2007 was however € 27 million higher than at 30 September 2006. This was mainly due to the significantly increased earnings of the individual group companies as reported by their statutory financial statements. Other liabilities fell by € 130 million to € 294 million, due especially to the reduction in negative fair values from metal and foreign currency forward contracts.

Off-balance-sheet obligations

Off-balance sheet fixed assets, such as IT equipment, forklift trucks and construction machines under operating leases, are used in the NA Group. The expenditure for these in the past fiscal year amounted to € 3 million (€ 4 million in the prior year).

Overall statement on the economic situation

All NA's production sectors and subsidiaries can look back on a very good fiscal year 2006/07 all told. Although the raw material and product markets developed divergently, excellent consolidated net income was generated overall. NA's market position was strengthened in all sectors. The special price effects in the copper market were exploited and contributed to the very good results.

In the Copper Production Segment, our raw materials were available in sufficient quantities and under good conditions. On high treatment and refining charges, concentrate throughput exceeded 1.1 million tonnes due to excellent plant availability and continuous improvements. The throughput of recycling materials in the recycling sector could also be increased once again, by more than 4%, on significantly higher refining charges. Cathode output in the group rose 4% to 572,000 tonnes.

In the Copper Processing Segment, demand for copper products was strong in Europe on account of positive business development and increased capital expenditure. NA recorded higher unit sales of wire rod with improved conditions. The prior-year production level could not however be maintained in the other copper product sectors. Nevertheless, margins on strips and shaped wires improved as a result of the focus on high-grade products.

The subsidiaries also made important profit contributions in fiscal year 2006/07.

	Before revaluation of LIFO inventories		*After revaluation of LIFO inventories*	
Consolidated balance sheet structure *in %*	*2005/06*	*2006/07*	*2005/06*	*2006/07*
ASSETS				
Fixed assets	20	31	17	26
Inventories	26	29	37	40
Receivables etc.	54	39	46	33
Cash and cash equivalents	0	1	0	1
	100	**100**	**100**	**100**
EQUITY AND LIABILITIES				
Equity	28	34	33	39
Provisions	7	10	12	14
Liabilities	65	56	55	47
	100	**100**	**100**	**100**

Subsequent events

On 9 November 2007 the Supervisory Board complied with the request of Dr Werner Marnette to release him from his duties by mutual consent. The Chief Financial Officer, Dr Bernd Drouven, is coordinating the work of the Executive Board and representing the Executive Board externally for a transitional period. Dr Michael Landau has taken over Dr Marnette's office of Director of Labour Affairs. A successor for Dr Werner Marnette as Chief Executive Officer will be appointed in the foreseeable future.

On 9 November 2007 NA's Executive Board resolved, with the approval of the Supervisory Board, to increase the company's subscribed capital by almost 10% by issuing 3,715,430 new no-par-value shares for a cash contribution under exclusion of shareholder subscription rights. The new shares are fully entitled to participate in the profit for the company's fiscal year 2006/07. The new shares were placed by Landesbank Baden-Württemberg at a placement price of € 26.41 per share with several German institutional investors, including HSH Nordbank AG. The issue proceeds totalling € 98.1 million will primarily be used to finance the announced takeover of Cumerio.

Legal requirements

ACT ON THE DISCLOSURE OF COMPENSATION PAID TO THE EXECUTIVE BOARD

The Act requires the compensation paid to members of the Executive Board to be published for fiscal year 2006/07 on an individualised basis, split between non-performance-related and performance-related elements as well as components with long-term incentive effect. The total compensation of the Executive Board is also published in the Notes to the Financial Statements on page 154 of this Annual Report. The detailed report on the compensation paid to the Executive Board is given in the Corporate Governance section of this Annual Report on pages 18 to 22.

TAKEOVER DIRECTIVE IMPLEMENTATION ACT

The following information is presented in accordance with Section 315 paragraph 4 of the German Commercial Code (HGB).

Composition of subscribed capital

The subscribed capital (capital stock) of Norddeutsche Affinerie AG amounted to € 95,115,056.64 as at the balance sheet date and was divided into 37,154,319 no-par-value bearer shares each with a notional value of € 2.56 of the subscribed capital.

The Executive Board resolved on 8 November 2007, with the approval of the Supervisory Board on the same day, to increase the subscribed capital of Norddeutsche Affinerie Aktiengesellschaft from the authorised, unissued capital in accordance with Section 4 paragraph 2 of the company's Articles of Association by € 9,511,500.80 from € 95,115,056.64

to € 104,626,557.44 for a contribution in cash by issuing of 3,715,430 new no-par-value bearer shares each with a notional value of € 2.56 of the subscribed capital. This capital increase was recorded in the company's Commercial Register on 9 November 2007.

Since then, the subscribed capital (capital stock) of Norddeutsche Affinerie Aktiengesellschaft has amounted to € 104,626,557.44 and is divided into 40,869,749 no-par-value bearer shares each with a notional value of € 2.56 of the subscribed capital.

Each share grants the same rights and one vote at the Annual General Meeting.

Shareholdings exceeding 10% of the voting rights

One indirect shareholding in Norddeutsche Affinerie Aktiengesellschaft exceeds 10% of the voting rights. M.U.S.T. Privatstiftung, Vienna, notified the company in accordance with Section 21 paragraph 1 German Securities Trade Act (WpHG) on 26 November 2007 that its voting interest in Norddeutsche Affinerie Aktiengesellschaft had fallen to below the threshold of 15% of the voting rights on 9 November 2007 and now amounted to 13.75% of the voting rights (representing 5,621,447 votes). Of this total, 3.49% (representing 1,429,375 votes) are attributed to M.U.S.T. Privatstiftung via A-TEC Industries AG, Vienna, and a further 10.26% (representing 4,192,072 votes) via A-TEC Investment GmbH, Düsseldorf.

Furthermore, one direct shareholding in Norddeutsche Affinerie Aktiengesellschaft exceeds 10% of the voting rights. In accordance with the notification of M.U.S.T. Privatstiftung, Vienna, dated 26 November 2007, A-TEC Investment GmbH, Düsseldorf, has held 10.26% of the voting rights (representing 4,192,072 votes) since 9 November 2007.

These shareholdings are currently the subject of antitrust proceedings at the Federal Cartel Office. The Federal Cartel Office will probably reach a decision on 21 January 2008. Based on its provisional assessment, the Federal Cartel Office assumes that the acquisition of more than 5% by A-TEC would fulfil the circumstances of a business combination under Section 37 paragraph 1 No. 4 of the Law Prohibiting Restraints of Competition. At least the exercise of rights to shares in excess of 5% would therefore represent a violation of the prohibition of enforcement that would be subject to a fine.

Appointment and removal of Executive Board members and amendments to the Articles of Association

The appointment and removal of members of the Executive Board of Norddeutsche Affinerie Aktiengesellschaft is covered by Sections 84 and 85 German Companies Act and Section 31 Co-determination Act in conjunction with Section 6 paragraph 1 of the Articles of Association. Amendments to the Articles of Association are subject to the approval of the Annual General Meeting by a simple majority of the votes cast and, inasmuch as a majority of the capital is necessary, by a simple majority of the subscribed capital represented in the vote, provided nothing to the contrary applies by law or is laid down in the Articles of Association; Sections 179 et seq. Companies Act apply. In accordance with Section 11 paragraph 9 of the Articles of Association, the Supervisory Board is authorised to resolve amendments to the Articles of Association that relate only to their wording.

Power of the Executive Board to issue shares

In accordance with Section 4 paragraph 2 of the Articles of Association, the Executive Board is empowered, with the approval of the Supervisory Board, to increase the company's subscribed capital in the period until 29 March 2011 by issuing new no-par-value shares in exchange for a cash contribution and/or a contribution in kind once or in several instalments by up to € 38,046,026.24. The shareholders must be granted a subscription right. The Executive Board shall, however, be authorised, subject to the approval of the Supervisory Board, to exclude shareholder subscription rights once or on several occasions:

> inasmuch as it is necessary to exclude subscription rights for possible fractional amounts,

> up to an arithmetical nominal value totalling € 38,046,026.24 if the new shares are issued for a contribution in kind,

> for capital increases against cash contributions up to a total amount of € 2.56 or, if this amount is lower, by a total of 10% of the subscribed capital existing when the authorisation was exercised for the first time (in each case taking into account the possible use of other authorisations to exclude the subscription right in accordance with or in the corresponding application of Section 186 paragraph 3 sentence 4 Companies Act), if the issuing price of the new shares is not significantly lower than the price of company shares in the same category on the stock exchange at the time when the issuing price is finally fixed,

> inasmuch as it is necessary to grant holders or creditors of the warrants or convertible bonds issued by the company relating to shares a subscription right for new shares to the same extent as they would be entitled after exercising their option or conversion rights.

Power of the Executive Board to repurchase shares

By resolution of the Annual General Meeting of 29 March 2007, the company was authorised until 28 September 2008 to repurchase its own shares up to a total of 10% of the current subscribed capital at the time of passing the resolution. The authorisation prohibits the acquisition of the company's own shares for trading purposes. The authorisation may be exercised in whole or in instalments, once or several times, by the company or by its group companies or by third parties for the account of the company or its group companies. The repurchase may be effected via the stock exchange or by means of a public tender offer directed to all shareholders. In the case of acquisition via the stock exchange, the purchase price (excluding transaction costs) may not be more than 10% higher or 50% lower than the mean value of the closing prices for company shares of the same category in the XETRA trading system (or a comparable successor system) on the last five trading days on the Frankfurt Stock Exchange before entering into the obligation to repurchase.

In the event of a public tender offer, the relevant price may not be more than 20% higher or 50% lower than the average closing price for company shares of the same category in the XETRA trading system (or a comparable successor system) on the last five trading days on the Frankfurt Stock Exchange before the public announcement of the offer. If the shares are repurchased by means of a public offer to all shareholders, an offer can be published by the company or the shareholders can be publicly requested to submit tender offers.

If, following the publication of a formal offer or an invitation to tender, there are significant price deviations compared with the offered buying and selling price or the limit values of the offered buying and selling price range, the offer or invitation to tender can be amended. In this case, the critical amount is determined in accordance with the corresponding price on the last trading day before public announcement of the adjustment; the 20% higher limit or the 50% lower limit is to be applied to this amount. The volume of the offer or invitation to tender offers can be limited. If the offer is oversubscribed or the offers made by the shareholders in reply to the invitation to tender exceed this volume, the acquisition or the redemption must be made proportionately to the offered shares. Priority may be given to the repurchase or acceptance of small lots of up to 100 shares for the repurchase of company shares per company shareholder.

The Executive Board is empowered, with the approval of the Supervisory Board, to withdraw the purchased company shares, to resell the purchased company shares in a way other than on the stock exchange or by an offer to all the shareholders as well as against a contribution in kind of third parties, in particular as part of the acquisition of companies or investments in companies by the company itself or by companies which are dependent on it or in which it holds a majority interest or to use them to fulfil rights or obligations of holders or creditors of the convertible bonds/warrants issued by the company. Shareholder subscription rights are excluded in the last three cases. In the event of withdrawal, the Executive Board can also decide that the subscribed capital will remain unchanged and that instead the notional value of the remaining shares is increased in accordance with Section 8 paragraph 3 Companies Act. In this case, the Executive Board shall be empowered to amend the information on the number of shares in the Articles of Association. The power to resell or redeem purchased company shares may be exercised in whole or in part, once or several times, individually or jointly.

Power of the Executive Board to issue convertible bonds and shares out of conditional capital

In the resolution passed at the Annual General Meeting on 31 March 2005, the Executive Board was empowered until 30 March 2010, subject to the approval of the Supervisory Board, to issue once or on several occasions registered warrants and/or convertible bonds with a total face value of up to € 300,000,000 and a maximum term of 20 years and to grant option rights to the warrant holders and conversion rights to the convertible bond holders for new company shares with a proportionate amount of the subscribed capital of up to € 41,500,000 in accordance with the terms of the warrants and convertible bonds (Conditional Capital II).

The warrants and convertible bonds (bonds) can also be issued, as well as in euros, in the legal currency of an OECD country, but limited to the corresponding euro counter-value. They can also be issued by companies in which Norddeutsche Affinerie Aktiengesellschaft holds an indirect or direct controlling interest. In this case, the Executive Board is empowered, subject to the approval of the Supervisory Board, to take over the guarantee for the bonds for Norddeutsche Affinerie Aktiengesellschaft and to grant the holders of such bonds option and/or conversion rights to new shares in Norddeutsche Affinerie Aktiengesellschaft.

Bonds can also be issued in return for a contribution in kind, provided the value of the contribution in kind corresponds to the issue price and this value does not significantly exceed the theoretical market value of the bonds, as calculated using recognised actuarial methods.

The shareholders are entitled to legal subscription rights, when warrants and convertible bonds are issued. The bonds can also be offered to shareholders as part of the direct subscription right; they shall then be taken over by a bank or a banking syndicate with the obligation of offering them to the shareholders for subscription.

The Executive Board is empowered, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights for fractional amounts, which arise due to the subscription ratio, and to exclude the subscription right insofar as is necessary in order that warrant holders and creditors of previously issued convertible bonds (or option and/or conversion rights) can be granted a subscription right to the extent that they as shareholders would be entitled after exercising the option or conversion rights or after fulfilling the option or conversation obligations.

Furthermore, the Executive Board is empowered, with the approval of the Supervisory Board, to exclude the shareholders' subscription right inasmuch as the Executive Board, after due examination, comes to the conclusion that the issue price of the warrants and/or convertible bonds is not significantly lower than the theoretical market value determined by means of recognised actuarial methods. This, however, only applies to bonds with a conversion or option right (or an option or conversion obligation) for shares with a proportional amount of the subscribed capital of up to € 8,552,755.00 or, if this amount should be lower, of 10% of the subscribed capital existing at the time that the authorisation was exercised (in each case taking into account the possible utilisation of other authorisations to exclude subscription rights in accordance with or in the respective application of Section 186 paragraph 3 sentence 4 Companies Act, e.g. for the sale of the company's own shares or to issue shares from an authorised capital with exclusion of the subscription rights).

In addition, the Executive Board is empowered, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right insofar as bonds are issued against a contribution in kind and the exclusion of the subscription rights is in the interests of the company.

In the event that warrants are issued, one or several subscription warrants will be attached to each bond, which will entitle the holder to subscribe to the company's shares in accordance with the warrant conditions laid down by the Executive Board. In the event of warrants denominated in euros, the warrant conditions can stipulate that the warrant price can also be fulfilled by the transfer of the bonds and, if necessary, an extra cash payment. The proportional amount of the subscribed capital of the shares to be subscribed per bond may not exceed the face value of the bonds. In the event that fractions of shares result, it can be stipulated that these fractions can be added up to procure whole shares in terms of the warrant conditions, if necessary against an extra charge.

In the event that convertible bonds are issued, the holders shall be entitled or, if the convertible bond conditions stipulate this, shall be obliged to exchange their bonds for shares in the company in accordance with the bond conditions. The exchange ratio results from the division of the face value or the bonds' issue price, if this is below the face value, by the fixed conversion price for one of the company's shares. In any case the exchange ratio can be rounded up or down to a full currency unit (euros/cents); in addition, it can be agreed that payment will be made in cash. Otherwise, it can be prescribed that fractions shall be combined and/or settled in money. The proportional amount of the subscribed capital of the shares to be issued in the conversion may not exceed the face value of the convertible bonds or a lower issue price.

The warrant or convertible bond terms may also stipulate that the number of shares that can be subscribed for when exercising option or conversion rights or after the fulfilment of warrant or conversion obligations or an exchange ratio in this regard is variable, and/or the warrant exercise price or conversion price can be changed during the term within a range stipulated by the Executive Board depending on the performance of the share price or as the result of anti-dilution provisions.

The respective warrant or conversion price that can be set for a share, also in the event of a variable exchange ratio/conversion price (except if warrant exercise or conversion obligations exist or inasmuch as the company has been given the right to grant to the bond creditors, in whole or in part, shares in the company or another quoted company instead of payment of the due amount of money in case of the final maturity of the convertible bonds (this also includes maturity due to cancellation)), must amount to either at least 80% of the volume-weighted average price of the shares of Norddeutsche Affinerie Aktiengesellschaft in XETRA trading on the Frankfurt Stock Exchange (or a corresponding successor system) on the last five trading days before the day when the resolution is passed by the Executive Board on the issuing of warrants or convertible bonds, or – in the event of granting a subscription right – correspond to at least 80% of the volume-weighted average of the price of shares of Norddeutsche Affinerie Aktiengesellschaft in XETRA trading on the Frankfurt Stock Exchange (or a corresponding successor system) during the subscription period, with the exception of the last five calendar days before the end of the subscription period. Section 9 paragraph 1 Companies Act remains unaffected.

Irrespective of Section 9 paragraph 1 Companies Act, the warrant and conversion price can be marked down due to an anti-dilution clause on closer examination of the warrant or conversion bond terms by payment of a corresponding amount in cash on execution of the option or conversion right (or on fulfilment of warrant exercise or conversion obligations) or by a reduction in the extra charge if Norddeutsche Affinerie Aktiengesellschaft increases the subscribed capital while granting a subscription right to its shareholders or by a capital increase from company funds during the warrant exercise or conversion period, issues further warrants or convertible bonds or grants other option rights and the holders of option and conversion rights are not granted a subscription right to the extent to which they would be entitled after exercising option or conversion rights. Instead of a cash payment or a reduction in the extra payment, the exchange ratio can also – as far as possible – be adjusted by dividing the issue amount of the bond by a reduced conversion price. In addition, the terms may provide for adjustments to the option and/or conversion rights or warrant exercise/conversion obligations in the event of a capital reduction, share split or other extraordinary measures or events (such as unusually high dividends, control being taken over by third parties). If third parties gain control, an adjustment of the warrant exercise or conversion price can be provided for.

