

PROSPECTUS DATED 26 JUNE 2007



AMG Advanced Metallurgical Group N.V.

(a public limited liability company incorporated in the Netherlands)

Offering of 13,064,752 ordinary shares with a nominal value of EUR 0.02 each at an offer price expected to be in the range of EUR 20.00 to EUR 25.00 per ordinary share

AMG Advanced Metallurgical Group N.V. (“**AMG**” or the “**Company**”) is offering 9,333,409 newly issued Shares (as defined below) (the “**New Shares**”) and Safeguard International Fund, L.P. (“**Safeguard**”) and the other existing holders of Shares whose details are given in “The Selling Shareholders” on page 114 of this prospectus (together with Safeguard, the “**Selling Shareholders**”) are offering 3,731,343 existing Shares (the “**Sale Shares**”) and, together with the New Shares, the “**Offer Shares**”) in a global offering (the “**Offering**”). The Offering consists of a public offering in the Netherlands and an international offering to certain institutional investors in certain other jurisdictions. The Shares are being offered only in those jurisdictions where, and only to those persons to whom, offers and sales of the Offer Shares may be lawfully made.

Prior to the Offering there was no public market for the ordinary shares with a nominal value of EUR 0.02 each in the Company, including the Offer Shares (the “**Shares**”). Application will be made by the Company to list the Shares on Euronext Amsterdam N.V. (“**Euronext Amsterdam**”)’s Eurolist by Euronext (“**Eurolist by Euronext**”) (“**Admission**”) under the symbol ‘AMG’. Prospective investors may subscribe for the Offer Shares between 8:00 a.m. CET on 27 June 2007 and 5:00 p.m. CET on 10 July 2007 (the “**Subscription Period**”), subject to acceleration or extension of the timetable for the Offering. It is currently expected that the initial offering price per Offer Share (the “**Offer Price**”) will be in the range of EUR 20.00 to EUR 25.00. The Offer Price and the number of New Shares and Sale Shares offered will be determined by the Company and Safeguard in consultation with Credit Suisse Securities (Europe) Limited (the “**Sole Bookrunner**”) after termination of the Subscription Period and after taking into account the conditions and factors described under “The Offering” on page 128 of this prospectus. The Offer Price will be stated in a pricing statement which will be deposited with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (the “**AFM**”) and will, together with the exact number of Offer Shares, be announced in a press release to be issued by the Company in an advertisement in the Daily Official List (*Officiële Pijnscurant*) of Euronext Amsterdam (the “**Daily Official List**”) and in at least one national newspaper distributed daily in the Netherlands. The Company and the Selling Shareholders reserve the right to change the Offer Price range or the number of Offer Shares before the end of the Subscription Period. Any change in the Offer Price and/or in the number of Offer Shares will be announced in a press release prior to the end of the Subscription Period.

INVESTING IN THE SHARES INVOLVES RISKS. SEE “RISK FACTORS” ON PAGE 12 OF THIS PROSPECTUS FOR A DESCRIPTION OF MATERIAL RISKS THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE SHARES.

The date on which trading of the Shares on Eurolist by Euronext will commence (the “**Listing Date**”) is expected to be on or about 11 July 2007 on an ‘as-if-and-when-issued or delivered’ basis. Payment for and delivery of the Offer Shares is expected to be made on or about 16 July 2007 (the “**Settlement Date**”).

If the closing of the Offering does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for Offer Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be annulled. All dealings in Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext Amsterdam has indicated it does not accept any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the Offering or any related annulment of any transactions on Eurolist by Euronext.

Safeguard will grant the Sole Bookrunner and the other manager in the Offering, ING Bank N.V. (the “**Co-Lead Manager**”) and, together with the Sole Bookrunner, the “**Managers**”), an option (the “**Over-Allotment Option**”) exercisable in whole or in part on or before the thirtieth day after the Listing Date pursuant to which the Sole Bookrunner as stabilising manager, on behalf of both Managers, may require Safeguard to sell up to 1,959,713 additional existing Shares held by it, representing up to 15% of the total number of Offer Shares, (the “**Additional Shares**”) at the Offer Price, to cover over-allotments, if any, and short positions resulting from stabilisation transactions, if any.

The Company will receive the net proceeds from the issue of the New Shares but will not receive any proceeds from the sale of the Sale Shares, the net proceeds of which will be received by the Selling Shareholders, or from the sale of any Additional Shares, the net proceeds of which will be received by Safeguard. The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States except to qualified institutional buyers (“**QIBs**”) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act (“**Rule 144A**”), outside the United States except in compliance with Regulation S under the Securities Act (“**Regulation S**”) or pursuant to another available exemption from the registration requirements of the Securities Act. For a description of certain restrictions on transfer see “Selling and Transfer Restrictions” on page 135 of this prospectus.

