

Attn. International Standards Accounting Board

Comments on ED7 Financial Instruments (IAS 39)

Norddeutsche Affinerie AG (NA) is Europe's largest copper producer with a production output of about 800,000 tonnes of copper products per year.

The NA Group employs 3,200 people and is a member of the Wirtschaftsvereinigung Metalle (WVM) which represents the non-ferrous Metals industry.

Our business is characterized by:

- high inventory levels needed for production
- very volatile metal prices
- wide range of price fixing possibilities in purchasing and sales
- natural hedge between purchase and sale of metals
- peaks are covered by LME contracts

The main problems with the application of the IAS 39 standard are:

- No micro-hedging between the physical contracts and the LME contracts possible, because each LME contract cannot be allocated to a single physical contract.
- Fair-value-valuation of LME contracts necessary.
- Separate fair-value-valuation of unrealized physical contracts.<> <>

The overall effect of these valuations is very strongly fluctuating profits and equity caused by metal price and currency fluctuations which do not represent the profit and equity situation of the company (true and fair view).

Our idea of an alternative to the IAS 39 standard is:

- The possibility of setting up valuation units, comprising LME contracts and physical contracts (macro hedging).

If you require additional information, please contact

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Yours sincerely

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