In the event of conversion or exercising of the warrant or fulfilment of the warrant exercise or conversion obligations, the company may receive the right under the warrant or convertible bond terms not to grant shares but pay a sum of money, which (for the number of shares otherwise to be delivered) corresponds to the volume-weighted average of the price of shares of Norddeutsche Affinerie Aktiengesellschaft in XETRA trading on the Frankfurt Stock Exchange (or a corresponding successor system) during the reference period of ten to thirty trading days immediately before or after declaration of the conversion or exercising the warrant. The warrant or convertible bond terms can also, at the company's option, provide for the conversion of the warrants or bonds into existing shares in the company or in another quoted company instead of into new shares from conditional capital, or the fulfilment of the option right by supplying such shares or the fulfilment of option or conversion rights by supplying such shares.

The warrant and convertible bond terms can also provide for a warrant exercise and conversion obligation at the end of the term (or at another point in time) and/or provide the company with the right to grant the bond creditors, either in whole or in part, shares in the company or another quoted company instead of payment of the due amount upon final maturity of the subscription warrants or convertible bonds (this also includes maturity due to cancellation). In such cases the bond terms must provide for a warrant exercise price or conversion price of at least 80% of the volume-weighted average of the company's share price in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) during a benchmark period of ten to thirty trading days immediately before or after the due date, even if this average share price is lower than the above-mentioned minimum average stock exchange price (calculation of the 80% limit based on a period of five trading days before the day on which the Executive Board passes the resolution on the issue of convertible bonds or the subscription period related to the period (with the exception of the last five calendar days before the end of the subscription period)). The proportional amount of the subscribed capital of the shares to be issued on exercising the conversion or option rights may not exceed the face value of the bonds. Furthermore, in the event of a conversion or warrant exercise obligation, the company shall be entitled to compensate, either in whole or in part, in cash for any possible difference between the face value of the bonds and a company share price to be laid down in the bond terms at the time of the obligatory conversion or exercising the warrant, at least, however, 80% of the share price at the time of issuing the bonds – as described above – multiplied with the conversion ratio or warrant exercise price. Section 9 paragraph 1 in combination with Section 199 paragraph 2 Companies Act shall be observed respectively.

The Executive Board is empowered, subject to the approval of the Supervisory Board, to define the remaining details of the issue and terms of the warrants and/or convertible bonds, in particular the interest rate, issue price, term and breakdown between denominations, possible subordination of the bonds, warrant exercise price and conversion price, their adjustment in the event of special occurrences and the warrant exercise and conversion period, or, subject to the approval of the governing bodies of the companies in which Norddeutsche Affinerie Aktiengesellschaft has a majority interest, which issue the warrants or convertible bonds.

At the same time, it was resolved at the Annual General Meeting to increase the company's capital conditionally by up to € 41,500,000.00 by issuing up to 16,210,937 new bearer shares (Section 4 paragraph 3 of the Articles of Association). The conditional increase in capital shall only be carried out in the event of the issuance of warrants and convertible bonds, and only to the extent that the holders of warrants and convertible bonds, which are issued by Norddeutsche Affinerie Aktiengesellschaft or one of the companies in which it has a majority interest due to an authorisation valid from 31 March 2005 to 30 March 2010, resolved at the Annual General Meeting on 31 March 2005, make use of their option and conversion rights or holders of bonds, who are obliged to exercise their option or conversion rights, fulfil their obligation to exercise option or conversion rights and the conditional capital is needed in accordance with the option and conversion bond terms. The new shares shall participate in dividends from the beginning of the fiscal year in which they are issued as a result of the exercising of conversion and warrant rights or in the fulfilment of warrant and conversion obligations. The Executive Board is empowered, subject to the approval of the Supervisory Board, to define further details concerning the execution of the conditional capital increase.

Significant conditional agreements concluded by the company

Norddeutsche Affinerie Aktiengesellschaft has concluded an agreement with a banking syndicate (the "Syndicated Loan") on a credit line totalling € 1.36 billion, which, apart from financing the offer price for the public tender announced for the acquisition of Cumerio sa/nv (the "offer"), serves to finance the working capital of the new group that will result from the takeover. In the event that a single person or a group of persons acting together should acquire more than 50% of the shares or the voting rights in Norddeutsche Affinerie Aktiengesellschaft, every syndicate lender shall be entitled to cancel its participation in the Syndicated Loan and to demand immediate repayment of the amounts owed to it under the loan, at the earliest however by 24 March 2008 (inasmuch as the offer has not been annulled or interrupted).

In addition, the company has taken up two bilateral credits each of € 60 million at two banks, which were granted for the purpose of funding the acquisition of shares in Cumerio sa/nv in conjunction with purchases over the market and have become part of the aforementioned loan. The terms of both bilateral loans refer as regards the change of control to the Syndicated Loan and, under the conditions mentioned in the previous paragraph, grant the right to cancel the respective loan and demand immediate repayment (even before 24 March 2008).

Risk report

Risk and opportunity management system

NA's economic environment is marked by increasing globalisation and growth. We observe the resultant impacts on NA as well as the general business activities in order to anticipate them within the framework of a practised risk and opportunity management system. Not only risks but also opportunities are systematically and continuously identified, evaluated and actively monitored. The main areas considered are raw material procurement, production, sales, financial resources and energy supplies.

Effective early identification of the relevant factors is decisive for the efficiency of the risk and opportunity management system. On this basis we can implement the necessary measures without delay. This is the only way to ensure that the risks are hedged effectively. Risk management is a company management task that reports directly to the Chief Financial Officer.

The current risk and opportunity management system covers all parts of the company. The action taken is based on the risk policies defined by the Executive Board. Independent targets and risks are identified in each main sector and the respective monitoring and control instruments assigned to them. IT-based instruments are also used for early detection and follow-up purposes, depending on the quantifiability of the risks. Risks are basically classified in accordance with their significance into risks in the core processes of procurement, production and sales and risks in support processes.

Risk and opportunity management is firmly anchored in the various levels of the group. In addition to monitoring potential risks at the departmental level, the development of risk-relevant aspects is evaluated at regular management meetings. We adopt the necessary measures without delay. The direct contact between the departments and risk management, as well as the support of the internal auditors, ensures in addition that new risks are identified. The entire risk management system is documented in a form that can be audited and is subject to regular review, when we also take newly identified risks into account.

Risk management in relation to financial instruments

The financial instruments used to control risks relate in particular to the hedging of exchange rates and metal price exposure. They ensure NA's liquidity at all times. In addition, they ensure that additional demands on future liquidity are fulfilled in the face of market-related fluctuations in raw material prices as well as our expansive business policies.

Strains on liquidity resulting from loss of income from trade accounts receivable are limited in particular by hedging outstanding balances with the help of trade credit insurance. Further means of reducing risks include letters of credit and guarantees. During the past fiscal year, we were able to reduce the risk of bad debts by shortening the payment terms. A management meeting attended by a member of the Executive Board and the risk management officer monitors the development of liquidity and receivables on a weekly basis.

Ongoing risks resulting from considerable temporary fluctuations in metal prices, foreign currencies and changes in interest rates are managed on a daily basis by means of hedging transactions with various financial instruments. We offset incoming and outgoing metal quantities from underlying transactions against each other each day. Remaining open positions are squared by exchange transactions on a daily basis. Spot and forward contracts are used to hedge metal and foreign exchange exposures. Thanks to the day-to-day hedging of metal prices, we have largely succeeded in neutralising the impact of metal price fluctuations on our business earnings.

We hedge the foreign currency receipts that we expect in future to a large degree by forward contracts and options. The development of the exchange rate of the euro compared with the U.S. dollar is of particular significance here. Although hedging is carried out constantly, its feasibility is limited with regard to the economic time scale.

The trends on the metal and foreign exchange markets as well as NA's price position are examined each week at a management meeting attended by a member of the Executive Board and the risk management officer. This enables us to take decisions on appropriate measures promptly. Possible margin calls due to exchange transactions are taken into account. The open nominal volumes of our derivative financial contracts and the fair value of all open contracts are listed in Note 23 to the financial statements (page 146).

No significant risks in the metal trading sector and the foreign exchange positions are identifiable at the present time.

Main individual risks for NA's business

Financial risks

Interruptions to the constant supply of cash or cash equivalents are regarded as a significant financial risk. NA ensures the uninterrupted supply of liquidity by generating a strong cash flow and the availability of short-term and long-term credit lines at the banks. Risks from changes in interest rates mainly affect the short-term sector. We can generate additional liquid funds, i.e. for the planned expansion of our business activities, by increasing the comparably low borrowing level or in conjunction with an increase in capital. NA has not to date had any public bond issues.

Risks in the business environment and industry

Insufficient supply of raw materials

We classify a possible shortage of suitable raw material supplies for the production plants as a central risk. Copper concentrates represent about 60% of the raw materials required for copper production, while 40% of the raw materials are fed to the processes in the form of a variety of recycling raw materials.

The conclusion of long-term supply agreements with different copper concentrate suppliers from a variety of countries and continents decisively reduces the risk of shortages of our most important raw material in quantity terms. This minimises the possibility of production stoppages due to the failure of individual suppliers to deliver. About 80% to 90% of the treatment and refining charges are agreed over periods of several years so that short-term price fluctuations on the concentrate market only have a limited impact on NA's earnings. This general approach reduces the volatility of our business earnings. We procure the remaining quantities on the spot market, which gives us the opportunity to exploit favourable market trends at short notice.

Further raw materials, such as copper scrap and other recycling materials, are procured on the international secondary markets. The successful creation of a well-functioning and extensive network of suppliers is a key element of our raw material supply system. We have persistently reduced our dependence on the volatile copper scrap market by continuously expanding our processing possibilities and increasing the input of complex recycling materials.

An adequate supply of raw materials was ensured throughout the fiscal year.

In-house production of copper cathodes ensures most of the supply of copper for our Copper Processing Segment. At the same time this enables us to control the quality of the copper products throughout the production process from the refining to the end product. Our integrated copper production process provides the basis for the continuous full utilisation of the facilities in the Copper Production Segment and the high reliability in delivery and quality of our Copper Processing Segment.

Unsatisfactory product sales

Economic influences or changed market situations have an impact on sales volumes and margins. They therefore in equal measure represent both risks and opportunities for us. The possible non-fulfilment of delivery obligations due to supply bottlenecks represents a potential risk.

The marketing of our products is determined by long-standing delivery relationships. We try to anticipate changing trends in the sales markets and future requirements for our products by working together with our customers in an intensive and cooperative relationship at the various stages of the value added chain. This information enables us to plan and implement appropriate countermeasures in good time.

Unfavourable energy markets

A shortage of energy at NA at economical prices poses a central risk to the maintenance of competitive production at our various locations. The substantial rise in the level of energy prices in Germany has resulted in an increase in our production costs and inevitably has an adverse effect on our competitiveness.

> The assessment of current and future risk-related factors does not result in any risks to the continued existence of NA as a going concern.

We cannot completely disengage ourselves from the development of the energy prices in Germany. We have however succeeded in ensuring the long-term supply of electricity to the German sites on a production cost basis. Starting in January 2010, this will relieve our production costs on a sustained basis. Parallel to this, we cancelled the project originally planned for the generation of our own electricity. We are also working on measures to improve energy efficiency in order to achieve a further saving in energy costs. This will also have a positive impact on the environment by reducing emissions.

Performance-related risks

Production restrictions

Production stoppages and insufficient capacity utilisation can pose a significant economic risk, depending on their extent.

One of our main corporate targets is the achievement of an uninterrupted level of high plant availability. Continuing good cooperation between production operations and NA's service departments enables us to maintain a very high level of plant availability, compared internationally, while at the same time improving plant efficiency. In addition to the fundamentally good maintenance status as a result of regular maintenance measures, we are also able to perform repair work quickly and competently in the event of disruptions to production. The basis for this is provided by the good level of skills and qualifications, and the high motivation of our staff in the production and service areas.

Comprehensive emergency and risk avoidance plans exist for the prevention of possible interruptions to the production process. We offer our staff regular training in the form of mock emergency drills and test alarms. Fire insurance and fire business interruption policies for all the main production plants in the NA Group restrict the potential risks resulting from breakdowns.

No significant losses due to interruptions to the production process occurred during the reporting period.

Negative effects on the environment

The prevention of interruptions to the production process that could affect the environment is a permanent task. We ensure this to the greatest extent possible by a large number of measures.

In addition to adhering to the respective laws, requirements and directives, we have adopted additional measures in the operation of our facilities that ensure us a leading position in environmental standards compared with other copper producers. These include voluntary commitments to reduce emissions that are more stringent than the statutory requirements. However, despite all the precautions taken, the occurrence of incidents during production that could have repercussions for the environment cannot be completely ruled out.

No significant incidents resulting from production breakdowns with an adverse effect on the environment occurred during fiscal year 2006/07.

Other risks

Personnel risks

Risks in the personnel sector include risks to employees' health and impacts on production due to lack of training and motivation.

Occupational safety and health protection are attributed great importance at NA and are maintained at a continuous high level through the intensive supervision by the internal occupational safety and medical departments.

We meet the increasing demands placed on employees at all levels by providing comprehensive in-house vocational training and intensive further training.

Employee motivation is encouraged above all by an incentive-oriented company suggestion scheme and collective performance-related compensation models.

IT risks

System breakdowns and unsatisfactory data security measures are the main IT risks that can interfere with the commercial and technical processes.

In the IT sector, NA is protected against possible breakdowns in its operating systems by the appropriate precautions taken by the data processing centre. These involve both internal and external measures. The software is amended as required to fulfil changed business and legal requirements.

Assessment of risk situation

The assessment of current and future risk-related factors does not result in any risks to the continued existence of NA as a going concern. Significant risks are identified and controlled to the greatest possible extent by the corresponding measures adopted.

We have succeeded in averting a significant production cost risk durably by ensuring the long-term supply of electricity on a production cost basis from 2010 onwards. Our successful raw material procurement policies are based on long-term, diversified supply. This enables us to avoid dependence on individual suppliers and customers. The concept at NA of an integrated copper producer that has already been in place for many years makes us more crisis-proof in changing market situations.

The continuing sound balance sheet structure with a high equity ratio cushions NA against possible financial burdens. We persistently generate high cash flows and therefore have a secure liquidity basis for the ongoing business. The existing financing arrangements with the banks or capital market measures enable us to obtain the necessary resources to fund our current projects for internal growth and acquisitions.

We are convinced that the existing risk and opportunity management system provides us with an appropriate instrument to control this area. There have been no significant changes compared with the prior year.

The Audit Committee appointed by NA's Supervisory Board has concerned itself intensively in accordance with Section 5.3.2 of the German Corporate Governance Code with questions relating to risk management.

The external auditors have audited the risk management system to make sure that it complies with the statutory provisions. Both the Audit Committee and the auditors have ascertained that the Executive Board has taken the measures required under Section 91 paragraph 2 German Companies Act in an appropriate manner and that the monitoring system fulfils the necessary requirements.

Forecast report

Future orientation of the NA Group

The NA Group's core competence lies in the production and processing of the base metal, copper. As an integrated producer and processor of copper, we possess ideal qualifications for the comprehensive processing of the respective raw material and product markets. High quality consciousness, pronounced service orientation and technical know-how, together with environmentally friendly production processes and qualified and motivated employees, create the basis for the continuous further development of our deep-rooted supplier and customer relationships.

On this basis, the strategic triangle of the core themes of improvement, responsibility and growth determine the future strategy of the NA Group.

Improvement in this connection stands for NA's strength in optimising all procedures, processes and work flows by implementing permanent activities and measures aimed at enhancing our efficiency and productivity and further developing the production plant on the technical side. Improvement also includes wide-ranging projects to reduce costs, improve quality and save energy.

Responsibility determines the approach of the NA Group to its employees, the environment and the community. Further training and qualification activities create the basis for job security in growing international competition. Numerous individual measures protect the environment and the climate. The NA Group has committed itself with numerous innovative measures to supporting young people in the vicinity of its works, and supports projects in the social, sporting and cultural sectors.

Internal and external growth in its core business is particularly important for the future orientation of the NA Group. NA has adopted a decisive future-oriented course in both areas.

Copper Production: improvement of the competitive position through internal and external growth

NA is pursuing the achievement of its growth targets in copper production by means of international acquisitions and the expansion of the existing capacities.

On 24 June 2007, the company announced its intention of acquiring the Belgian copper producer, Cumerio, in a friendly takeover. NA intends to achieve synergy effects and to exploit new market potentials with this. The respective company structures and the production locations in Germany, Belgium, Bulgaria and Italy complement one another ideally.

At the same time, the group is continuing its long-term expansion course in the processing of concentrates at the Hamburg production site. In a first step, the concentrate processing capacity will be increased by about 5% by mid 2008. The plans to increase the processing of concentrates in Hamburg to about 1.25 million tonnes per annum by the end of 2009 are running parallel to the implementation of this step.

Recycling: increase in material throughput and expansion of range of feed materials

Metal recycling at the Lünen and Hamburg sites is an essential element in ensuring the supply of raw materials in the NA Group. At the same time this sector contributes towards the protection of the environmental and the sustained management of resources. Controlled structures of a closed-loop materials economy have already been created, particularly in Germany and other European countries. The challenges, however, continue to increase. The input of complex composite materials containing copper and other metals has increased in the course of the technical development process. The plant needed to recycle these components, which must be highly developed technically and environmentally friendly, is available at NA. NA is therefore able to employ a wide range of recycling materials containing valuable metals from the disposal business, the end-of-life sector and the industrial production processes. The group will further broaden this range, which includes electrical and electronic scrap, in the future. At the same time, the throughput of recycling raw materials is to be increased.

Copper Processing: concentration on products with high conductivity and the creation of closer customer relations by service leadership

In the Copper Processing Segment, it is expected that the good sales situation in the product sector will continue with corresponding profit contributions. In the Segment's quantitatively most important product sectors, continuous cast wire rod and shapes, and pre-rolled strip, NA is focusing on products where the main requirement is high electrical and thermal conductivity and suitability for optimal further processing. As a result, we plan, on account of the growing demand, to invest in particular in increasing the production capacity of the Hamburg rod plant. Schwermetall Halbzeugwerk is installing an energy-efficient furnace in order to improve its productivity. Our aim is to achieve quality and cost leadership in these product sectors.