Delivery of the Offer Shares and any Additional Shares is expected to take place on or about the Settlement Date through the book-entry facilities of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (“**Euroclear Nederland**”) in accordance with its normal settlement procedures applicable to equity securities and against payment for the Offer Shares in immediately available funds.

This document comprises a prospectus within the meaning of Article 3 of Directive 2003/71/EC (the “**Prospectus Directive**”) and has been prepared in accordance with Article 5:9 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (the “**Dutch FSA**”) and the rules promulgated thereunder. This prospectus has been approved by, and filed with, the AFM.

Sole Bookrunner

Credit Suisse

Co-Lead Manager

ING Wholesale Banking

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SUMMARY

This summary highlights certain aspects of the Company’s business, the Offering and the Company’s historical financial information and must be read as an introduction to this prospectus. Any decision to invest in the Shares should be based on a consideration of this prospectus as a whole, including any amendment and supplement thereto and the documents incorporated by reference therein (see www.amg-nv.com). Civil liability will attach to the Company in a member state of the European Economic Area (“EEA State”) in respect of this summary, including any translation hereof, only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this prospectus. Where a claim relating to the information contained in this prospectus is brought before a court, the claimant investor may, under the national legislation of the EEA States, be required to bear the costs of translating this prospectus before the legal proceedings are initiated. Defined terms used in this summary but not defined in it are defined in “Definitions” on page 185 of this prospectus.

Company Overview

AMG Advanced Metallurgical Group N.V. is a leading global specialty materials company offering highly engineered metallurgical products and systems to a broad range of end markets. The Company utilises its proprietary know-how to supply sophisticated metals and materials through its production and sales activities in 12 countries on five continents. In addition, the Company designs, engineers and produces advanced vacuum furnace systems for growing industries globally. The Company’s metallurgical expertise has enabled it to capture leading market positions for many of its products and systems. Most of AMG’s products and systems are critical to the production of key components for the aerospace, energy, electronics, optics, chemicals, construction and transportation industries. The Company is organised into two business units: Advanced Materials and Engineering Systems.

The Advanced Materials unit, representing 82.0% of AMG’s 2006 revenue, develops and produces niche specialty metals and complex metals products, many of which are used in demanding, safety-critical, high-stress environments. The Company is one of a limited number of significant producers globally of niche specialty metals, such as ferrovanadium, ferronickel-molybdenum, ferrotitanium, aluminium master alloys and additives, silicon metal, chromium metal and magnesium alloys, used by steel, aluminium, silicones and superalloy producers for applications in the aerospace, energy, electronics, optics, chemicals, construction and transportation industries. The Company is also one of a limited number of significant producers of complex metals products that are formulated to perform critical functions in products used in the aerospace, energy, electronics, optics and chemicals industries. Examples of complex metals products produced by the Company include specialty alloys for titanium and superalloys, tantalum and niobium oxides, antimony trioxide, vanadium chemicals and metals-based powders.

The Engineering Systems unit, representing 18.0% of AMG’s 2006 revenue, designs, engineers and produces advanced vacuum furnace systems and operates vacuum heat treatment facilities. The Company sells vacuum furnace systems to customers in the aerospace, energy (including solar-photovoltaic and nuclear), transportation, electronics, superalloys and specialty steel industries. Examples of furnace systems include vacuum remelting furnaces, turbine blade coating furnaces, solar silicon melting and crystallisation furnaces and vacuum heat treatment furnace systems. The Company also provides vacuum case-hardening heat treatment services on a fee-per-part, or tolling, basis to customers through facilities equipped with AMG-designed vacuum heat treatment furnaces it owns primarily for this purpose (“Own & Operate Facilities”).

AMG operates globally with production facilities in Germany, the United Kingdom, France, the United States, Canada, Mexico, Brazil and Australia. The Company also has sales and customer service offices in Belgium, Russia, China and Japan. The Company’s total revenues in the period of 12 months ended 31 March 2007 were US\$958.9 million with EBITDA of US\$76.1 million. The Company’s customers include leading global metals producers such as Alcoa Inc., Allegheny Technologies Incorporated, Baoshan Iron and Steel Co. Ltd., Mittal Steel Company N.V. and VSMPO-AVISMA Corporation and major global manufacturers such as BASF Aktiengesellschaft, Momentive Performance Materials Inc. (formerly a subsidiary of General Electric Company) and Siemens AG.