Continuing the successful trend of the last two years, Prymetall will concentrate on the production of specialty products with high value added. While capital expenditure in this sector recently focused primarily on replacement projects, the new capital expenditure projects will target growth with high-value products. To achieve this, NA is investing in automation, in the expansion of surface refinement and the construction of a new, efficient continuous annealing furnace. In addition, Prymetall's new subsidiary in Slovakia will exploit the Eastern European sales market for high-quality copper products.

Testing and realisation of CIS solar cell production

Following the commissioning of the pilot plant for the production of solar cells on a copper-indium-selenium basis at the Hamburg works, tests are in progress to determine the data for the construction of a 30 MWp (megawatt peak) production plant. The decision on the construction of this production plant will probably be taken in early summer of 2008.

International financial and credit crisis leaves its mark

The outbreak of the real estate crisis in the U.S.A. and its impact on the international capital markets has demonstrated that the financial markets can have a considerable influence on economic growth. This has resulted in a loss of confidence on the part of participants in the financial market that has led to a reassessment of risks and loans. This process has not yet been completed, and an increase in credit margins and a more restrictive credit approval process can therefore be expected. Furthermore, a climate of uncertainty developed that is still continuing. As events unfolded, the initially very optimistic economic forecasts for the key industrial countries were revised downwards. It is currently believed that global economic growth in 2008 will weaken slightly, but will still continue at a high level. The growth forecasts for 2008 are currently at around 4.8%, so that they are only slightly lower than the growth in 2007.

The forecasts assume a 2.1% improvement for the Euro zone and an increase of between 2.4% and 2.5% for the EU. The German economy will also grow and, based on current forecasts, will improve by 2% to 2.2%. The economic situation will probably be supported increasingly by private consumption, while corporate investment and exports will make a smaller contribution. The development of the economy in 2008 will however be subject to economic risks. Accordingly, negative non-monetary consequences of the U.S. financial crisis cannot be excluded. Further risks result from the strength of the euro against the dollar and high raw material prices, which have a significant impact on price stability.

Above all, the prices for energy-producing raw materials will contribute to the increase in inflation. Geopolitical uncertainties, OPEC's production policies and speculative activities will probably affect the future development of the oil price. If it increases, the prices for bituminous coal and natural gas will follow suit. In addition, the prices of fossil energy sources have a direct impact on the market for emission rights. Their inclusion in the prices in addition influences the price of electricity.

Key German customer industries expect further growth

On the basis of its order intake and backlog, and the expected growth of the global economy, the German machine and plant construction industry is forecasting real production growth of about 5% across the industry. The German construction industry also sees further potential for growth despite increasing macroeconomic risks. The main association of the German construction industry expects nominal revenue growth of some 3%. The electrical engineering and electronics industries also currently expect weaker, but still continuing growth for the coming year. The key customer industries for copper therefore view their economic situation for 2008 positively.

Copper market expected to develop positively

The copper market displayed inconsistent trends at the beginning of the new fiscal year, although the estimates for 2008 were mostly positive. This was due in particular to uncertainty regarding the impact on the economic situation of the financial and capital markets, which, regardless of the non-monetary factors, has resulted in a fundamentally pessimistic mood on the markets. Pressure on the copper price also intensified as a result of the increase in the copper stocks in the LME warehouses. This was exacerbated by seasonal effects at the end of 2007. The spot price fell, with sharp fluctuations, from a peak of US$ 8,300/t to about US$ 6,500/t, where it found a stable basis, and subsequently recovered to US$ 6,700/t by the end of 2007. The futures structure displayed a contango, in which the spot price is lower than the forward prices. This is regarded as a sign of improved prompt availability of copper.

A return to the fundamental situation on the copper market is assumed for the coming year. This will be marked by a probable balanced supply and demand ratio, which will not allow a serious build-up of stocks. If surpluses nevertheless arise, these should be comparatively small. It is therefore currently expected that the copper price will remain comparably high initially.

Work on capacity expansions at smelting plant, especially in Asia and Africa, forged ahead in recent years. Capacity utilisation was however only at about 83% worldwide in 2007. This will also scarcely change in 2008, particularly since some smelters have announced scheduled closedowns for maintenance. Incalculable production stoppages resulting from strikes and shortages of energy and equipment or bad weather must once again be expected.

On the demand side of the copper market, China and other Eastern countries will forfeit little of their demand pull and remain the driving forces. It is expected that almost 40% of global economic growth in the next fifteen years will come from China (27%) and India (12%). Notwithstanding all the substitution tendencies, it is therefore unlikely that China will be able to waive the supply of copper for its booming economy in the near future. Chinese demand for copper will accordingly probably report double-digit growth again in 2008, particularly since a change in economic policy is unlikely before the Olympic Games in August.

For the core market of Europe, NA continues to expect satisfactory copper demand, especially in Germany and the Southeast European countries. There are however signs of weaknesses in the American economy and thus for the local demand for copper. Overall, the demand pull in China and in other Asian countries ought to compensate any declines that might result from economic impacts or the substitution of materials in the traditional copper sales regions.

Expected future results of operations

In assessing the results of operations in the next two years, NA expects that metal prices will remain at a high level. With regard to the exchange rates, a US$/€ parity as at the end of the past fiscal year is assumed.

In the Copper Production Segment, the short-term trend on the concentrate market is unclear. Insufficient mining output at the same time as increased demand from Asia has resulted in a shortage of supplies on the market. As a consequence, treatment and refining charges in the spot business especially have fallen to a very low level. If this situation does not ease in fiscal year 2007/08, NA will also be unable to avoid the general trend. It must therefore be assumed that new agreements will result in much lower treatment and refining charges. However, on account of capacity expansions at existing mines and the development of new deposits, the group expects the situation on the concentrate market to improve again in the medium term with a return to overproduction of copper concentrates and thus to higher treatment and refining charges.

We will close down the concentrate processing plant in the primary smelter in the autumn of 2008 for a short time for maintenance work. Maintenance of part of the plant is regulated by law and must be performed every three years.

> We currently believe that it will be difficult to repeat the extraordinarily good results recorded in fiscal year 2006/07.

The recycling markets, above all the copper scrap market, are traditionally characterised by considerable fluctuations in supplies. They are affected by the general economic trend and by the level of the copper prices. Moreover, the competition is international and the trade in some countries with a high demand for copper scrap is distorted by political interventions. However, supplies are initially expected to remain good with corresponding refining margins. NA's strategy of technological leadership and broad diversification of the input materials will also have a positive effect in the future on the group's profitability.

Assuming a stable economic situation, NA expects that sales in the Copper Processing Segment in the new fiscal year will be at a level similar to those in the past fiscal year, with a positive development of the margins. The current order intake shows that demand for the NA Group's copper products is still high, even if peak demands, like those at the beginning of 2007 that resulted from insufficient stocks along the value added chain, are no longer to be expected.

Demand for wire rod is expected to remain high with increasing unit sales. Sales of basic continuous cast products will, however, probably be adversely affected again by substitution tendencies in view of the continued high copper price. Slightly lower demand can therefore be assumed in this product sector.

The same also applies to Schwermetall Halbzeugwerk, especially since the export business is influenced by a more unfavourable US$/€ exchange rate. For Prymetall's business, NA expects an overall positive trend despite a probable decline in demand in the summer months. In addition, the group will benefit in the course of the year from the distribution of products by the new subsidiary in Slovakia. The shaped wire sector is still very busy. In particular, good sales opportunities for lead-free brass materials can be expected here in the next two years.

NA will compensate the expected cost increases by rationalisation and greater efficiency. Energy costs will decline significantly at all the group's German sites from 2010 onwards due to the long-term electricity supply agreement on a cost basis and will improve our competitive position.

Given the generally high capacity utilisation, we still expect the results of operations in the current fiscal year to continue to be good. However, they will not match the excellent results of fiscal year 2006/07, primarily due to the unfavourable US$/€ exchange rate. This assessment does not take into account the impact of the acquisition of Cumerio.

Expected future financial position

The planned acquisition of Cumerio and the associated considerable expansion of the copper production and processing facilities will result in an increase in capital expenditure activities. Since Cumerio already invested in expansions and in environmental protection in recent years, there is not however a significant backlog of measures. The level of capital expenditure volume for projects at NA will also not exceed that of recent years. Capital expenditure, apart from the Cumerio takeover, can be funded from the cash flow for the operating activities. The increase in capital carried out on 9 November 2007 is primarily intended to partially fund the acquisition of Cumerio. The funding of the acquisition as a whole has been ensured by a credit line agreement.

Net working capital not only at NA but also at Cumerio will only change in conjunction with the development of the business. Possible synergies resulting from the Cumerio takeover will however be used to reduce the net working capital overall. It can therefore be expected that the cash inflow from operating activities will improve in the coming years. These funds will be used to fund capital expenditure, to redeem the acquisition loans and to prepare for possible further acquisitions. It is not at present possible to be specific about possible further acquisitions. Since external growth is however an integral part of NA's strategy, funds must be available in a suitable form to implement this strategy.

Opportunities

The general economic conditions could still develop very positively for an integrated copper producer like NA. Regardless of substitution tendencies in some sectors, demand for copper is continuing to increase, especially in the emerging markets. New applications also create a very good future for copper in the traditional sales regions. Metal recycling, which is an important mainstay of NA's business activities, is constantly gaining in importance.

In view of the global developments, the still severely fragmented copper industry in Europe can be expected to go through a further consolidation process, in which NA with its planned friendly takeover of Cumerio will play a significant role. The merger of NA and Cumerio would create an integrated copper producer and processor on a European basis and therefore an ideal platform for further international growth. Furthermore, the combination offers potential for value enhancement due to the optimisation of operating costs, working capital and capital expenditure.

The NA Group is continuing its strategy of constantly improving its performance and reducing its costs at all production sites. In a positive market environment, the gradual expansion of the concentrate processing capacity, projects to set itself apart from its competitors, cost-cutting especially by reducing the specific energy consumption, capacity expansions in the production of wire rod and the further development of the subsidiaries offer additional earnings potentials.

Overall conclusion on the expected development of the NA Group

The high in the raw material cycle, which is expected to prevail for some time, the good supply overall of copper raw materials and sustained strong demand for copper products provide solid bases for the continuing positive development of the NA Group. Wide-ranging projects to improve efficiency and reduce costs will in addition offset the effect of the general cost increases.

Risks exist, above all, in the development of the global economy, the US$/€ exchange rate ratio, the trends on the concentrate market and the substitution tendencies for copper.

We currently believe that it will be difficult to repeat the extraordinarily good results recorded in fiscal year 2006/07. Weighing up all these factors, NA however also expects very good results and a high cash flow in the coming years. The successful acquisition of Cumerio will support this.

Consolidated Financial Statements

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Consolidated income statement

for the period 1 October 2006 to 30 September 2007 (IFRS)

in € thousand	*Note*	*2006/07*	*2005/06*
Revenues	> 1	**6,468,838**	**5,753,016**
Changes in inventories of finished goods and work in process		119,184	110,239
– *thereof from revaluation of LIFO inventories using the average cost method*		*6,221*	*85,405*
Own work capitalised		4,422	2,987
Other operating income	> 2	25,333	22,275
Cost of materials	> 3	(5,923,210)	(5,221,378)
– *thereof from revaluation of LIFO inventories using the average cost method*		*49,289*	*135,261*
Gross profit		**694,567**	**667,139**
Personnel expenses	> 4	(215,394)	(193,993)
Depreciation and amortisation	> 5	(57,894)	(51,584)
Other operating expenses	> 6	(106,140)	(90,092)
Operational result		**315,139**	**331,470**
Result from investments	> 7	573	190
Interest income	> 8	8,092	5,689
Interest expense	> 8	(17,301)	(13,607)
Earnings before taxes		**306,503**	**323,742**
– *thereof from revaluation of LIFO inventories using the average cost method*		*55,510*	*220,666*
Income taxes	> 9	(83,173)	(131,520)
– *thereof from the revaluation of LIFO inventories using the average cost method*		*9,043*	*(88,587)*
Consolidated net income		**223,330**	**192,222**
– *thereof from revaluation of LIFO inventories using the average cost method*		*64,553*	*132,079*
Income attributable to minority interest	> 10	(1,183)	(1,125)
Consolidated net income after minority interest		**222,147**	**191,097**
– *thereof from revaluation of LIFO inventories using the average cost method*		*64,553*	*132,079*
Basic earnings per share	> 11	5.98	5.30
– *thereof from revaluation of LIFO inventories using the average cost method*		*1.74*	*3.66*
Diluted earnings per share	> 11	5.98	5.30
– *thereof from revaluation of LIFO inventories using the average cost method*		*1.74*	*3.66*

Consolidated balance sheet (IFRS)

as at 30 September 2007

ASSETS *in € thousand*	*Note*	*30.9.2007*	*30.9.2006*
Intangible assets		28,176	27,906
Property, plant and equipment		364,509	330,512
Investment property		37	45
Interests in affiliated companies		272	272
Investments		216,441	629
Other financial assets		426	778
Financial assets		**217,139**	**1,679**
Fixed assets	> 12	**609,861**	**360,142**
Deferred tax assets		1,326	1,621
Non-current receivables and financial assets		28,824	26,426
Other non-current assets		6,899	0
Non-current receivables and other assets	> 14	**35,723**	**26,426**
Non-current assets		**646,910**	**388,189**
Inventories	> 13	935,969	794,522
– thereof from revaluation of LIFO inventories using the average cost method		*381,431*	*325,920*
Trade accounts receivable		334,872	468,236
Income tax receivables		4,013	0
Other current receivables and assets		379,002	478,660
Current receivables and other assets	> 14	**717,887**	**946,896**
Short-term security investments	> 15	392	386
Cash and cash equivalents	> 16	20,018	6,566
Current assets		**1,674,266**	**1,748,370**
Total assets		**2,321,176**	**2,136,559**

EQUITY AND LIABLILTIES *in € thousand*	Note	30.9.2007	30.9.2006
Subscribed capital		95,115	95,115
Additional paid-in capital		101,557	101,941
Generated group earnings		733,818	550,683
– *thereof from revaluation of LIFO inventories using the average cost method*		*259,717*	*195,164*
Changes in accumulated other comprehensive income		(19,619)	(54,353)
Equity attributable to shareholders of NA AG		**910,871**	**693,386**
Minority interest		2,761	2,774
Equity	> 17	**913,632**	**696,160**
Pension provision	> 18	58,799	54,964
Deferred tax liabilities	> 19	143,441	127,778
– *thereof from revaluation of LIFO inventories using the average cost method*		*121,714*	*130,756*
Other non-current provisions	> 20	33,521	32,106
Non-current provisions		**235,761**	**214,848**
Non-current financial liabilities		153,112	88,785
Other non-current liabilities		0	588
Non-current liabilities	> 21	**153,112**	**89,373**
Non-current provisions and liabilities		**388,873**	**304,221**
Other current provisions	> 20	75,400	40,655
Current financial liabilities		145,877	94,065
Trade accounts payable		444,721	546,410
Income tax liabilities		58,480	31,369
Other current liabilities		294,193	423,679
Current liabilities	> 21	**943,271**	**1,095,523**
Current provisions and liabilities		**1,018,671**	**1,136,178**
Liabilities		**1,407,544**	**1,440,399**
Total equity and liabilities		**2,321,176**	**2,136,559**

Consolidated cash flow statement

in € thousand	2006/07	2005/06
Earnings before taxes after revaluation of LIFO inventories	306,503	323,742
Revaluation of LIFO inventories using the average cost method	(55,510)	(220,666)
Earnings before taxes before revaluation of LIFO inventories	**250,993**	**103,076**
Depreciation and amortisation	57,894	51,584
Impairment losses on current assets	3,114	56
Change in long-term provisions	5,250	805
Gain from disposal of fixed assets	1,552	237
Result from investments	(573)	(190)
Net interest expense	9,209	7,918
Income taxes paid	(96,474)	(51,598)
Gross cash flow	**230,965**	**111,888**
Change in receivables and other assets, including short-term security investments	225,980	(362,465)
Change in inventories	(86,162)	(103,909)
Change in current provisions	32,126	1,955
Change in liabilities (excl. financial liabilities)	(143,907)	290,703
Cash inflow (outflow in the prior year) from operating activities (net cash flow)	**259,002**	**(61,828)**
Purchase of fixed assets	(64,389)	(47,808)
Payments for the acquisition of interests in Cumerio sa/nv	(219,252)	0
Proceeds from disposal of fixed assets	820	1,533
Interest received	8,092	5,689
Dividends received	583	190
Cash outflow from investing activities	**(274,146)**	**(40,396)**
Payments/proceeds from capital increases	(283)	74,804
Proceeds from issuance of bonds and taking up financial liabilities	170,441	59,712
Payments to minority interest from capital decrease	0	(1,200)
Payment for the redemption of bonds and financial liabilities	(84,053)	(1,991)
Interest paid	(17,301)	(13,607)
Dividends paid	(40,208)	(38,606)
Cash inflow from financing activities	**28,596**	**79,112**
Net change in cash and cash equivalents	13,452	(23,112)
Cash and cash equivalents at beginning of period	6,566	29,678
Cash and cash equivalents at end of period	**20,018**	**6,566**

Further information on the consolidated cash flow statement is provided on page 149 of this report.