AMG was incorporated in the Netherlands as a public limited liability company on 21 November 2006 by Safeguard. It is the holding company of a group of companies with substantial operating histories that were contributed to the Company by Safeguard in March 2007.



Competitive Strengths

Leading market positions in advanced materials products. AMG has achieved leading market positions in terms of sales volumes through its focus on niche specialty metals and complex metals products where there are a limited number of significant producers globally. The Directors believe that AMG is:

- the largest producer of ferrovanadium and the second largest producer of silicon metal in North America;
- the largest global supplier of specialty alloys for titanium and superalloys;
- the largest global supplier of aluminium master alloys; and
- a leader in niche markets for vanadium chemicals, metals-based powders and coating materials.

Leading market positions in advanced vacuum furnace systems. AMG’s Engineering Systems unit has produced advanced vacuum furnace systems for nearly 100 years. The Directors believe that, in terms of revenue, AMG is one of the two largest worldwide producers of vacuum remelting systems, turbine blade coating systems and induction melting systems, which are critical to the production of key components for the aerospace, energy, specialty steel and titanium industries. The Directors believe that the Company is also a global leader in the design of solar silicon melting and crystallisation furnaces, as well as vacuum heat treatment systems for fuel injection and transmission components in the transportation industry.

History of innovation and development of proprietary products. AMG has a history of innovation and development of proprietary products which has allowed it to attain market leadership positions in many of its products and systems. Recent innovations include the development of titanium aluminide for turbine and aerospace applications, molten titanium silicon alloys for wear-resistant coatings and low-nitrogen vacuum-melt-grade chromium metal for superalloys used in industrial gas turbines and jet engines. The Company has developed advanced solar silicon melting and crystallisation systems and vacuum heat treatment and high-pressure gas quenching systems. The Directors believe that AMG’s combination of advanced materials production, process innovation and expertise in furnace design is unique in the market.

Strong long-term customer relationships. The Directors believe that AMG’s product quality and technical service have contributed to its long-term customer relationships, particularly with customers in the aerospace, energy, chemicals, construction and transportation industries. These relationships have also been strengthened through consultation with customers’ technical departments to develop and refine their metals products and vacuum furnace systems. Close interaction with the Company’s customers is important to industries where certain materials perform critical functions, such as turbine blade coatings for the aerospace and energy industries. The Company has co-developed products for a range of customers, which the Directors believe makes it a valued partner to such customers.

Highly efficient ferrovanadium recycling operations. AMG utilises an environmentally friendly process for the production of ferrovanadium and ferronickel-molybdenum from spent refinery catalysts and power plant residues. The Company extracts a high percentage of ferrovanadium from these spent catalysts and residues, whilst also recovering valuable ferronickel-molybdenum. This business model provides a partial hedge against fluctuations in prices of certain of the Company’s products through a variable cost structure, as raw material costs are partially indexed to the price of the end product.

Experienced management team. AMG’s senior management team is comprised of executives with extensive experience in the advanced materials and engineering systems industries, in the development of innovative materials and in identifying opportunities and acquiring businesses. Dr. Heinz Schimmelbusch, the chairman of AMG’s management board (*Raad van Bestuur*) (the “**Management Board**”), has been a senior executive in the materials industry for over 30 years. Mr. Arthur Spector, the deputy chairman of the Management Board, has extensive experience in corporate finance and acquisitions. Each of the other members of the Management Board—Mr. William Levy, Mr. Eric Jackson and Dr. Reinhard Walter—has at least ten years of experience in senior management roles.

Business Strategy

Focus on niche markets. AMG seeks to grow revenue and increase profitability in its core businesses by:

- pursuing niche markets where the Company can attain leading positions;



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- focusing production and sales efforts on niche specialty metals and complex metals products where the Company can differentiate its products in order to attempt to achieve higher margins; and
- working closely with customers to continually refine products and systems to meet those customers' changing requirements.

Capitalise on favourable trends in industries with attractive growth potential. AMG focuses on developing products for fast-growing industries including:

- Energy (solar-photovoltaic)—AMG is active in the rapidly growing solar-photovoltaic segment of the energy industry through designing, engineering and producing solar silicon melting and crystallisation furnaces that make high-purity polysilicon solar wafers. The Company has also recently entered into two significant customer contracts to sell high-purity silicon or solar-grade silicon metal and the Company has recently shipped more than 20 tonnes of solar-grade silicon metal, partly to these customers and partly as samples to other potential customers. The Directors believe that the Company's patent-pending metallurgical process for further refining the chemical-grade silicon metal it produces will enable it to produce the required higher-grade silicon cost-effectively;
- Aerospace—AMG is benefiting from increases in demand in the global aerospace industry, in particular from the industry's increasing use of specialty alloys for titanium and superalloys. The Company produces proprietary titanium-aluminide alloys and other superalloys critical in the manufacture of aeroplanes and jet engines. Additionally, the Company's furnace technologies are used in the production of titanium and high-purity metals and superalloys, as well as for the coating of jet engine turbine blades;
- Energy (nuclear)—AMG is developing sintering furnaces for the production of key components for the next generation of pebble bed nuclear reactors, which are expected to experience increased demand as an alternative to carbon-emitting power sources; and
- Construction—AMG is benefiting from increased consumption of ferrovanadium, which is a critical ingredient in the production of high-strength, low-alloy construction steel. This is being driven by growing global steel production and increased ferrovanadium content per tonne of steel, particularly in China and other emerging economies. To attempt to capitalise on this demand, the Company is in the advanced engineering planning stages of a multi-phase project that, if successfully implemented, is expected to triple its capacity to process spent refinery catalysts, a principal raw material source of ferrovanadium for the Company, and thereby to double the Company's capacity to produce ferrovanadium and significantly increase its capacity to produce ferronickel-molybdenum.

Leverage metallurgical expertise to introduce new products. AMG will continue to focus on delivering innovative products to meet its customers' demands for advanced metallurgical products. For example, the Company is developing proprietary titanium-aluminide alloys that are light but strong and high-temperature-resistant for aerospace engine parts after successful application of these alloys in Formula One racing car engines. The Company is also focusing on refining its proprietary low-cost process for producing high-purity solar-grade metallurgical silicon.

Mitigate volatility in complex metals and other materials markets. AMG intends to mitigate its exposure to raw materials and product price volatility by:

- increasing its percentage of revenues derived from higher-margin processing activities;
- securing long-term raw material supply sources. For example, it owns a tantalite mine in Brazil, which, on the basis of current production levels, is expected to supply its current tantalum and niobium requirements for approximately 24 years; it has a long-term lease on a quartz mine in Quebec, Canada, used in the production of silicon metal; and it intends to renew contracts for the long-term supply of raw materials for its ferrovanadium and ferronickel-molybdenum operation in Cambridge, Ohio, United States; and
- expanding the number of its Own & Operate Facilities. Since 1999, the Company has introduced three new Own & Operate Facilities which provide vacuum case-hardening heat treatment services to customers through long-term arrangements whereby the Company processes customers' material on a fee-per-part, or tolling, basis without taking ownership of the material. The Company is building its fourth such facility, in Mexico, to serve the North American transportation industry.

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These long-term arrangements are expected to generate consistent revenue independent of metal prices.

Sustain strategic growth. AMG intends to strengthen and broaden its product portfolio through selected acquisitions of companies with complementary products. For example, the Company recently acquired a company that produces rotatable targets for large area coatings. These targets are used in a wide variety of industries which the Company supplies including the energy (solar-photovoltaic), aerospace and transportation industries, allowing the Company to offer a more comprehensive product portfolio to its customers.

Integrate business units. The Advanced Materials and Engineering Systems units are jointly developing business opportunities. Since the formation of AMG, its senior management has been fostering closer co-operation between the Advanced Materials and Engineering Systems units to promote and increase commercialisation of products and systems. For example, the business units are jointly developing solutions for the energy (solar-photovoltaic) industry and for the production of specialty alloys for titanium and superalloys.

The Shares

The Offer Shares are Shares in the Company, being ordinary shares with a nominal value of EUR 0.02 each. Immediately prior to completion of the Offering, the Company will have 17,466,095 issued Shares and no other share capital outstanding. The Offer Shares consist of 9,333,409 New Shares offered by the Company and 3,731,343 Sale Shares offered by the Selling Shareholders, all at the Offer Price, which is currently expected to be in the range of EUR 20.00 to EUR 25.00. In addition, Safeguard may sell up to 1,959,713 Additional Shares at the Offer Price pursuant to the Over-Allotment Option, to cover any over-allotments and short positions resulting from stabilisation transactions.