Consolidated statement of changes in equity

in € thousand	Subscribed capital	Additional paid-in capital	Generated group equity	Changes in accumulated other comprehensive income	Equity attributable to shareholders of NA AG	Minority interest	Total
Balance as at 30.9.2005	**86,562**	**34,731**	**396,740**	**(17,714)**	**500,319**	**4,301**	**504,620**
– *thereof from revaluation of LIFO inventories using the average cost method*			*63,085*		*63,085*		*63,085*
Capital increase and reduction	8,553	68,622			77,175	(1,200)	75,975
Costs of capital increase after tax effects of € 957 thousand		(1,412)			(1,412)		(1,412)
Dividend payments			(37,154)		(37,154)	(1,452)	(38,606)
Consolidated net income			191,097		191,097	1,125	192,222
– *thereof from revaluation of LIFO inventories using the average cost method*			*132,079*		*132,079*		*132,079*
Cash flow hedges				(61,480)	(61,480)		(61,480)
Exchange differences				12	12		12
Deferred taxes on changes in accumulated other comprehensive income				24,829	24,829		24,829
Balance as at 30.9.2006	**95,115**	**101,941**	**550,683**	**(54,353)**	**693,386**	**2,774**	**696,160**
– *thereof from revaluation of LIFO inventories using the average cost method*			*195,164*		*195,164*		*195,164*
Costs of capital increase after tax effects of € –101 thousand		(384)			(384)		(384)
Dividend payments			(39,012)		(39,012)	(1,196)	(40,208)
Consolidated net income			222,147		222,147	1,183	223,330
– *thereof from revaluation of LIFO inventories using the average cost method*			*64,553*		*64,553*		*64,553*
Market valuation of financial assets and cash flow hedges				63,941	63,941		63,941
Exchange differences				(63)	(63)		(63)
Deferred taxes on changes in accumulated other comprehensive income				(29,144)	(29,144)		(29,144)
Balance as at 30.9.2007	**95,115**	**101,557**	**733,818**	**(19,619)**	**910,871**	**2,761**	**913,632**
– *thereof from revaluation of LIFO inventories using the average cost method*			*259,717*		*259,717*		*259,717*
Total income and expense for fiscal year 2005/06			191,097	(36,639)	154,458	1,125	155,583
Total income and expense for fiscal year 2006/07			222,147	34,734	256,881	1,183	258,064

Further information on changes in equity is given on page 139 of this report.

Changes in fixed assets of the Group

as at 30 September 2007

in € thousand	*Acquisition or construction cost 1.10.2006*	*Additions in the fiscal year*	*Disposals*
Intangible assets			
1. Licenses, industrial property rights and similar rights and assets, and licenses to such rights and assets	23,966	1,063	412
2. Goodwill	43,170	0	0
3. Payments on account	51	386	0
	67,187	**1,449**	**412**
Property, plant and equipment			
1. Land and buildings	316,636	9,169	3,071
2. Technical equipment and machinery	881,338	14,098	8,008
3. Other equipment, factory and office equipment	63,877	6,590	5,609
4. Leased assets	14,023	29,832	38
5. Payments on account and assets under construction	16,773	33,042	1,519
	1,292,647	**92,731**	**18,245**
Investment property	**96**	**0**	**0**
Financial assets			
1. Interests in affiliated companies	2,297	0	0
2. Loans to affiliated companies	465	0	325
3. Investments	1,115	219,252	0
4. Other loans	313	41	68
	4,190	**219,293**	**393**
	1,364,120	**313,473**	**19,050**

There were no intangible assets, apart from goodwill, with indefinite useful lives as at 30.9.2007.

Transfers	Changes in fair value and exchange differences (net)	Depreciation, amortisation and write-downs 30.9.2007	Carrying amount 30.9.2007	Carrying amount 30.9.2006	Systematic depreciation and amortisation in the fiscal year	Impairment losses in the fiscal year
0	0	21,848	2,769	2,885	1,176	0
0	0	18,200	24,970	24,970	0	0
0	0	0	437	51	0	0
0	**0**	**40,048**	**28,176**	**27,906**	**1,176**	**0**
2,118	(9)	243,822	81,021	81,733	6,464	5,525
7,072	(39)	700,205	194,256	212,095	38,188	471
341	(4)	50,502	14,693	11,720	3,809	12
0	0	8,044	35,773	8,191	2,241	0
(9,531)	1	0	38,766	16,773	0	0
0	**(51)**	**1,002,573**	**364,509**	**330,512**	**50,702**	**6,008**
0	**0**	**59**	**37**	**45**	**8**	**0**
0	0	2,025	272	272	0	0
0	0	0	140	465	0	0
0	(3,430)	496	216,441	629	0	10
0	0	0	286	313	0	0
0	**(3,430)**	**2,521**	**217,139**	**1,679**	**0**	**10**
0	**(3,481)**	**1,045,201**	**609,861**	**360,142**	**51,886**	**6,018**

Changes in fixed assets of the Group

as at 30 September 2006

in € thousand	*Acquisition or construction cost 1.10.2005*	*Additions in the fiscal year*	*Disposals*
Intangible assets			
1. Licenses, industrial property rights and similar rights and assets, and licenses to such rights and assets	24,578	665	1,757
2. Goodwill	43,170	0	0
3. Payments on account	329	49	5
	68,077	**714**	**1,762**
Property, plant and equipment			
1. Land and buildings	315,583	1,122	649
2. Technical equipment and machinery	864,927	20,987	9,276
3. Other equipment, factory and office equipment	63,550	4,376	4,090
4. Leased assets	9,486	4,639	102
5. Payments on account and assets under construction	6,329	15,939	40
	1,259,875	**47,063**	**14,157**
Investment property	**363**	**0**	**267**
Financial assets			
1. Interests in affiliated companies	2,298	0	1
2. Loans to affiliated companies	465	0	0
3. Investments	1,102	13	0
4. Loans to enterprises in which investements are held	625	0	625
5. Other loans	402	18	107
	4,892	**31**	**733**
	1,333,207	**47,808**	**16,919**

There were no intangible assets, apart from goodwill, with indefinite useful lives as at 30.9.2006.

Transfers	Exchange differences (net)	Depreciation, amortisation and write-downs 30.9.2006	Carrying amount 30.9.2006	Carrying amount 30.9.2005	Systematic depreciation and amortisation in the fiscal year	Impairment losses in the fiscal year
480	0	21,081	2,885	3,910	2,117	0
0	0	18,200	24,970	24,970	0	0
(322)	0	0	51	329	0	0
158	**0**	**39,281**	**27,906**	**29,209**	**2,117**	**0**
577	3	234,903	81,733	86,631	6,489	32
4,680	11	669,234	212,095	225,700	38,663	18
40	0	52,156	11,720	11,514	3,442	0
0	0	5,832	8,191	4,408	815	0
(5,455)	0	0	16,773	6,329	0	0
(158)	**14**	**962,125**	**330,512**	**334,582**	**49,409**	**50**
0	**0**	**51**	**45**	**128**	**8**	**0**
0	0	2,025	272	273	0	0
0	0	0	465	465	0	0
0	0	486	629	616	0	0
0	0	0	0	0	0	0
0	0	0	313	402	0	0
0	**0**	**2,511**	**1,679**	**1,756**	**0**	**0**
0	**14**	**1,003,968**	**360,142**	**365,675**	**51,534**	**50**

Notes to the financial statements

BASIS OF PRESENTATION

As required by Regulation (EC) No. 1606/2002 of the European Parliament and the Council dated 19 July 2002 on the application of international accounting standards and Section 315a paragraph 1 of the German Commercial Code (HGB), the consolidated financial statements of Norddeutsche Affinerie AG, Hamburg, as at 30 September 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) approved and published by the International Accounting Standards Board (IASB), as adopted by the European Union. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC) have been taken into account. No accounting policies in accordance with German law that do not comply with IFRS have been applied.

The Executive Board issued the consolidated financial statements to the Supervisory Board on 4 January 2008. The Supervisory Board's task is to review and approve the consolidated financial statements. At the time of reporting, this was scheduled to be carried out on 16 January 2008.

The consolidated financial statements have been prepared in euros. Inasmuch as nothing to the contrary is indicated, all amounts are shown in currency units of thousand. Current and non-current assets are presented as separate categories in the balance sheet. Current assets and liabilities are expected to be realised within twelve months of the balance sheet date or are held primarily for trading purposes.

Assets and liabilities have been measured as a general rule at amortised acquisition or construction cost. Derivative financial instruments and available-for-sale financial assets are measured at fair value. The preparation of financial statements in accordance with IFRS furthermore requires the Executive Board and authorised employees to make estimates and assumptions in significant areas that have an impact on the measurement and reported amount of the assets and liabilities in the balance sheet, and on income and expenses. Such estimates and assumptions are primarily applied in defining the useful lives of fixed assets, the computation of discounted cash flows in conjunction with impairment tests, and the recognition of provisions for pension obligations and for pending losses and environmental protection. The actual amounts could deviate from these assumptions. Where they had an impact on the measurement, the assumptions and estimates on which measurement was based are discussed separately under the respective item in these notes.

SCOPE OF CONSOLIDATION

In addition to the parent company, Norddeutsche Affinerie AG, seven further companies, in which Norddeutsche Affinerie AG holds the majority of the voting rights either directly or indirectly and thus has control, were included in the consolidated financial statements as at the balance sheet date by way of full consolidation. The newly established Prymetall Slovakia s.r.o., Dolný Kubín, was included for the first time. The company was established on 12 February 2007 with a capital contribution of SSK 30,600,000. It is a wholly-owned subsidiary of Prymetall GmbH & Co. KG, Stolberg. Since Prymetall Slovakia s.r.o. was still at the formation phase in fiscal year 2006/07, no revenues were generated during this period. The company's contribution to consolidated earnings before taxes in the reporting period amounted to € –97 thousand.

Accordingly, the results of all significant subsidiaries, in which Norddeutsche Affinerie AG holds legal and/or effective control, are included in these consolidated financial statements.

Schwermetall Halbzeugwerk GmbH & Co. KG, Stolberg, CIS Solartechnik GmbH & Co. KG, Bremerhaven, and KPP Kraftwerk Peute Projektmanagement GmbH & Co. KG, Hamburg, were consolidated proportionately in accordance with IAS 31. A 50% investment is held in each of these three entities. They are managed jointly with other partners (joint ventures). The accounting policies applied comply with those for the fully consolidated subsidiaries. Schwermetall Halbzeugwerk's share of the group's assets as at 30 September 2007 amounted to € 69,093 thousand (€ 78,558 thousand in the prior year), its share of the non-current liabilities to € 17,966 thousand (€ 18,675 thousand in the prior year) and its share of the current liabilities to € 14,067 thousand (€ 32,225 thousand in the prior year). This company contributed € 9,501 thousand (€ 7,575 thousand in the prior year) to the group's net income in the reporting period, and € 139,748 thousand (€ 173,962 thousand in the prior year) to its revenues.

CIS Solartechnik's share of the group's assets and current liabilities as at 30 September 2007 amounted to € 2,316 thousand (€ 1,159 thousand in the prior year) and € 309 thousand (€ 92 thousand in the prior year) respectively. This company's contribution to the group's net income in the reporting period amounted to € –292 thousand (€ –308 thousand in the prior year). No revenues were generated, since the company has not to date been operationally active.

KPP Kraftwerk Peute Projektmanagement GmbH & Co. KG's share of the group's assets and current liabilities as at 30 September 2007 amounted to € 78 thousand (€ 1,348 thousand in the prior year) and € 23 thousand (€ 142 thousand in the prior year) respectively. The company's contribution to the group's net income in the reporting period amounted to € –2,714 thousand (€ –353 thousand in the prior year). The company also generated no revenues, since it has to date only carried out planning work.

In addition, NA AG holds a 29.1% interest in Cumerio sa/nv, Brussels. Voting rights cannot, however, be exercised yet due to the current antitrust process. The NA Group therefore has no significant influence at present. Consequently, the interest is measured as at 30 September 2007 at fair value in accordance with IAS 39.46 and reported under the other investments. The fair value calculated from the stock exchange price as at 30 September 2007 amounted to € 215,822 thousand. Norddeutsche Affinerie AG has submitted a takeover bid for Cumerio sa/nv, Brussels, with the intention of acquiring an interest of at least 80% in the company. Voting rights can likewise only be exercised in the event of an acquisition in addition to the interest already held if the responsible antitrust authorities give their approval. The takeover bid is accordingly subject to commensurate reservations. The acquisition cost of the interest acquired to date amounted to € 224,858 thousand. The change in fair value was recognised directly in equity. Until recognition of the acquisition in accordance with the principles of IFRS 3, the ancillary costs of the acquisition will be reported under other non-current assets in the amount of € 5,607 thousand.

Non-consolidated companies are recognised at fair value or, if that value cannot be determined, at amortised cost.

CONSOLIDATION PRINCIPLES

The financial statements of companies included in the consolidated financial statements are prepared in accordance with the uniform accounting policies applied to the Norddeutsche Affinerie Group. The financial statements of all companies that are either significant or subject to a statutory audit requirement are 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 offset against the fair values of acquired assets and liabilities of the subsidiary at that time. Any unallocated difference is recognised as goodwill and tested annually for impairment. Goodwill is not systematically amortised, in accordance with IFRS 3.

Receivables, liabilities and contingent liabilities, and revenues, other income and expenses between group companies are eliminated. Profits resulting from transactions between group companies are eliminated, if significant.

With the exception of two subsidiaries, all the entities included in the consolidated financial statements are German companies. The financial statements of these subsidiaries are translated to euros in accordance with the concept of the functional currency. In accordance with IAS 21, assets and liabilities in the balance sheet are translated at the mid-market rates on the balance sheet date and the income statement at the average rates for the year. Any resultant translation differences will be recognised directly in equity until the possible disposal of the subsidiary.

The same consolidated policies are applied accordingly for proportionally consolidated joint ventures. The consolidation procedures required for transactions between such companies and the remaining group companies are performed proportionately based on the interest in the joint ventures.

CHANGES IN ACCOUNTING POLICIES ON ACCOUNT OF NEW STANDARDS AND INTERPRETATIONS

Amendment to IAS 19 “Employee Benefits” – recording of actuarial gains and losses, multi-employer plans and note disclosures

The IASB published an amendment to IAS 19 in December 2004. The amendment affects the following:

> provision of an additional option for the recognition of actuarial gains and losses directly in equity in the period in which they are incurred,

> obligation to recognise receivables or liabilities arising from the contractual agreements for multi-employer plans, which, as a result of insufficient information, are recognised as defined contribution plans,

> presentation of defined benefit plans that share risks between various entities under common control and

> amended disclosures in the notes to the financial statements on defined benefit pension plans.

Adoption of these amendments to IAS 19 by Norddeutsche Affinerie AG in fiscal year 2006/07 resulted in amended disclosures in the notes to the financial statements on defined benefit pension plans. The previous recording of actuarial gains and losses using the corridor method has not been changed to their direct recognition in equity. The group has no multi-employer pension plans.

Interpretations applied for the first time

IFRIC 7 provides guidance on accounting policies in countries with hyperinflation and does not apply to Norddeutsche Affinerie AG group companies.

IFRIC 8, which is applicable for the first time, clarifies how IFRS 2 applies to share-based payments, for which the company granting the benefit receives no or no adequate consideration. There has been no impact from the application of the interpretation.

The application of IFRIC 9 for the reassessment of embedded derivatives has likewise not had any effect.

Standards and Interpretations not adopted early

The IASB has issued the following Standards, Interpretations and revisions to existing Standards, adoption of which is not yet obligatory, and which are also not being adopted early by Norddeutsche Affinerie AG:

IFRS 7 "Financial Instruments: Disclosures"

The IASB published IFRS 7 in August 2005. This Standard combines the disclosures on financial instruments, which were previously covered by IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and IAS 32 "Financial Instruments: Disclosure and Presentation", and amends or enhances the individual disclosure requirements. IFRS 7 shall be applied for annual periods beginning on or after 1 January 2007.

The Standard, which must be applied by all companies, will result in additional disclosure requirements for financial instruments when applied by Norddeutsche Affinerie AG for the first time in fiscal year 2007/08.

IFRS 8 "Operating Segments"

IFRS 8 contains rules on segment reporting and is applicable for the first time for fiscal years beginning after 1 January 2009. When first applied, this Standard will only result in amended disclosure requirements.

Amendment to IAS 1 "Presentation of Financial Statements" – disclosures on capital

In August 2005, the IASB announced an amendment to IAS 1 in connection with the publication of IFRS 7 "Financial Instruments: Disclosures" that requires information to be published in the financial statements, which enables users to evaluate the entity's objectives, policies and processes for managing capital. The revised IAS 1 shall be applied for annual periods beginning on or after 1 January 2007. Adoption of the revised IAS 1 by Norddeutsche Affinerie AG in fiscal year 2007/08 will result in additional disclosures in the notes to the financial statements.

Amendment to IAS 23 "Borrowing Costs"

In March 2007, the IASB published amendments to IAS 23 regarding the treatment of borrowing costs. The option previously available for the recognition of borrowing costs incurred in relation to the acquisition or production of qualifying assets must in future be applied. Norddeutsche Affinerie AG has to date waived the recognition of borrowing costs. The Standard is applicable for all fiscal years beginning after 1 January 2009.

Further Standards and Interpretations not adopted early

IFRIC 10 provides rules on the reversal of impairment losses in interim reports. The effects of the first-time application in fiscal year 2007/08 are currently being examined.

IFRIC 11 addresses the question of how entity-wide share-based payment should be recognised, the impact of employee transfers between group entities and how share-based payment obligations, for which the company can issue its own shares or must acquire shares from third parties, shall be handled. IFRIC 11 is applicable to fiscal years that begin on or after 1 March 2007. It is not expected that IFRIC 11 will have any impact on the future consolidated financial statements of Norddeutsche Affinerie AG.

The first application of IFRIC 12 on the recognition of public infrastructure services from private entities in fiscal year 2008/09 is not expected to have any impact.

IFRIC 13 addresses the recognition and measurement of customer loyalty programmes and is not expected to have any impact on the consolidated financial statements when applied for the first time in fiscal year 2008/09.

According to current assessments, the impact of the first-time application of IFRIC 14 with additional recognition und measurement stipulations on pension and other benefit plans in fiscal year 2008/09 will not result in any changes for the NA Group.