Risk Factors

Prior to investing in the Shares, prospective investors should consider, together with the other information contained in this prospectus, certain risks and other factors set out in “Risk Factors”. These factors include:

- dependence on cyclical markets;
- raw materials price volatility;
- product prices which may be influenced by outside factors;
- expansion of the Company’s solar-grade silicon metal production facilities;
- higher energy costs, which could result in increased production costs;
- significant competition from other market participants or customers and use of substitute products;
- unexpected equipment failures, damage to the Company’s facilities or transportation disruptions;
- dependence on limited sources of vanadium raw materials;
- potentially adverse labour relations;
- potential violations of environmental, health and safety laws or releases of hazardous substances;
- dependence on experience and expertise of senior management;
- recent incorporation and limited history of subsidiaries operating together;
- dependence on operating subsidiaries;
- failure to integrate further acquisitions;
- potential failures in accounting systems;
- failure to secure cash resources for future growth;
- possible differences between interests of significant Shareholders and those of the Company;
- partial ownership of Timminco;
- long-lead-time contracts;

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- exposure to potential warranty claims;
- dependence on maintaining market leadership;
- potential changes in governmental policy and increases in trade barriers;
- limits to insurance policies;
- product liability claims;
- exposure to currency fluctuations and translation risks;
- potential uncertainties with respect to intellectual property rights;
- third-party claims of intellectual property infringement;
- extensive environmental and other laws and regulations and potential increases in health and safety regulation costs;
- new EU legislation concerning chemicals;
- EU legislation concerning antimony trioxide;
- potential increases in tax liability;
- inability to utilise deferred tax assets;
- possible restrictions or fines imposed under competition law;
- operation of defined benefit pension and employee benefit plans;
- incomplete ownership history of German subsidiaries;
- possible effect of future issues of Shares on the market price of the Shares and possible dilution of the interests of existing Shareholders;
- potential fluctuations in the market price of the Shares in response to different factors, including reports by securities or industry analysts;
- possible lack of an active market for the Shares;
- no intention to pay dividends for the foreseeable future;
- possible inability of Shareholders outside the Netherlands to exercise pre-emption rights; and
- disregard of subscriptions for Shares and cancellation of transactions that have occurred if the Offering does not close on the Settlement Date or at all.

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SUMMARY OF THE OFFERING

The Issuer	AMG Advanced Metallurgical Group N.V., a public limited liability company (<i>naamloze vennootschap</i>) incorporated under the laws of the Netherlands with its corporate seat in Amsterdam, the Netherlands.
The Selling Shareholders	Safeguard (at the date of this prospectus the holder of 91.51% of the issued and outstanding Shares) and the other Selling Shareholders whose details are given in “The Selling Shareholders” on page 114 of this prospectus.
The Offering	The Offering consists of a public offering in the Netherlands and an international offering to certain institutional investors in certain other jurisdictions. The Shares are only being offered and sold to QIBs within the United States in reliance on Rule 144A under the Securities Act and outside the United States in compliance with Regulation S under the Securities Act.
The Shares	The Company is offering 9,333,409 New Shares and the Selling Shareholders are offering 3,731,343 Sale Shares. Immediately prior to completion of the Offering, the Company will have 17,466,095 issued Shares outstanding. Immediately following completion of the Offering the Company will have 26,799,504 issued Shares outstanding.
Over-Allotment Option	Safeguard will grant the Managers the Over-Allotment Option, exercisable in whole or in part at any time on or before the thirtieth day after the Listing Date, pursuant to which the Sole Bookrunner, as stabilising manager, on behalf of both Managers may require Safeguard to sell all or some of the Additional Shares at the Offer Price to cover over-allotments, if any, and short positions resulting from stabilisation transactions, if any.
Subscription Period	The period between 8:00 a.m. CET on 27 June 2007 and 5:00 p.m. CET on 10 July 2007, subject to acceleration or extension of the timetable for the Offering.
Offer Price	At the date of this prospectus, the Offer Price is expected to be in the range of EUR 20.00 to EUR 25.00 per Offer Share. The Offer Price will be set out in a pricing statement which will be deposited with the AFM. The Offer Price will also be announced in a press release to be issued by the Company, in an advertisement in the Daily Official List and in at least one national newspaper distributed daily in the Netherlands.
Pricing	The date of pricing is expected to be 10 July 2007. The Offer Price will be determined after the end of the Subscription Period and after taking into account the conditions and factors described under “The Offering” on page 128 of this prospectus.
Allotment Date	Allotment of the Offer Shares will occur following the Subscription Period and is expected to take place no later than the first business day after the end of the Subscription Period, subject to acceleration or extension of the timetable for the Offering at the Company’s discretion. In the event that the Offering is oversubscribed, an investor may receive a smaller number of Offer Shares than that for which the investor



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	applied to subscribe. The Company retains full discretion as to how the allotment of Offer Shares is to be made.
Listing and Trading	Application has been made by the Company to list all of the Shares on Eurolist by Euronext under the symbol ‘AMG’ and trading of the Shares on Eurolist by Euronext is expected to commence on the Listing Date (expected to be on or about 11 July 2007) on an ‘as-if-and-when-issued-or-delivered’ basis. Prior to the Offering, there was no public market for the Shares. If the closing of the Offering does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for Offer Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be annulled.
Settlement Date	Payment for and delivery of the Offer Shares is expected to be on or about 16 July 2007, which is the third business day following the Listing Date.
Delivery, Settlement and Payment	All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext Amsterdam has indicated that it does not accept any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the Offering or any related annulment of any transactions on Eurolist by Euronext. Payment for the Offer Shares and for any Additional Shares which may be allotted if the Over-Allotment Option has been exercised in part or in full prior to the Settlement Date will take place on the Settlement Date. Delivery of the Offer Shares and any Additional Shares is expected to take place on or about the Settlement Date through the book-entry facilities of Euroclear Nederland in accordance with its normal settlement procedures applicable to equity securities and against payment for the Shares in immediately available funds.
Voting Rights	Each Share entitles its holder (a “ Shareholder ”) to one vote at the general meeting of Shareholders (the “ General Meeting ”).
Dividends	The Directors do not anticipate that the Company will pay any dividends for the foreseeable future.
Use of Proceeds	The Company intends to use the net proceeds from the Offering of the New Shares, together with funds to be received through a new term loan and revolving credit facility expected to be provided by Credit Suisse, London Branch pursuant to a commitment letter dated 24 June 2007 (the “ Credit Facilities ”—see “General Information—Material Contracts” on page 161 of this prospectus), to repay substantially all of the existing indebtedness of the Company and its wholly owned subsidiaries, including related party indebtedness (see “Related Party Transactions” on page 116 of this prospectus), and for capital expenditures. The Company will not receive any proceeds from the sale of the Sale Shares, the net proceeds of which will be received by the Selling Shareholders, or, if the Over-Allotment Option is exercised, from the sale of any Additional Shares, the net proceeds of which will be received by Safeguard.

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Lock-Up Arrangements	Pursuant to an underwriting agreement to be entered into before Admission between the Company, the Selling Shareholders and the Managers (the “ Underwriting Agreement ”), the Company and the Selling Shareholders will agree that, without the prior written consent of the Sole Bookrunner on behalf of both Managers, they will not, subject to certain exceptions, issue, offer, sell, contract to sell, pledge or otherwise transfer or dispose of, or announce the proposed sale of, any Shares or other equity securities or securities linked to Shares during the period of 180 days from the date of the Underwriting Agreement. Pursuant to lock-up deeds to be entered into before Admission between the Managers and both Dr. Heinz Schimmelbusch and Mr. Arthur Spector (the “ Lock-Up Deeds ”), Dr. Schimmelbusch and Mr. Spector will agree that, without the prior consent of the Sole Bookrunner on behalf of both Managers, they will not, subject to certain exceptions, issue, offer, sell, contract to sell, pledge or otherwise transfer or dispose of any Shares during the period of 365 days from the date of the Lock-Up Deeds. See “Plan of Distribution” on page 132 of this prospectus.
Sole Bookrunner	Credit Suisse Securities (Europe) Limited
Co-Lead Manager	ING Bank N.V.
Listing Agent	ING Bank N.V.
Stabilising Manager	Credit Suisse Securities (Europe) Limited
Paying Agent	ING Bank N.V.
Share Trading Information	ISIN: NL0000888691 Common Code: 030701780 Securities Code: 88869 Eurolist by Euronext Symbol: ‘AMG’



SUMMARY OF COMBINED AND CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

The summary combined and consolidated historical financial information set forth below has been presented for illustrative purposes only and does not purport to project the results of the Company’s operations for any future period or its financial condition on any future date. In addition, the summary quarterly consolidated financial information for the quarter ended 31 March 2007 is based on the Company’s unaudited interim consolidated financial accounts for that quarter and the results are not necessarily indicative of the results for the full year. It has not been practicable for the Company to prepare combined historical financial information for the year ended 31 December 2004. No direct comparison can be made between the individual financial information for the years ended 31 December 2005 and 2004 of the Company’s major subsidiaries and the Company’s combined historical financial information for the years ended 31 December 2006 and 2005.