ACCOUNTING POLICIES

Recognition of revenues and expenses

Revenues and other operating income are recognised when the services are performed or the significant risks and rewards of ownership of the goods are transferred to the customer.

Operating expenses are recognised when incurred. Interest income and expense are recognised in the periods to which they relate. If income or expenses arise as a result of profit and loss transfer agreements, they are recognised at the end of the respective fiscal year. Interest expense from leasing agreements is calculated using the effective interest method. Dividends to which group companies are entitled are recognised as income at the time that the right to receive them arises.

Recognition and derecognition of financial instruments

Financial assets and financial debts are recognised in the consolidated balance sheet as soon as the group has become the contractual party for a financial instrument.

Financial assets are derecognised when the contractual rights to payments from the financial assets cease or the financial assets are transferred together with all significant risks and rewards. Financial liabilities are derecognised when the contractual obligations are settled or cease. Normal market purchases and sales of financial instruments are generally recorded on the settlement date, i.e. at the time of delivery and passage of title, in metal trading on the trading day.

Fixed assets

If intangible assets are acquired, they are recognised at acquisition cost. Internally generated intangible assets that will generate future economic benefit are recognised at their creation cost and amortised systematically straight-line over their expected useful lives of generally three to fifteen years. The consolidated financial statements do not include any intangible assets with indefinite useful lives.

Property, plant and equipment used in the business operations for more than one year are measured at acquisition or construction cost less systematic depreciation. Construction costs include all direct costs as well as a reasonable share of the construction related overheads. Borrowing costs are not taken into account. Systematic depreciation is recorded using the straight-line method. The depreciation periods used correspond to the expected economic useful lives in the group. The following main useful lives are applied:

Buildings	25 to 40 years
Site installations	10 to 25 years
Technical equipment and machinery	5 to 20 years
Factory and office equipment	3 to 20 years

General overhauls or maintenance measures resulting in the replacement of components are recognised as an asset if it is probable that future economic benefits will flow to the group and the costs can be measured reliably.

Leased property, plant and equipment that satisfy the criteria of IAS 17 for a finance lease are recognised within the fixed assets. This is the case if all significant risks and rewards of economic ownership lie with the respective group company. Such property, plant and equipment are 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 it is expected that ownership will be obtained at the end of the lease term, over the economic useful life. The future lease payment obligations are recognised as a liability at their present value.

Impairment losses on intangible assets and property, plant and equipment are recorded in accordance with IAS 36 if the fair value less the costs of disposal or the value in use has fallen below its carrying amount. Impairment is tested at the level of the smallest cash generating unit.

Financial assets are capitalised at fair value at the time of acquisition, taking into account directly allocable transaction costs. Investments are recognised subsequently as available-for-sale financial assets at the fair values derived from the stock market price where a price is quoted on an active market. Gains and losses on measurement are recognised directly in equity as long as they do not relate to impairment losses. Accumulated gains or losses are recognised in income at the time of disposal of investments. Investments and unconsolidated companies, for which no fair value can be estimated, are recognised at amortised cost. Long-term and non-interest-bearing loans are discounted, unless they are immaterial. Held-to-maturity financial assets, as well as non-current loans and receivables, are recognised at amortised cost as at the balance sheet date.

Buildings held as investment property are measured at amortised cost less systematic straight-line depreciation in accordance with the aforementioned useful lives for buildings.

Inventories

Inventories are measured at acquisition or production cost. Production cost includes all direct costs as well as a reasonable share of the production-related overheads. In accordance with IAS 2, all interchangeable inventories are valued applying the average cost method. Metal inventories that are tied up permanently in the production process, on the other hand, are measured at historical cost. They are recognised in this connection at the balance sheet date at the lower of cost and net realisable value less the estimated costs necessary to make the sale. Net realisable value is determined as a general rule based on the net sales price of the finished product.

Unless further information is provided, the sequence of consumption procedure prescribed by IAS 2 for the valuation of inventories results in considerable discontinuity and a loss of comparability. The operating activities of the Norddeutsche Affinerie Group would accordingly not be appropriately presented. The impact of the revaluation of LIFO inventories on the respective items is therefore presented separately in these consolidated financial statements.

Receivables and other assets

Receivables and other assets are recognised at amortised cost. Any risk in the receivables is provided for by specific allowances or lump-sum allowances for doubtful debts. Non-interest-bearing receivables with a term exceeding a year are discounted. For receivables due within one year, it is assumed that the fair value corresponds to the face value. Receivables denominated in foreign currencies are translated at the offer price as of the balance sheet date. Receivables sold without recourse are derecognised.

Sundry current assets

Short-term security investments are accounted for as available-for-sale financial assets at fair value based on the stock exchange price as at the balance sheet date. Provided they do not result from impairment losses, gains and losses on measurement are recognised in equity. The accumulated gains or losses are recognised in profit or loss on disposal of the security investments.

Cash and cash equivalents are recognised at amortised cost. Foreign currency balances are translated at the offer price as of the balance sheet date.

Deferred taxes
In accordance with IAS 12, deferred taxes are recognised on all differences between the tax bases of individual companies and the corresponding carrying amounts under IFRS, if these differences result in future taxable or deductible amounts and will reverse in the future. Deferred tax assets are recognised to the extent that they can be used. Tax loss carryforwards are capitalised if they are realisable within a foreseeable planning horizon. Deferred tax assets and deferred tax liabilities are offset if they relate to income taxes levied by the same taxation authority and can be set off against each other.

Provisions
Provisions for pension and similar obligations are determined in accordance with the projected unit credit method prescribed by IAS 19 based on actuarial reports. The demographic assumptions applied as well as the expected salary and pension trends and the discount rate to be applied are determined on the basis of current estimates as of the balance sheet date. Accordingly, actuarial gains and losses can result from deviations between the actual parameters and the assumptions used for the calculation. In accordance with the corridor method 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 then comprises the amount exceeding the corridor divided by the remaining working lives of the employees participating in the pension plan. The interest portion included in the pension costs is recorded as net interest expense.

Other provisions are recognised for all other uncertain obligations and risks of the group, for which an obligation to third parties results from past events, the settlement of which is expected to result in an outflow of cash resources, and the amount of which can be reliably estimated. If the effect of the time value of money is material, non-current provisions are recognised at their present value.

Liabilities
Liabilities are generally recognised at amortised cost. Interest-free or low-interest liabilities maturing in more than a year are discounted if the effect of the time value of money is material. It is assumed for liabilities due in less than a year that the fair value corresponds to the settlement amounts.

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 on initial recognition applying the current exchange rate and, at the balance sheet date, at the bid rate.

Financial instruments

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

In accordance with IAS 39, all derivative financial instruments are stated at fair value. Changes in the fair value of those derivatives that are not a component of a cash flow hedge are recognised in profit or loss. For cash flow hedges, gains or losses on the effective portion of the derivative are recognised in equity, while gains and losses on the ineffective portion of the derivative are recognised in profit or loss. The gain or loss of the effective portion is recognised in profit or loss as soon as the hedged item affects earnings.

Contracts covering the delivery of non-ferrous metals were concluded in fiscal year 2006/07 not only to cover the expected demand for raw materials and the expected sale of finished products, but also to exploit price fluctuations between short-term and long-term forward prices. Price-fixed metal delivery contracts were therefore also recognised as derivative financial instruments at fair value, recognising gains or losses in profit or loss for the period.

The methods and aims of the NA Group's financial risk management, and the notional and fair values of the derivative financial instruments, are described in Note 23.

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

Changes in the fair value of derivatives, which, regardless of their economic effect, do not fulfil the criteria of IAS 39 for qualification as hedge accounting, are recognised in profit or loss.

In 2006/07, an increase of € 48.4 million in the existing market values was recognised directly in equity. At the same time, the necessary adjustment of € 27.9 million to the positive fair values, which was recorded in the income statement, had a positive impact on earnings. Measurement effects in current assets had a reverse impact.

Share-based compensation components

Since 2004/05, the Executive Board, senior staff and non-tariff staff in the NA Group have been able to participate in a share-based compensation component with cash settlement, for which the recognition and measurement regulations of IFRS 2 have to be applied.

The resultant liability is measured in accordance at the fair value of the issued options. The resultant personnel expenses are recognised pro rata temporis in profit or loss over the waiting period of the options. This is recalculated for each balance sheet date during the blocking period and until the options are exercised, on the basis of an option price model taking into account changes in the measurement parameters. The impact on the financial statements for 2006/07 is shown in the explanations on the personnel expenses in Note 4.

NOTES TO THE INCOME STATEMENT

> 1 Revenues

By product groups *in € thousand*	*2006/07*	*2005/06*
Copper cathodes	1,244,051	1,007,560
Continuous cast wire rod	2,473,743	1,862,677
Continuous cast shapes	939,597	1,174,349
Pre-rolled strip, strips and shaped wires	400,950	422,908
Precious metals	1,157,576	1,050,153
Chemicals	37,789	31,333
Other	215,132	204,036
	6,468,838	**5,753,016**

The revenues from continuous cast wire rod and shapes also include revenues from “Wandelkathoden” (copper on account), which have already been sold, but cannot be delivered in the required shapes until receipt of the customers’ specifications.

A further breakdown of group revenues by group segments is provided in the segment reporting on pages 150 and 151.

> 2 Other operating income

in € thousand	*2006/07*	*2005/06*
Reversal of provisions	1,562	821
Cost reimbursements and services for third parties	13,820	12,355
Gains on disposal of fixed assets	230	739
Damages and indemnitites	929	806
Other income	8,792	7,554
– *of which rent received on investment property*	*113*	*113*
	25,333	**22,275**

> 3 Cost of materials

in € thousand	*2006/07*	*2005/06*
Raw materials, supplies and merchandise	5,807,272	5,129,143
– thereof from revaluation of LIFO inventories using the average cost method	*(49,289)*	*(135,261)*
Cost of purchased services	115,938	92,235
	5,923,210	**5,221,378**

Cost of materials increased in line with the higher revenues. Taking into account the changes in inventories, the cost of materials ratio increased to 89.9% (89.1% in the prior year).

> 4 Personnel expenses and human resources

in € thousand	*2006/07*	*2005/06*
Wages and salaries	177,754	155,610
Social security, pension and other benefit expenses	37,640	38,383
– of which for pensions	*6,755*	*7,217*
	215,394	**193,993**

The pension expenses primarily comprise allocations to the provisions for pensions and to externally funded pension plans.

A share-based compensation component with cash in lieu has been in force for the Executive Board, senior staff and non-tariff staff in the group since 2004. The prerequisite for participation is that the respective senior staff must hold a certain number of NA shares. The options granted can be exercised after a waiting period of three years, at the earliest however after the third ordinary Annual General Meeting since the commencement of the term of the respective tranche. They must be exercised within a year. The right to exercise the options and the amount of the payments to each participant are determined on the basis of two performance criteria, which depend firstly on the absolute increase in the NA share price and secondly on the performance of NA shares compared with the CDAX as the reference index.

The granted entitlements to share options have developed as follows:

Options	*1st tranche*	*2nd tranche*	*3rd tranche*	*4th tranche*	*Total*
Outstanding options as at 1.10.2006	473,450	419,500	393,000	0	1,285,950
Options granted in the fiscal year	0	0	0	436,500	436,500
Options realised in the fiscal year	1,000	4,000	3,400	3,200	11,600
Options expired in the fiscal year	0	0	0	0	0
Options exercised in the fiscal year	472,450	0	0	0	472,450
Options outstanding as at 30.9.2007	0	415,500	389,600	433,300	1,238,400
Options exercisable as at 30.9.2007	0	0	0	0	0

The weighted average remaining contract term for all options amounts to 25 months. The average value of the options exercised in the past fiscal year amounted to € 7.66. No options were exercised in the prior year.

The resultant personnel expenses from the stock option plan are recognised in profit or loss pro rata temporis over the waiting period of the options. In the past fiscal year these amounted to € 5,329 thousand (€ 1,974 thousand in the prior year). The options issued are measured at fair value on the basis of a Black-Scholes option pricing model both for NA AG shares and for the CDAX reference index. The share and index performance at future dates is simulated as part of a Monte Carlo simulation. Fair value is recalculated as at each balance sheet date during the blocking period and until the options are exercised, on the basis of an option price model taking into account changes in the measurement parameters. The fair value per option right as at 30 September 2007 was between € 5.39 and € 11.46 (€ 3.26 and € 6.99 in the prior year), while the provision for this as of the balance sheet date amounted to € 4,786 thousand (€ 3,049 thousand in the prior year). The following parameters were assumed:

Non-risk interest rate	4.49% – 4.60%
NA AG share price as at valuation date	€ 30.80
NA AG share volatility	31.46%
CDAX performance as at valuation date	706.08
CDAX volatility	14.74%
NA AG/CDAX correlation	58.98%

The expected volatility was determined on the basis of the historical development of the share price.

The average number of employees in the group during the year was as follows:

	2006/07	2005/06
Blue collar	2,042	2,036
White collar	977	955
Trainees and apprentices	200	196
	3,219	**3,187**
– thereof number of employees in joint ventures	141	134

> 5 Depreciation and amortisation

Depreciation and amortisation for the group on intangible assets and property, plant and equipment totalled € 57,894 thousand (€ 51,584 thousand in the prior year). This comprises depreciation of € 56,710 thousand on property, plant and equipment (€ 49,459 thousand in the prior year), amortisation of € 1,176 thousand on intangible assets (€ 2,117 thousand in the prior year) and depreciation of € 8 thousand on investment property (€ 8 thousand in the prior year). Impairment losses on property, plant and equipment in the reporting period amounted to € 6,008 thousand (€ 50 thousand in the prior year). These mainly related to construction work performed in the Hamburg East Works area that became obsolete when a planned power plant project was abandoned.

A precise breakdown of depreciation and amortisation on intangible assets, property, plant and equipment and financial assets is provided in the details of changes in fixed assets on pages 116 to 119.

> 6 Other operating expenses

in € thousand	2006/07	2005/06
Expenses relating to prior periods	3,192	1,179
Allocations to provisions	860	768
Sundry expenses	28,424	26,437
Administrative expenses	32,179	22,063
Selling expenses	40,594	38,753
Other taxes	891	892
	106,140	**90,092**

Expenses relating to prior periods primarily comprise losses on the disposal of fixed assets and expenditure caused by the discontinuation of the power plant project. The selling expenses mainly comprise freight costs.

> 7 Result from investments

in € thousand	*2006/07*	*2005/06*
Income from profit and loss transfer agreements	2	6
Income from investments	581	184
Write-downs on investments	(10)	0
	573	**190**

Income from investments consists solely of dividends from non-consolidated subsidiaries.

> 8 Net interest expense

in € thousand	*2006/07*	*2005/06*
Income from loans reported under financial assets	23	23
Interest and similar income	8,069	5,666
Interest and similar expenses	(17,301)	(13,607)
	(9,209)	**(7,918)**

Interest and similar expenses include the interest component of the pension expenses in the amount of € 3,063 thousand (€ 1,620 thousand in the prior year).

> 9 Income taxes

Income taxes comprise income taxes paid or owed and deferred taxes. Income tax expense including deferred taxes is made up as follows:

in € thousand	*2006/07*	*2005/06*
Current taxes	96,474	53,644
Deferred taxes	(13,301)	77,876
– thereof from revaluation of LIFO inventories using the average cost method	*(9,043)*	*88,587*
	83,173	**131,520**

Current taxes include back payments (refunds) of taxes for prior years of € 1,052 thousand, which mainly relate to the years 1999 to 2003 (€ 2,178 thousand in the prior year), while deferred taxes include the effects from the corrections to the tax base of € –222 thousand (€ 0 in the prior year).

Deferred taxes result from the different timing of carrying amounts between the tax bases of the companies and the consolidated balance sheet. They are calculated using the balance sheet oriented liability method and the tax rates expected at the time of realisation. These are generally based on the legal situation applying as of the balance sheet date.

Following the agreement of the Lower House of the German Federal Parliament on 6 July 2007, the German Corporate Tax Reform Act 2008 will come into force on 1 January 2008 (flat-rate withholding tax on 1 January 2009). The main element of this law is the reduction of the corporation tax liability from 25% to 15% and the reduction of the tax assessment rate for trade tax from 5% to 3.5%, with at the same time the abolition of the deductibility of trade tax as operating expenditure. For Norddeutsche Affinerie AG this results in a reduction in the income tax rate from 40% to 32% for the following fiscal years. The resultant necessary revaluation of the deferred tax assets and liabilities led to tax income of € 42,873 thousand in the reporting period.

In accordance with IAS 12.81, the actual tax expense must be reconciled to the tax charge that would have resulted if the theoretical tax rates were applied to the reported consolidated pre-tax earnings.

The aggregate tax rate of 40% (40% in the prior year) used in the reconciliation consists of 25% corporation tax plus a solidarity surcharge of 5.5% on the corporation tax liability, plus an effective trade tax rate of 18.5% determined on the basis of various municipal multipliers.

in € thousand	*2006/07*	*2005/06*
Reconciliation:		
Earnings before taxes	306,503	323,742
Theoretical tax charge at 40% (40% in the prior year)	122,601	129,497
Change in theoretical tax charge due to:		
– *changes in tax rate*	(42,873)	0
– *non-recognition and correction of deferred taxes*	1,236	(740)
– *deviating tax rates*	4,139	824
– *taxes for prior years*	830	2,178
– *reduction of corporation tax*	0	(738)
– *capitalisation of corporation tax credits*	(3,320)	0
– *non-deductible expenses*	751	625
– *non-taxable income*	(246)	(126)
– *other*	55	0
Income taxes	**83,173**	**131,520**
– *thereof from revaluation of LIFO inventories using the average cost method*	*(9,043)*	*88,587*

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

	2006/07		2005/06	
in € thousand	*Deferred tax assets*	*Deferred tax liabilities*	*Deferred tax assets*	*Deferred tax liabilities*
Intangible assets	5,081	8,077	7,213	9,852
Property, plant and equipment	616	44,616	848	46,885
Financial assets	185	23	12	5
Inventories	227	121,714	0	130,756
– thereof from revaluation of LIFO inventories using the average cost method	0	*121,714*	0	*130,756*
Receivables and other assets	22,834	130,611	66,106	203,975
Sundry current assets	0	0	0	0
Pension provisions	2,673	0	2,638	0
Other provisions	12,241	1,276	8,830	1,136
Liabilities	138,191	20,655	212,175	36,777
Tax loss carryforwards	2,809	0	5,407	0
Offsetting	(183,531)	(183,531)	(301,608)	(301,608)
Per consolidated balance sheet	1,326	143,441	**1,621**	**127,778**

Deferred tax assets are only recognised to the extent to which the respective benefits will probably be realised. Based on the forecast profit expectations of the subsidiaries, it is assumed in accordance with IAS 12.34 that the loss carryforwards will be fully utilised.