	Year ended 31 December		Quarter ended 31 March (unaudited)	
	2005	2006	2006	2007
(Amounts in US\$ thousands)				
Combined statement of income data⁽¹⁾				
Advanced Materials revenue	778,889	760,853	194,667	204,733
Engineering Systems revenue	127,822	166,955	40,186	61,203
Total revenue	906,711	927,808	234,853	265,936
Cost of sales	728,834	777,203	194,769	220,833
Gross profit	177,877	150,605	40,084	45,103
Selling, general and administrative expenses	100,095	97,236	23,483	25,638
Restructuring and asset impairment expenses	20,961	19,341	404	7
Environmental expenses	199	11,044	5,745	120
Pension curtailment	—	(15,159)	—	—
Other (income) expense, net	(3,425)	60	129	(1,253)
Results from operating activities	60,047	38,083	10,323	20,591
Loss on extinguishment of debt	10,234	—	—	—
Interest expense	33,207	36,559	8,671	9,381
Interest (income)	(3,968)	(3,544)	(609)	(966)
Net finance costs	39,473	33,015	8,062	8,415
Share of profit (loss) of associates	447	(2,372)	(402)	(130)
Profit before income tax	21,021	2,696	1,859	12,046
Income tax provision	16,332	8,383	2,191	5,043
Profit for the period	4,689	(5,687)	(332)	7,003
Attributable to:				
Equity holders of the Company	16,874	4,507	139	7,398
Minority interest	(12,185)	(10,194)	(471)	(395)

(1) Financial information for 2007 is provided on a consolidated basis.

	Year ended 31 December		Quarter ended 31 March (unaudited)	
	2005	2006	2006	2007
(Amounts in US\$ thousands)				
Combined cash flow data⁽¹⁾				
Net cash from operating activities	58,609	23,353	9,592	42,703
Net cash from/(used in) investing activities	(26,809)	(38,921)	(4,623)	(6,514)
Net cash from/(used in) financing activities	(23,481)	14,472	2,087	(3,764)

(1) Financial information for 2007 is provided on a consolidated basis.

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	As at 31 December		As at 31 March (unaudited)	
	2005	2006	2006	2007
	(Amounts in US\$ thousands)			
Combined balance sheet data⁽¹⁾				
Cash and cash equivalents	50,317	54,610	58,284	88,382
Total assets	545,904	570,638	574,946	648,857
Total long-term liabilities	341,730	308,755	336,359	347,315
Total current liabilities	212,999	285,624	246,923	336,848
Total equity	(8,825)	(23,741)	(8,335)	(35,306)

(1) Financial information for 2007 is provided on a consolidated basis.

	Year ended 31 December		Quarter ended 31 March (unaudited)	
	2005	2006	2006	2007
	(Amounts in US\$ thousands)			
Other financial data⁽¹⁾				
EBITDA (unaudited)	101,188	72,280	20,799	24,623
Capital expenditures	13,659	24,292	5,516	6,676

EBITDA means earnings before interest payments, taxes, depreciation and amortisation and further adjusted for non-recurring items. EBITDA is not a measure of financial performance under IFRS. The Company's calculation of EBITDA may be different from the calculations used by other companies. EBITDA should therefore not be used to compare one company against another or as a substitute for analysis of the Company's operating results as reported under IFRS. EBITDA is not a direct measure of the Company's liquidity, nor is it an alternative to cash flows from operating activities as a measure of liquidity, and it needs to be considered in the context of the Company's financial commitments. EBITDA is not an alternative to net profit for the year as a measure of operating performance. EBITDA may not be indicative of the Company's historical operating results, nor is it meant to be predictive of the Company's potential future results. The Directors believe that EBITDA provides useful information to investors because it is an indicator of the strength and performance of the Company's ongoing business operations, including the Company's ability to fund discretionary spending such as capital expenditure, acquisitions and other investments and the Company's ability to incur and service debt. While depreciation and amortisation are considered operating costs under IFRS, these expenses primarily represent non-cash current-period allocation of costs associated with long-lived assets acquired or constructed in prior periods. The following table reconciles operating profit with EBITDA calculated from amounts determined under IFRS.

	Year ended 31 December		Quarter ended 31 March (unaudited)	
	2005	2006	2006	2007
	(Amounts in US\$ thousands)			
EBITDA reconciliation				
Operating profits	60,047	38,083	10,323	20,591
Depreciation and amortisation	(18,272)	(18,529)	(4,181)	(4,523)
Foreign exchange (income) loss	(1,709)	(442)	(146)	364
Restructuring and asset impairment expenses	(20,961)	(19,341)	(404)	7
Environmental expenses	(199)	(11,044)	(5,745)	120
Pension curtailments	—	15,159	—	—
EBITDA (unaudited)	101,188	72,280	20,799	24,623

(1) Financial information for 2007 is provided on a consolidated basis.