The amount of deferred taxes resulting from cash flow hedges charged or credited directly in equity has fallen, after offsetting, compared with the prior year (deferred tax assets of € 36,847 thousand) to deferred tax assets of € 7,703 thousand.

On 9 November 2006 the Lower House of the German Federal Parliament passed the Law on Tax Measures Accompanying the Introduction of the European Company and the Amendment of further Tax Regulations. The recognition of corporation tax credits on account of Section 37 (2) German Corporation Tax Act resulted in the reporting period in a tax refund of € 3,320 thousand.

The income tax charges expected as a result of the audit by the fiscal authorities of the years 1999 to 2003 were fully paid by 30 September 2007. No additional claims are expected, so that no provisions have been set up.

The Annual Tax Law 2008 was passed by the Lower House of the German Government after the balance sheet date on 8 November 2007. The recognition of corporation tax increases under the liabilities in accordance with Section 38 of the new version of the German Corporation Tax Act will result in tax expense of € 116 thousand in fiscal year 2007/08.

> 10 Income attributable to minority interest

Of the reported net income for 2006/07 of € 223,330 thousand (€ 192,222 thousand in the prior year), € 1,183 thousand (€ 1,125 thousand in the prior year) is attributable to shareholders other than the shareholders of Norddeutsche Affinerie. This relates to the interests of outside shareholders in Deutsche Giessdraht GmbH, Emmerich.

> 11 Earnings per share

Basic earnings per share are calculated by dividing the consolidated net income excluding the minority interest by the weighted average number of shares outstanding during the fiscal year.

in € thousand	*2006/07*	*2005/06*
Consolidated net income excluding the minority interest	222,147	191,097
Weighted average number of shares (in 1,000)	37,154	36,041
Basic earnings per share in €	**5.98**	**5.30**
– *thereof from revaluation of LIFO inventories using the average cost method*	*1.74*	*3.66*

Diluted earnings per share is determined by adding to the weighted average of the shares outstanding in the fiscal year the maximum number of shares, which could be issued if all conversion rights on convertible bonds were exercised. Where applicable, the consolidated net income is increased at the same time by the interest expense incurred on convertible bonds less the corresponding taxes.

Since conversion rights on convertible bonds existed neither in the reporting year nor in the prior year, the diluted earnings per share correspond for the NA Group with the basic earnings per share.

On 8 November 2007, the Executive Board with the approval of the Supervisory Board resolved to increase the subscribed capital of Norddeutsche Affinerie AG on the basis of the powers on authorised, unissued capital granted at the Annual General Meeting on 30 March 2006 by issuing 3,715,430 new no-par-value shares. The new shares were placed on 9 November 2007 and are therefore not included in the earnings per share for fiscal year 2006/07. The new shares are fully entitled to participate in the profit for fiscal year 2006/07. Further information on the conditional and the authorised, unissued capital is provided in Note 17.

NOTES TO THE BALANCE SHEET

> 12 Fixed assets

The breakdown and development of the group's fixed assets are presented on pages 116 to 119 of this report.

Intangible assets comprise licenses acquired for a consideration and goodwill on consolidation. Most of the goodwill relates in the amount of € 6,322 thousand to the cash generating unit of Prymetall and in the amount of € 17,439 thousand to synergy effects between the Copper Products cash generating business unit at NA AG and Schwermetall Halbzeugwerk GmbH & Co. KG.

As prescribed by IFRS 3, goodwill was not amortised in the fiscal year. The regular impairment tests in accordance with IFRS 3 also did not result in a need for any write-downs. These impairment tests are performed on the basis of a measurement of the value in use of the individual cash generating unit applying the discounted cash flow method.

In the course of this, the expected cash flows in the group budgets for the next four years are rolled forward and discounted to the balance sheet date. As at 30 September 2007, the discounting was performed at a uniform interest rate of 8.6% (7% in the prior year). In addition to future expectations in the market and industry, the group budgets also refer in forecasting cash flows to historical experience. The underlying growth rate amounts to 0.5%.

Development costs have been recognised in all the cases where they completely fulfil the criteria of IAS 38 for capitalisation. In the reporting year, these included a share of the development costs in the amount of € 635 thousand at CIS Solartechnik GmbH & Co. KG, Bremerhaven.

Rented and leased property, plant and equipment totalled € 35,773 thousand (€ 8,191 thousand in the prior year). This mainly consisted of ships and tanks for the transportation and storage of sulphuric acid, motorcars, and facilities for handling, storing and transporting copper concentrates in Brunsbüttel, which are recognised as fixed assets on account of a newly concluded freight agreement and resulted in capital expenditure of € 29,374 thousand in fiscal year 2006/07. With a fixed basic term of 20 years, the leasing agreement offers Norddeutsche Affinerie AG an extension option of a further ten years as well as the opportunity to acquire the assets at the end of the lease. Part of the lease payments is adjusted annually to the indexed price trend for commercial products. The remaining leases are generally based on fixed rental arrangements. Collateral has not been provided for them.

As at 30 September 2007, group fixed assets with a carrying amount of € 3,728 thousand were pledged as security for loans (€ 1,526 thousand in the prior year). Purchase commitments for property, plant and equipment amounted at that date to € 1,512 thousand (€ 13,981 thousand in the prior year).

The fair value of all land and buildings held as investment property amounted to € 1,083 thousand. The rental income expected on this as at 30 September 2007 amounted to € 566 thousand, of which € 113 thousand is due within one year.

A detailed overview of the interests included in the financial assets of Norddeutsche Affinerie AG is presented on page 158 of this report. Changes in the other investments are explained in the information on the scope of consolidation.

> 13 Inventories

in € thousand	*30.9.2007*	*30.9.2006*
Raw materials and supplies	459,506	432,139
Work in process	326,249	234,289
Finished goods, merchandise	148,757	122,842
Payments on account of inventories	1,457	5,252
	935,969	**794,522**
– thereof from revaluation of LIFO inventories using the average cost method	*381,431*	*325,920*

Since fiscal year 2005/06, the revision of IAS 2 has required a change in the sequence of consumption process. Instead of the LIFO method previously applied, interchangeable inventories are measured in the accompanying financial statements using the average cost method. This results in an increase of € 381,431 thousand (€ 325,920 thousand in the prior year) in the carrying amount of the inventories compared with the LIFO method applied until fiscal year 2004/05.

Write-downs on inventories in the fiscal year amounted to € 4,814 thousand (€ 2,229 thousand in the prior year).

> 14 Receivables and other assets

	Residual term			*Total*	
in € thousand	*less than 1 year*	*1 to 5 years*	*more than 5 years*	*30.9.2007*	*30.9.2006*
Trade accounts receivable	334,872	0	0	334,872	468,236
Receivables from related parties	2,689	0	0	2,689	6,198
Income tax receivables	4,013	0	0	4,013	0
Other receivables and assets	376,313	122	35,601	412,036	498,888
				753,610	**973,322**

The decline in trade accounts receivable is related to the balance sheet date and to shortened payment terms.

Receivables from related parties primarily comprise receivables from Schwermetall Halbzeugwerk GmbH & Co. KG, which is consolidated proportionately, and lower receivables from non-consolidated subsidiaries.

Other receivables and assets as at 30 September 2007 include positive fair values of € 366,043 thousand (€ 460,125 thousand in the prior year) from derivative financial instruments as well as an asset amount from over-funded pension plans of € 26,730 thousand (€ 26,426 thousand in the prior year). They also include tax refund claims from the tax authorities of € 5,133 thousand (€ 2,163 thousand in the prior year) and prepaid expenses of € 510 thousand (€ 303 thousand in the prior year).

With the exception of the asset amount resulting from the over-funding of pension funds and interest derivates, there is no risk of a change in interest rates for any receivable or other asset. Further information on the asset resulting from the over-funding of pension funds is provided in Note 18 Pension provisions and on the interest derivatives in Note 23 Financial instruments. The other non-current assets recognised as part of the acquisition of the interest in Cumerio sa/nv are explained in further detail in the information on the scope of consolidation.

Detailed information on the existing financial instruments is provided in Note 23 Financial instruments.

> 15 Short-term security investments

These are fixed-interest securities, all of which are pledged.

> 16 Cash and cash equivalents

Cash and cash equivalents consist of current accounts and time deposits, as well as cash in hand and cheques. Deposits at the banks are mostly euro deposits at various banks.

> 17 Equity

The subscribed capital of Norddeutsche Affinerie AG amounted to € 95,115,056.64 as at 30 September 2007. It is divided into 37,154,319 no-par-value bearer shares, each with a notional interest of € 2.56 in the subscribed capital.

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

In addition, the subscribed capital was conditionally increased by up to € 41,500,000.00. It will be used to grant rights to the holders of warrants and/or convertible bonds that can be issued by 30 March 2010.

Generated group equity comprises consolidated net income, the retained earnings of all group companies, the accumulated unappropriated earnings of the subsidiaries since their initial consolidation and the accumulated amounts resulting from consolidation adjustments recognised in profit or loss. The legal reserve of € 6,391 thousand, which is not available for dividend payments, is also included in this amount.

The effects of derivative financial instruments as part of cash flow hedges in the amount of € –23,867 thousand (€ –91,238 thousand in the prior year) are reported in the changes in accumulated other comprehensive income. Deferred taxes of € 7,703 thousand (€ 36,847 thousand in the prior year) were set up for these two matters. Furthermore, the change of € –3,430 thousand in the fair value of the interest in Cumerio sa/nv as well as differences from exchange rate movements in the amount of € –25 thousand (€ 38 thousand in the prior year) are also reported here.

The minority interest comprises the interests of non-group shareholders in the equity of a fully consolidated company. As at 30 September 2007 this relates to Deutsche Giessdraht GmbH.

A detailed statement of changes in equity is presented on page 115 of this Annual Report.

Proposed appropriation of earnings

The separate financial statements of Norddeutsche Affinerie AG have been prepared in accordance with German GAAP (HGB – German Commercial Code).

	in €
Net income for the year of Norddeutsche Affinerie AG	118,511,136.05
Allocations to other revenue reserves	59,250,000.00
Unappropriated earnings	**59,261,136.05**

We will propose to the Annual General Meeting that Norddeutsche Affinerie AG's unappropriated earnings of € 59,261,136.05 be used to pay a dividend of € 1.45 per no-par-value share (= € 59,261,136.05).

> 18 Pension provision

Retirement benefits for employed persons are granted in the group based on both defined benefit plans and defined contribution plans. The expenditure incurred for these is included in the personnel expenses.

The majority of the pension benefit plans in the group are defined benefit plans. Both funded and unfunded plans exist.

The pension obligations were computed on the basis of the following assumed market discount rates, salary and pension trends:

	30.9.2007	30.9.2006
Discount rate	5.25%	4.50%
Expected income trend	2.80%	2.50%
Expected pensions trend	5.50% every 3 years	5.00% every 3 years
Expected return on plan assets	4.25%	4.25%
Fluctuation	0.00% to 10.00%	0.00% to 10.00%

The retirement age has been assumed to be the earliest possible age at which employees can claim early retirement benefits under the state pension scheme in accordance with the 1999 Pension Reform Act. The corresponding calculations are based on Prof. Klaus Heubeck's 2005G mortality tables. Figures based on historical experience were used to calculate the expected return on the plan assets.

In the event of over-funded pension plans, the resulting assets are reported under other assets in accordance with IAS 19.58. The net liability recognised in the consolidated balance sheet for defined benefit plans is arrived at as follows:

in € thousand	*2006/07*	*2005/06*
Present value of unfunded pension obligations	34,654	38,348
+ Present value of funded pension obligations	245,271	257,907
= Present value of pension obligations	**279,925**	**296,255**
– Fair value of plan assets	(248,125)	(238,993)
– Unrecognised actuarial gains/losses	282	(28,724)
– Unrecognised past service cost	(13)	0
= Net obligation recorded in the balance sheet	**32,069**	**28,538**
+ Asset in accordance with IAS 19.58	26,730	26,426
= Net provision per balance sheet	**58,799**	**54,964**

The resultant net provision developed as follows:

in € thousand	*2006/07*	*2005/06*
Net provision at the beginning of the fiscal year	54,964	51,060
+ Net expense recognised in the income statement	9,238	9,943
– Payments to beneficiaries during the fiscal year (unfunded plans)	(3,223)	(3,188)
– Payments to pension funds during the fiscal year (funded plans)	(2,180)	(2,851)
= Net provision at the end of the fiscal year	**58,799**	**54,964**

The following amounts were recognised in the income statement:

in € thousand	*2006/07*	*2005/06*
Current service cost	5,922	7,257
Interest cost on the pension obligations	13,011	11,805
Expected return on plan assets	(9,948)	(10,185)
Actuarial gains and losses	253	1,066
Expense recognised in profit or loss	**9,238**	**9,943**

The actual return on plan assets was € 7,932 thousand higher than the expected return.

The plan assets developed as follows:

in € thousand	*2006/07*	*2005/06*
Fair value of plan assets at beginning of fiscal year	238,993,305	230,954,658
Expected return on plan assets	9,947,775	10,185,239
Actuarial gains and losses	7,931,522	5,531,105
Pension payments	(10,927,631)	(10,528,254)
Contributions made by employer	2,079,756	2,650,557
Other changes	100,000	200,000
Fair value of plan assets at end of fiscal year	**248,124,727**	**238,993,305**

The plan assets had the following structure:

in %	per 30.9.2007	per 30.9.2006
Shares	21	23
Fixed-interest securities	38	44
Real estate	27	29
Other	14	4
	100	**100**

Expenditure for defined contribution plans for the group retirement pensions amounted to € 14,135 thousand in the year under review. These include both voluntary undertakings and the employer's contributions made by the group to the statutory state pension funds.

> 19 Deferred tax liabilities

The breakdown of the deferred tax liabilities is presented in Note 9 Income taxes.

> 20 Other provisions

The individual classes of provisions developed as follows during the past fiscal year:

in € thousand	Balance per 1.10.2006	Used	Released	Allocated	Balance per 30.9.2007
Personnel provisions	44,241	8,588	369	22,293	57,577
Environmental provisions	8,235	39	11	382	8,567
Expected losses on onerous contracts	13,539	1,233	0	16,753	29,059
Sundry provisions	6,746	3,410	1,182	11,564	13,718
	72,761	**13,270**	**1,562**	**50,992**	**108,921**

The allocations to personnel and environmental provisions include unwinding of discounting in the amount of € 542 thousand.

The personnel provisions consist mainly of obligations to employees relating to Christmas bonuses, outstanding holiday claims, anniversary bonuses, bridging loans, profit-sharing bonuses and from the early retirement scheme. Environmental provisions primarily include clean-up measures at the Hamburg and Lünen sites. Various methods are available to carry out these measures. The probable costs are determined taking into account historical experience in comparable cases, existing surveys and the clean-up methods that will probably be used on the basis of present knowledge.

Provisions for expected losses on onerous contracts were recognised for treatment and refining charges that will not cover the costs. Full costs on the basis of the group budget for the following year were used for the calculation of the provisions, taking into account expected cost increases. Losses expected on the sale of sulphuric acid produced in the course of the smelting process have also been included.

> 21 Liabilities

in € thousand	Residual term: less than 1 year	Residual term: 1 to 5 years	Residual term: more than 5 years	Total: 30.9.2007	Total: 30.9.2006
Financial liabilities	145,877	97,473	55,639	298,989	182,850
– thereof lease liabilities	*2,662*	*8,565*	*24,282*	*35,509*	*8,210*
Trade accounts payable	444,721	0	0	444,721	546,410
Advance payments received on orders	4,501	0	0	4,501	693
Payables to related parties	2,899	0	0	2,899	975
Income tax liabilities	58,480	0	0	58,480	31,369
Other liabilities	286,793	0	0	286,793	422,599
				1,096,383	**1,184,896**

The conditions with respect to liabilities to banks from loans in the NA Group and their carrying amounts as at 30 September 2007 are presented in the following table:

Weighted average interest rate	Fixed interest per	Carrying amount € thousand
Euribor + Margin	2008	1,367
4.90%	2008	18,805
4.90%	2009	21,955
3.80%	2010	2,927
Euribor + Margin	2011	3,006
4.80%	2011	15,938
Euribor + Margin	2012	10,000
2.40%	2012	264
4.80%	2013	20,558
Euribor + Margin	2014	35,000
4.40%	2014	508
5.10%	2016	2,250
4.60%	2017	1,900
		134,478

Of the total amount reported, € 120,265 thousand comprises non-current and € 14,213 thousand comprises current financial liabilities. In addition, a bank overdraft of € 129,002 thousand is reported in the current financial liabilities.

The carrying amounts of liabilities to banks mainly correspond to their fair values.

Interest-swap agreements have been concluded in the NA Group to hedge variable interest agreements. These provide the group with interest income with an interest rate in the amount of the 3-month and 6-month Euribor respectively, and in one case at 5.95%. The interest rate for interest payments on the other hand amounts to between 2.73% and 5.49%.

Based on current market interest rates, the fair value of the non-current financial liabilities amounts to € 153,127 thousand.

At subsidiaries, security of € 13,772 thousand has been provided for bank loans and overdrafts in the form of mortgages and fixed assets.

Finance lease liabilities are reported under the financial liabilities in the accompanying financial statements. They include the present value of the minimum lease payments and the contractually guaranteed residual values at the end of the lease term. Payments are due as follows:

in € thousand	*less than 1 year*	*1 to 5 years*	*more than 5 years*	*Total*
Minimum lease payments	3,931	12,717	30,744	47,392
– *thereof interest portion*	*1,269*	*4,152*	*6,462*	*11,883*
– *thereof redemption portion*	*2,662*	*8,565*	*24,282*	*35,509*

Other liabilities relating to social security contributions as at 30 September 2007 amount to € 4,744 thousand (€ 4,149 thousand in the prior year). Further material items under other liabilities include tax liabilities of € 53,944 thousand and negative market values of € 212,313 thousand for metal futures and foreign currency forward contracts.

> 22 Contingent liabilities and other financial commitments

in € thousand	*2006/07*	*2005/06*
Contingent liabilities under discounted bills	995	547
Capital commitments	1,512	13,981
Commitments under tolling agreements	11,046	5,459
Warranty obligations and other contingencies	2,558	3,200
	16,111	**23,187**

The capital commitments relate exclusively to property, plant and equipment.

Commitments under tolling agreements refer to the value of the metal extracted during the tolling process, which has to be returned by the group companies. These obligations are matched by corresponding recourse claims.

In addition, an agreement has been concluded with an energy supplier for the cost-based procurement of one billion kilowatt hours of electricity per annum over a term of 30 years commencing in 2010. The payments are based on price and performance components as well as a contribution to the investment costs of a power plant.

Financial commitments under operating leases

As at 30 September 2007, minimum lease payments under operating leases amounted to € 6,327 thousand (€ 8,352 thousand in the prior year). These are due as follows:

in € thousand	*less than 1 year*	*1 to 5 years*	*more than 5 years*	*Total*
Minimum lease payments under operating leases	2,841	3,479	7	6,327

Lease payments in fiscal year 2006/07 recognised as an expense amount to € 2,857 thousand (€ 3,968 thousand in the prior year).

> 23 Financial instruments

As a result of its business operations, the NA Group is in particular exposed to non-ferrous metal price and exchange rate fluctuations as well as credit risks relating to receivables. Non-ferrous metals futures and foreign currency forward contracts covering primarily copper and the U.S. dollar are therefore entered into in order to mitigate these risks. Ingoing and outgoing metal quantities from underlying transactions are offset and remaining quantities likewise settled each day by exchange transactions.

Furthermore, forward currency forward contracts and metal futures contracts were concluded in the past fiscal year to hedge future receipts. Provided the criteria for cash flow hedges were fulfilled, the results of these hedge transactions were recognised in the accompanying financial statements initially in equity in the amount of the effective part of the hedge transaction. They are recognised in profit or loss for the current fiscal year as soon as the underlying hedged transaction is recognised in profit or loss.

Since delivery agreements for non-ferrous metals are used both to cover the expected raw material requirement or the expected sale of finished products and to exploit market opportunities that arise due to matching maturities, price-fixed metal delivery agreements have also been recognised in profit or loss as derivative financial instruments. Gains and losses from the contrary development of the fair value of the hedged items and the hedge transactions are therefore recognised directly in profit or loss.

Future receipts in foreign currencies are hedged in particular by forward contracts and options. Fundamental changes in exchange rates, in particular between the euro and the U.S. dollar, can, however, only be hedged for a limited time.

We work exclusively with first-class brokers and banks on all metal and foreign exchange transactions.

The supply of sufficient liquidity to the group is ensured not only by the group's strong cash flow but also by the short-term and long-term credit lines available at our banks. Fluctuations in cash flow can thus be cushioned.

An autonomous executive committee, under the supervision of the Executive Board, monitors the developments on the metal and foreign currency markets, and NA's price and liquidity position, regularly and promptly. The entire U.S. dollar receipts from treatment charges for fiscal year 2007/08 had already been hedged at the end of December 2007.

To minimise credit risks, we monitor the receivables from our business associates on a daily basis. In addition to the instruments customary on the market, such as letters of credit and guarantees, we also use commercial credit insurance to hedge potential bad debts. If receivables are sold under factoring agreements, this is done without recourse. The maximum potential credit risk on all the receivables corresponds to their carrying amounts. The maximum potential credit risk for the existing derivatives corresponds to their negative fair value.

Interest derivatives are used in addition to hedge interest rate risks that arise.

Notional amounts *in € million*	*30.9.2007*	*30.9.2006*
Non-ferrous metal futures contracts (exchange)		
Maturity of up to 1 year	1,014.6	842.6
Maturity of 1 to 5 years	469.9	430.8
	1,484.5	**1,273.4**
Non-ferrous metal futures contracts (physical)		
Maturity of up to 1 year	485.6	629.2
Maturity of 1 to 5 years	6.3	30.0
	491.9	**659.2**
Foreign exchange forward contracts		
Maturity of up to 1 year	550.2	619.2
Maturity of 1 to 5 years	450.6	363.9
	1,000.8	**983.1**
Metal options		
Maturity of up to 1 year	14.4	10.3
Maturity of 1 to 5 years	5.1	21.8
	19.5	**32.1**
Foreign currency options		
Maturity of up to 1 year	39.5	42.7
Maturity of 1 to 5 years	16.2	21.7
	55.7	**64.4**
Interest derivatives	**96.0**	**70.6**

The notional amount of the derivative financial instruments is the sum of the notional amounts of all purchase and sales contracts. By contrast, the fair value is based on the measurement of all contracts at the prices on the measurement date. It indicates the potential impact on income of the prompt settlement of all derivatives as at the balance sheet date without taking into account the underlying transactions. As of the balance sheet date, the fair value amounted to € 113.0 million for metal futures contracts, made up of positive fair values of € 336.7 million and negative fair values of € –223.7 million. Positive fair values for interest derivatives amounted to € 1.3 million. Positive fair values of € 30.8 million and negative fair values of € –27.4 million existed for foreign currency forward contracts, and resulted altogether in a fair value of € 3.4 million. Option contracts, for which a premium was paid, are recognised under other assets in the balance sheet, and had a positive fair value of € 3.1 million at the balance sheet date.

The maturity of interest derivatives lies between 1 and 7 years.

> 24 Research and development

Research and development costs in the NA Group amounted in fiscal year 2006/07 to € 4.9 million.

The research work of CIS Solartechnik GmbH & Co. KG, Bremerhaven, was subsidised by non-refundable government subsidies. The portion attributable to the NA Group amounted to € 595 thousand. This consisted of an investment subsidy of € 423 thousand, which has been deducted from the fixed assets, and a subsidy for ongoing costs of € 172 thousand, which is recognised in profit and loss under other operating income. The subsidies were granted on condition that regular business activities continue at the facility in Bremerhaven during the period covered by the subsidies.

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement reports the cash flows in the NA Group in fiscal year 2006/07 and in the prior year comparative period. In accordance with IAS 7, a distinction is made between the cash outflow or inflow from operating activities, the cash outflow from investing activities and the cash inflow or outflow from financing activities.

Gross cash flow is first of all reported, starting off from the result from ordinary activities, after adjusting for depreciation and amortisation, non-cash expenses and income, as well as net financial expenses and income taxes paid. Net interest expense consists of interest income of € 8,092 thousand (€ 5,689 thousand in the prior year) and interest expense of € 17,301 thousand (€ 13,607 thousand in the prior year).

The cash inflow (outflow in the prior year) from operating activities (net cash flow) is arrived at by adjusting the gross cash flow for changes in working capital.

The cash outflow from investing activities mainly results from the purchase of fixed assets. In detail, € 1,449 thousand (€ 714 thousand in the prior year) was invested in intangible assets, € 62,899 thousand (€ 47,063 thousand in the prior year) in property, plant and equipment and € 219,293 thousand (€ 31 thousand in the prior year) in financial assets.

Contrary to the additions to fixed assets reported in the changes in the fixed assets of the group on page 116, these figures only include investments that have caused an outflow of cash. Thus, any finance leases entered into have no impact on cash outflow from investing activities, whereas they are included in the additions to the fixed assets.

The cash inflow from financing activities in fiscal year 2006/07 resulted from proceeds and payments from taking up and redeeming financial liabilities, dividend payments and interest paid. In the prior year this item also included proceeds from the capital increase carried out on 31 January 2006.

SEGMENT REPORTING

in € thousand	Copper Production Segment 2006/07	Copper Production Segment 2005/06	Copper Processing Segment 2006/07	Copper Processing Segment 2005/06	Other 2006/07	Other 2005/06	Group total 2006/07	Group total 2005/06
Revenues								
Total revenues	4,474,074	3,979,731	5,053,116	4,488,422	3,551	2,902		
Inter-segment revenues	2,994,104	2,649,004	67,799	69,035	0	0		
Revenues with third parties	1,479,970	1,330,727	4,985,317	4,419,387	3,551	2,902	**6,468,838**	**5,753,016**
Earnings before taxes	181,466	66,998	78,353	37,976	(8,826)	(1,898)	**250,993**	**103,076**
EBIT	184,091	68,744	84,481	44,139	(8,370)	(1,889)	**260,202**	**110,994**
EBITDA	229,756	109,085	96,016	55,192	(7,676)	(1,699)	**318,096**	**162,578**
Result from investments	411	175	7	9	155	6	**573**	**190**
Fixed assets	297,610	266,322	92,987	90,915	219,264	2,905	**609,861**	**360,142**
Capital expenditure on intangible assets and property, plant and equipment	77,672	41,580	13,767	5,107	2,741	1,090	**94,180**	**47,777**
Depreciation and amortisation	45,665	40,341	11,535	11,053	694	190	**57,894**	**51,584**
Other non-cash expenses	26,481	13,899	6,787	(10,352)	7,222	(731)	**40,490**	**2,816**
Segment assets	1,073,536	989,469	617,509	808,190	227,356	4,793	**1,918,401**	**1,802,452**
Segment liabilities	758,400	830,196	202,733	296,167	3,981	3,408	**965,114**	**1,129,771**
Average number of employees	2,083	2,063	1,125	1,117	11	7	**3,219**	**3,187**
Personnel expenses	146,040	127,026	68,854	66,672	500	295	**215,394**	**193,993**

Segment reporting in the NA Group complies with the group's internal organisation and reporting. The classification of the segments is based on the process cycles that are in place and the production structure. All amounts and results that cannot be allocated to one of the two defined segments are reported in the "Other" column.

The segment information reported was determined applying the accounting policies described in the notes, but using the LIFO method for the valuation of inventories. This is because internal reporting to management for decision-making and group management control purposes is also based on the figures obtained by the application of the LIFO method. These figures are also regarded as the most appropriate for the external presentation of the two segments, since they are much less strongly influenced by metal price fluctuations.

The reconciliation of the segment results to the earnings before taxes reported in the income statement after revaluation of LIFO inventories using the average cost method is as follows:

After revaluation of LIFO inventories using the average cost method

	Copper Production Segment		*Copper Processing Segment*		*Other*		*Group total*	
in € thousand	*2006/07*	*2005/06*	*2006/07*	*2005/06*	*2006/07*	*2005/06*	*2006/07*	*2005/06*
Difference in earnings resulting from revaluation of LIFO inventories	42,869	146,943	12,641	73,723	0	0	**55,510**	**220,666**
Earnings before taxes	224,335	213,941	90,994	111,699	(8,826)	(1,898)	**306,503**	**323,742**
EBIT	226,960	215,687	97,122	117,862	(8,370)	(1,889)	**315,712**	**331,660**
EBITDA	272,625	256,028	108,657	128,915	(7,676)	(1,699)	**373,606**	**383,244**
Segment assets	1,335,490	1,208,553	736,986	915,026	227,356	4,793	**2,299,832**	**2,128,372**

Geographical segmentation is waived because all of the NA Group's significant production sites are in Germany.

The NA Group generates most of its revenues with business associates in countries in the European Union. The exact breakdown of revenues by segments and regions is as follows:

Revenues by regions

	Copper Production Segment		*Copper Processing Segment*		*Other*		*Group total*	
in %	*2006/07*	*2005/06*	*2006/07*	*2005/06*	*2006/07*	*2005/06*	*2006/07*	*2005/06*
Germany	57.3	63.0	60.2	59.4	100.0	100.0	**59.6**	**60.2**
Other European Union states	22.3	21.9	27.3	27.0	–	–	**26.1**	**25.8**
Rest of Europe	1.6	1.5	3.8	6.2	–	–	**3.3**	**5.1**
Non-European countries	18.8	13.6	8.7	7.4	–	–	**11.0**	**8.9**
	100.0	100.0	100.0	100.0	100.0	100.0	**100.0**	**100.0**

Copper Production Segment

- *Business Unit Marketing Metallurgy*
- *Business Unit Marketing Recycling*
- *Production Sector Primary Copper Production*
- *Production Sector Secondary Copper Production/Precious Metals*

The Copper Production Segment includes all sectors from the procurement of copper and precious metal-bearing raw materials to the production of marketable metals. The raw materials used for this comprise in particular copper concentrates, copper-bearing recycling materials and precious metal-bearing raw materials. This segment produces tradable copper cathodes as well as marketable gold, silver and platinum group metal products. At the same time, the natural by-products extracted from the raw materials are also processed into products, such as sulphuric acid and iron silicate stone, and marketed.

The vast majority of the copper cathodes produced are passed on to the Copper Processing Segment, where they are processed into copper products and sold to external customers. This accounts for most of the revenues in the Copper Processing Segment. Thus, the Copper Production Segment generates most of its revenues within the group.

Precious metals, sulphuric acid and iron silicate stone on the other hand are mainly sold to external customers. At the same time, the Copper Production Segment is also engaged in the production of high-grade selenium products as well as the environmentally friendly dismantling of cables and the sale of the granules produced from this.

Copper Processing Segment

- *Business Unit Copper Products*
- *Prymetall*
- *Schwermetall Halbzeugwerk*

The Copper Processing Segment includes all of the areas engaged in the production and sale of continuous cast wire rod and shapes, pre-rolled strip, strips and shaped wires, as well as copper trading. The copper cathodes produced in the Copper Production Segment are the main starting products. The vast majority of the Copper Processing Segment's products are sold to customers in Europe.

Segment data

The revenues of the individual segments consist firstly of inter-segment revenues and secondly of revenues with third parties outside the group. The total third party revenues correspond with the consolidated revenues of the group. The conditions and prices for products and services exchanged between group companies and segments correspond to those with non-related third parties.

Earnings before taxes represent the contributions of the respective segments to group earnings, and include the earnings attributable to the minority interest in subsidiaries.

EBIT (earnings before interest and taxes) is derived from earnings before taxes, adjusted for the net interest allocated to this segment. EBITDA (earnings before interest, taxes, depreciation and amortisation) is EBIT plus depreciation and amortisation. The sum of the EBIT and EBITDA of the two segments results in the EBIT and EBITDA of the group.

The result from investments mainly comprises dividend payments from non-consolidated companies.

Segment fixed assets are also reported. Goodwill from consolidation is allocated to its respective segment. Depreciation and amortisation on fixed assets are reported accordingly.

Allocations to provisions, to the extent that they can be allocated to the segments, and write-downs on current assets are included under the non-cash expenses.

Segment assets totalling € 1,918,401 thousand (€ 1,802,452 thousand in the prior year) comprise all assets, apart from deferred tax assets of € 1,326 thousand (€ 1,621 thousand in the prior year) and cash and cash equivalents of € 20,018 thousand (€ 6,566 thousand in the prior year). Inventories were also recognised here using the LIFO method.

Segment liabilities consist firstly of the provisions allocated to the segments and secondly the trade accounts payable and other liabilities for each segment. The inclusion of financial liabilities and deferred taxes results in the total group liabilities, as follows:

in € thousand	*30.9.2007*	*30.9.2006*
Total segment liabilities of the individual segments	965,114	1,129,771
Financial liabilities	298,989	182,850
Deferred taxes	143,441	127,778
Total group liabilities	**1,407,544**	**1,440,399**

The average number of employees for each segment includes the employees of all the companies which were fully or proportionately consolidated in the accompanying financial statements. Employees of the proportionately consolidated companies have been included in accordance with the group's holding. Personnel expenses were reported accordingly.

OTHER DISCLOSURES

Related parties

In accordance with IAS 24, related parties are regarded as all persons and entities that are influenced by or that can influence the company.

In the NA Group, several companies purchase various services from and provide various services to related companies as part of their normal business activities. Such deliveries and services are charged at market prices. Services are charged on the basis of existing contracts.

The following contributions from related companies were not consolidated:

in € thousand	*Income*	*Expenses*	*Receivables*	*Liabilities*
Joint ventures	42,327	8,044	2,689	516
Subsidiaries	6,479	63,732	0	2,383

No individual shareholders of Norddeutsche Affinerie AG exercise a significant influence on the NA Group. The relationships to the Executive Board and Supervisory Board are disclosed below.

Information on the Executive Board and Supervisory Board

Total compensation

The total compensation of the Executive Board for 2006/07 amounted to € 4,310,921 and included a fixed component for the past fiscal year of € 1,396,000, fringe benefits of € 152,368, a variable component of € 2,297,000 and a payment from the incentive plan of € 465,553. The proportional fair value of the 167,200 options acquired by the Executive Board as part of an incentive plan amounted to € 655,031.

Former members of the Executive Board and their surviving dependents received a total of € 1,005,638, while € 10,866,323 has been provided for their pension entitlement.

The compensation of the Supervisory Board for fiscal year 2006/07 amounted to € 766,318.

Details of the individual compensation of the members of the Executive Board and the Supervisory Board are provided in the Compensation Report on pages 18 to 22.

Shareholdings

Members of the Supervisory Board hold 8,719 shares and members of the Executive Board hold 21,851 shares in Norddeutsche Affinerie AG.

Directors' dealings

The Executive Board member, Dr Bernd Drouven, has informed the Company that he transacted notifiable business during the period from 1 October 2006 to 30 September 2007, in that he purchased altogether 1,000 no-par-value shares during that period. The Company has reported this information to the Federal Authority for Financial Services Supervision and has published it.

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

The declaration required under Section 161 German Companies Act has been issued by the Executive Board and Supervisory Board and has been made accessible to the shareholders on the Company's website.

Notification in accordance with Section 160 paragraph 1 No. 8 German Companies Act

The Possehl Foundation, 23552 Lübeck, Germany, informed us in its notification dated 15 June 2007 pursuant to Section 21 paragraph 1 and Section 22 paragraph 1, Sentence 1, No. 1 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, 20539 Hamburg, Germany, had fallen below the thresholds of 10%, 5% and 3% on 11 June 2007 and that it no longer held any shares in Norddeutsche Affinerie AG.

L. Possehl & Co. mbH, 23552 Lübeck, Germany, informed us in its notification dated 15 June 2007 pursuant to Section 21 paragraph 1 and Section 22 paragraph 1 Sentence 1 No. 1 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, 20539 Hamburg, Germany, had fallen below the thresholds of 10%, 5% and 3% on 11 June 2007 and that it no longer held any shares in Norddeutsche Affinerie AG.

Possehl Beteiligungsverwaltung GmbH, 23552 Lübeck, Germany, informed us in its notification dated 15 June 2007 pursuant to Section 21 paragraph 1 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, 20539 Hamburg, Germany, had fallen below the thresholds of 10%, 5% and 3% on 11 June 2007 and that it no longer held any shares in Norddeutsche Affinerie AG.

The following companies had submitted the following voting right notifications to us by the time of preparation of these financial statements:

UBS AG Zurich, Switzerland, notified us on 30 October 2007 pursuant to Section 21 paragraph 1 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650, had exceeded the 3% threshold of the voting rights in shares on 24 October 2007 and now amounted to 3.59% (representing 1,335,596 voting rights). Pursuant to Section 22 paragraph 1 sentence 1 No. 1 German Securities Trading Act, 0.20% of the voting rights (representing 75,422 voting rights) is attributed to the company via UBS AG.

HSH Nordbank AG Hamburg und Kiel, Germany, notified us on 14 November 2007 pursuant to Section 21 paragraph 1 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650, had exceeded the 3% threshold of the voting rights in shares on 13 November 2007 and now amounted to 4.54% (representing 1,857,715 voting rights).

M.U.S.T. Privatstiftung (a private foundation), Vienna, Austria, notified us on 26 November 2007 pursuant to Section 21 paragraph 1 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650, had fallen below the 15% threshold of the voting rights in shares on 9 November 2007 and now amounted to 13.75% (representing 5,621,447 voting rights). Pursuant to Section 22 paragraph 1 sentence 1 No. 1 German Securities Trading Act, 3.49% of the voting rights (representing 1,429,375 voting rights) are attributed directly to the foundation via A-TEC Industries AG, Vienna, Austria, and 10.26% of the voting rights (representing 4,192,072 voting rights) are attributed indirectly to the foundation pursuant to Section 22 paragraph 1 sentence 1 No. 1, German Securities Trading Act via A-TEC Investment GmbH, Düsseldorf, Germany.

A-TEC Industries AG, Vienna, Austria, accordingly notified us on 26 November 2007 pursuant to Section 21 paragraph 1 German Securities Trading Act, that its voting interest in Norddeutsche Affinerie AG, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650 007, had fallen below the threshold of 15% on 9 November 2007 and now amounted to 13.75% (representing 5,621,447 voting rights). Pursuant to Section 22 paragraph 1 sentence 1 No. 1 German Securities Trading Act, 10.26% of the voting rights (representing 4,192,072 voting rights) is attributed to the company via A-TEC Investment GmbH, Düsseldorf, Germany.

A-TEC Industries AG, Vienna, Austria, informed us in its notification dated 27 December 2007 pursuant to Section 21 paragraph 1, Section 22 paragraph 1 and Section 24 German Securities Trading Act that its subsidiary, A-TEC Minerals & Metals Holding GmbH, Vienna, Austria, had acquired all the interests from its subsidiary, A-TEC Investment GmbH, Düsseldorf, Germany, on 21 December 2007 as part of a group restructuring.

As a result, the voting interest of the subsidiary, A-TEC Minerals & Metals Holding GmbH, in Norddeutsche Affinerie Aktiengesellschaft, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650, had exceeded the thresholds of 3%, 5% and 10% on 21 December 2007 and amounted to 10.26% on that date. This represents 4,192,072 votes, of which 10.26% of the voting rights (4,192,072 votes) are attributed to A-Tec Minerals & Metals Holding GmbH pursuant to Section 22 paragraph 1 sentence 1 No. 1 German Securities Trading Act.

Morgan Stanley, The Corporation Trust Company, Delaware, U.S.A., informed us in its notification dated 28 December 2007 pursuant to Section 21 paragraph 1 and Section 24 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650, had exceeded the threshold of 3% am 14 December 2007 and amounted to 4.20% (representing 1,716,426 voting rights) on that date. These voting rights are attributed to Morgan Stanley, The Corporation Trust Company, Delaware, U.S.A., by Morgan Stanley & Co. Incorporated, New York, U.S.A., pursuant to Section 22 paragraph 1 sentence 1 No. 1 German Securities Trading Act.

Morgan Stanley & Co. Incorporated, New York, USA, informed us in its notification dated 28 December 2007 pursuant to Section 21 paragraph 1 and Section 24 German Securities Trading Act that its voting interest in Norddeutsche Affinerie AG, Hamburg, Germany, ISIN: DE0006766504, WKN: 676650, had exceeded the threshold of 3% on 14 December 2007 and amounted to 4.20% (representing 1,716,426 voting rights) as of that date.

Auditors' fees

The following fees were recorded as expenses in fiscal year 2006/07 for services rendered by the group auditors, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft:

in € thousand	*2006/07*	*2005/06*
Audit services	380	412
Other assurance and valuation services	191	5
Tax services	29	17
Other services	64	99

The audit fees include in particular the fees for the audit of the consolidated financial statements, and the audit prescribed by law of Norddeutsche Affinerie AG and its consolidated subsidiaries.

Events after the balance sheet date

It was resolved on 9 November 2007, as part of the authorisation given at the Annual General Meeting on 30 March 2006, to increase the subscribed capital by almost 10% for a cash contribution under exclusion of subscription rights. The new shares were placed at several German institutional investors, including HSH Nordbank AG. The placement proceeds for the 3,715,430 new no-par-value bearer shares with a notional value of € 2.56 per share amounted to € 26.41 per share and the proceeds of the new issue to € 98,124,506.30.

Otherwise, no events of particular importance, which are significant for the consolidated financial statements and could result in a different assessment of the group, have occurred since the end of fiscal year 2006/07.

Hamburg, 4 January 2008

Norddeutsche Affinerie AG
Hovestrasse 50
20539 Hamburg

The Executive Board

Dr Bernd Drouven   Dr Michael Landau   Dr Bernd Langner   Dipl.-Ing. Peter Willbrandt

INVESTMENTS AS PER SECTION 285 NO. 11 HGB (GERMAN COMMERCIAL CODE) AS AT 30 SEPTEMBER 2007

	Company name and registered office	% of capital held by	Currency	Subscribed capital in 1,000	Held directly by	Holding in %	Equity in 1,000	Net earnings in 1,000
1	Norddeutsche Affinerie AG		€	95,115				
2	Prymetall GmbH & Co. KG, Stolberg	100	€	12,800	1	100	30,090	11,127
3	CABLO Metall-Recycling & Handel GmbH, Fehrbellin	100	€	767	1	100	7,079	2,819
4	RETORTE GmbH Selenium Chemicals & Metals, Röthenbach	100	€	2,045	1	100	3,661	971
5	Peute Baustoff GmbH, Hamburg	100	€	52	1	100	1,029	907
6	Deutsche Giessdraht GmbH, Emmerich	60	€	3,200	1	60	7,574	3,152
7	Cumerio sa/nv, Brussels	29	€	181,220	1	29	294,437	14,096
8	E.R.N. Elektro-Recycling NORD GmbH, Hamburg	70	€	512	1	70	1,679	952
9	Prymetall GmbH, Stolberg	100	€	30	1	100	31	0
10	Hüttenbau-Gesellschaft Peute mbH, Hamburg	100	€	26	1	100	87	0
11	Hüttenwerk Kayser Lünen GmbH i.L., Lünen	100	€	26	1	100	26	1
12	CIS Solartechnik GmbH & Co. KG, Bremerhaven	50	€	800	1	50	1,869	(2,259)
13	KPP Kraftwerk Peute Projektmanagement GmbH & Co. KG, Hamburg	50	€	100	1	50	(1,719)	(1,819)
14	KPV Kraftwerk Peute Verwaltungsgesellschaft mbH, Hamburg	50	€	25	1	50	24	(1)
15	C.M.R. International N.V., Antwerp	50	€	1,000	1	50	1,470	149
16	VisioNA GmbH, Hamburg	50	€	25	1	50	19	1
17	PHG Peute Hafen- und Industriebetriebs-gesellschaft mbH, Hamburg	7	€	26	1	7	82	3
18	EIP Metals Ltd., Smethwick (UK)	100	£	2,130	2	100	1,183	196
19	Prymetall Slovakia s.r.o., Dolný Kubín (SK)	100	SKK	30,600	2	100	30,600	(3,316)
20	Schwermetall Halbzeugwerk GmbH, Stolberg	50	€	52	2	50	65	11
21	Schwermetall Halbzeugwerk GmbH & Co. KG, Stolberg	50	€	12,500	2	50	39,601	11,156
22	JoSeCo GmbH, Kirchheim/Schwabia	33	€	225	4	33	183	(6)

Companies 2 to 6 and 18 and 19 were fully consolidated in conjunction with the consolidated financial statements.
Companies 12, 13 and 21 were consolidated proportionally.

Auditors' report

We have audited the consolidated financial statements prepared by Norddeutsche Affinerie AG, comprising the balance sheet, the income statement, the statements of changes in equity and cash flows and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 October 2006 to 30 September 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB are the responsibility of the Company's executive board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB ["Handelsgesetzbuch": German Commercial Code] 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 misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the executive board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a paragraph 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 4 January 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Krall	Retzlaff
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Main investments of Norddeutsche Affinerie AG

COPPER PRODUCTION

CABLO Metall-Recycling & Handel GmbH, Fehrbellin

Capital	€ 767 thousand
NA holding	100%
Business activity	cable recycling
Business directors	Dr Michael Liesegang / Dr Michael Landau

Peute Baustoff GmbH, Hamburg

Capital	€ 52 thousand
NA holding	100%
Business activity	trade in construction materials
Business director	Manfred Hamann

RETORTE GmbH Selenium Chemicals & Metals, Röthenbach

Capital	€ 2,045 thousand
NA holding	100%
Business activity	selenium products
Business director	Bernd Treiber

COPPER PROCESSING

Deutsche Giessdraht GmbH, Emmerich/Rhine

Capital	€ 3,200 thousand
NA holding	60%
Business activity	wire rod
Business director	Dr Stefan Schneider

Prymetall GmbH & Co. KG, Stolberg

Capital	€ 12,800 thousand
PM holding	100%
Business activity	copper semis
Management	Prymetall GmbH

Schwermetall Halbzeugwerk GmbH & Co. KG, Stolberg

Capital	€ 12,500 thousand
PM holding	50%
Business activity	pre-rolled strip in Cu and Cu alloys
Management	SM Halbz. GmbH

EIP Metals Ltd., Smethwick (UK)

Capital	£ 2,130 thousand
PM holding	100%
Business activity	slitting centre
Business director	Dr Holger Artelt

Prymetall Slovakia, s.r.o., Dolný Kubín

Capital	SKK 30,600 thousand
PM holding	100%
Business activity	slitting centre
Business directors	Dr Holger Artelt, Tadeusz Kipiel

OTHERS

CIS Solartechnik GmbH & Co. KG, Bremerhaven

Capital	€ 800 thousand
NA holding	50%
Business activity	R&D solar cells
Management	VisioNA GmbH

Glossary

SPECIFIC NA TERMS

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).

Backwardation
Price relationship on the LME, when the spot price is higher than the forward or futures price. The price difference between cash and three month transactions is generally quoted; an indication of poor availability of cathodes for prompt delivery.

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.

CIS solar cells
For these solar cells, a two millionth of a meter thin film made of a copper, indium and selenium compound is applied to a carrier foil of copper, titanium or stainless steel. The name CIS is a combination of the first letters of the metals: copper, indium and selenium.

Collection points
Companies and industrial enterprises where metal-bearing production residues arise. These can be pretreated and processed in the Lünen recycling centre in an environmentally friendly process.

COMEX
Together with the LME one of the two most important metal exchanges. It is of particular importance to the American market.

Commodity
Collective term for materials traded on the exchanges. These include non-ferrous metals, such as copper and tin, but also crude oil, beef, grain and coffee.

Continuous cast wire rod
Semi-finished product produced in a continuous process for the production of copper wire with a standard diameter of 8 mm. Other dimensions can also be supplied.

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 into 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
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. As granules or in a lumpy form it is mainly used in the construction industry.

KRS
Kayser Recycling System; a state-of-the-art recycling plant in Lünen for the treatment of a large range of copper-bearing secondary raw materials.

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.

Recycling materials
Materials in a closed loop economy. They arise as residues from production processes or during the preparation of end-of-life products and rejects and are ideal for recycling.

RWO
The primary smelter at NA's production site in Hamburg.

Secondary copper
Copper produced from recycling material.

Settlement price
Official cash selling rate on the LME. Price basis in annual sales agreements.

Shape surcharge
Fee for refining copper cathodes into copper products.

Single sourcing
When a product or service is only procured from one supplier.

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
Daily business; market for prompt deliveries.

Stainless steel
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 in environmental protection.

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.

GLOSSARY OF FINANCIAL TERMS

EBT
EBT (earnings before tax) is an indicator of a company's earning power.

EBIT
EBIT (earnings before interest and tax) is an indicator of a company's operative earning power, ignoring its capital structure.

EBITDA
EBITDA (earnings before interest, taxes, depreciation and amortisation) is an indicator of a company's operative earning power, ignoring its capital structure and propensity to invest.

ROCE
ROCE (return on capital employed) is the ratio of EBIT to average capital employed. It therefore represents the efficiency with which capital was utilised to generate earnings in the period under review.

Capital employed
Capital employed is the sum of equity, provisions for pension liabilities and financial liabilities, less cash and cash equivalents.

Gearing
Gearing is the ratio of net financial liabilities to equity.

Net financial liabilities
Net financial liabilities consist of long and short-term financial liabilities less cash and cash equivalents.

Gross cash flow
Gross cash flow is the sum of the generated cash and cash equivalents before taking into account cash related changes in working capital.

Net cash flow
Net cash flow is the generated surplus of cash and cash equivalents after taking into account cash related changes in working capital. It is available for payments in conjunction with the company's investing and financing activities.

Free cash flow
Free cash flow is the generated surplus of cash and cash equivalents taking into account cash related changes in working capital and after deducting capital expenditure. It is available for the company's dividend and interest payments as well as for the redemption of financial liabilities.

5-year overview

NA Group (IFRS)		2002/03	2003/04	2004/05 [1]	2005/06 [1]	2006/07 [1]
Copper price LME settlement (average)	US$/t	1,653	2,607	3,382	6,033	7,088
Results						
Revenues	€ million	1,816	2,481	3,022	5,753	6,469
EBITDA	€ million	79	129	163	163	318
EBIT	€ million	16	58	99	111	260
EBT	€ million	3	47	90	103	251
Net income	€ million	4	27	61	60	159
Gross cash flow	€ million	64	118	137	112	231
Balance sheet						
Total assets	€ million	914	990	1,128	1,811	1,940
Non-current assets	€ million	437	396	366	360	610
Capital expenditure	€ million	26	28	33	48	94
Depreciation and amortisation	€ million	63	70	64	52	58
Equity	€ million	391	409	442	501	654
NA shares						
Market capitalisation [2]	€ million	291	432	625	705	1,146
Earnings per share	€	0.10	0.76	1.77	1.64	4.24
Dividend per share	€	–	0.65	1.00	1.05	1.45
Human resources						
Number of employees (average)		3,458	3,206	3,158	3,187	3,219
Personnel expenses	€ million	192	180	189	194	215
Production						
Cathodes	1,000 t	530	522	558	551	572
Continuous cast wire rod	1,000 t	342	399	375	423	451
Continuous cast shapes	1,000 t	193	257	237	266	232
Pre-rolled strip	1,000 t	138	122	116	130	120
Strips	1,000 t	52	63	50	54	46
Shaped wires	1,000 t	12	13	12	13	16
Gold	t	25	21	29	35	33
Silver	t	831	759	880	985	1,255

[1] before revaluation of LIFO inventories using the average cost method
[2] at fiscal year-end on 30 September

Financial calendar

13 February 2008	Annual press conference and DVFA analyst conference
13 February 2008	Interim report on 1st quarter 2007/08
29 February 2008	Annual General Meeting
3 March 2008	Dividend payment
15 May 2008	Interim report on 2nd quarter 2007/08
13 August 2008	Interim report on 3rd quarter 2007/08
17 December 2008	Preliminary results for fiscal year 2007/08

Imprint

If you wish to know more, please contact:

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Concept, consulting & design
HGB Hamburger Geschäftsberichte GmbH & Co. KG, Hamburg

Photos
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Other photos
Norddeutsche Affinerie AG

Print
Mediahaus Biering GmbH, Munich

Disclaimer
This Annual Report contains forward-looking statements based on current assumptions and forecasts. Various known and unknown risks, uncertainties and other factors could have the impact that the actual future results, financial situation or developments differ from the estimates given here. We assume no liability to update forward-looking statements.

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