Presentation of Financial Information

The Company's combined historical financial information has been prepared for inclusion in this prospectus, on the basis of the accounting policies set out in note 2 ("Basis of preparation") to the Company's combined historical financial information for the years ended 31 December 2006 and 2005 on

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page F-8 of this prospectus, after combining the Company and its subsidiaries Metallurg Holdings, Inc. (“**Metallurg Holdings**”), ALD Vacuum Technologies GmbH (“**ALD**”), GfE Gesellschaft für Elektrometallurgie mbH (“**GfE**”), Sudamin Holdings S.A. (“**Sudamin**”) and the 50.3% owned Timminco Limited (“**Timminco**”). As the Company has a complex financial history, the Company has, in accordance with items 20.1 and 20.2 of Annex I of Commission Regulation 2004/809/EC and Commission Regulation 211/2007/EC, included the following financial information in this prospectus:

- audited combined historical financial information for the years ended 31 December 2006 and 2005 on the basis of IFRS;
- unaudited interim consolidated historical financial information for the quarter ended 31 March 2007 (with unaudited combined historical financial information for the quarter ended 31 March 2006 for comparison purposes) in accordance with IFRS;
- summary audited individual financial information for the years ended 31 December 2005 and 2004 for each of the Company’s major subsidiaries; and
- incorporated by reference, audited historical financial information (translated into English in cases where the original information was not in English) for each of the Company’s major subsidiaries (Metallurg Holdings, GfE, Sudamin, Timminco and ALD) for the years ended 31 December 2005 and 2004.

The unaudited interim consolidated historical financial information for the quarter ended 31 March 2007 and the unaudited combined historical financial information for the quarter ended 31 March 2006 included in this prospectus have been prepared for the purposes of the Offering and, following the Offering, the Company intends to report its results on a semi-annual basis.

The companies whose financial information has been combined in the preparation of the Company’s combined historical financial information for the years ended 31 December 2006 and 2005 are the same as those whose information has been included in the Company’s unaudited interim consolidated historical financial information for the quarter ended 31 March 2007, except that FNE Forschungsinstitut für Nichteisen-Metalle Freiberg GmbH (“**FNE**”) is included only in the latter information, because FNE did not become a significant subsidiary of the Company until 7 June 2006. The aforementioned combined and consolidated information is otherwise comparable.

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RISK FACTORS

Prospective investors should carefully consider the risk factors described below, together with all the other information set out in this prospectus, before investing in the Shares. Should any of the following events or circumstances occur, the Company's business, financial condition and results of operations could be materially adversely affected. In such circumstances, the market price of the Shares could decline and investors could lose all or part of the value of their investment.

The risks described below are the risks which the Directors currently consider to be material but are not the only risks relating to the Company or an investment in the Shares. There may be additional risks that the Directors do not currently consider to be material or of which they are not aware that could impair the business or results of operations. Defined terms used in this section but not defined in it are defined in "Definitions" on page 185 of this prospectus.

Risk Factors Relating to the Markets in Which the Company Operates

The Company's performance is dependent on cyclical markets.

The performance of both of the Company's units is dependent on the performance of a number of industries that are subject to cyclicalities. The performance of the Advanced Materials unit is directly related to the production levels of its customers, which are mainly steel, aluminium, superalloy and titanium alloy producers, whose businesses are in turn dependent on demand from producers in the aerospace, construction, transportation, energy and electronics industries. The steel, aluminium, superalloy and titanium alloy industries have in the past all exhibited a high degree of cyclicalities and will likely do so in the future. In addition, the Engineering Systems unit sells a limited number of furnace systems each year and the performance of this unit is correlated with the production levels of its customers in the aerospace, transportation, construction and energy industries and the key suppliers to these industries. Any downturn in these industries could result in a reduction in demand for the Company's products and systems and this could have a material adverse effect on the Company's business, financial condition and results of operations.

Raw materials price volatility could adversely affect the Company's results.

The prices of certain of the Advanced Materials unit's primary raw materials, including aluminium, ferrovanadium, magnesium, antimony, titanium and coal, fluctuate due to actual or perceived changes in supply and demand and certain other factors, including the availability and cost of substitute materials and currency exchange rates. In addition, commodity prices can be affected by currency exchange rates and by speculative trading or positions being taken in these markets. Fluctuations in raw materials prices that cannot be passed on to customers could have a significant impact on the Company's business, financial condition and results of operations.

Most of the raw materials the Company purchases cannot be hedged with traditional financial instruments. Accordingly, the Company endeavours to match the duration and pricing mechanisms of its supplier and customer contracts. Inability or ineffectiveness of the Company to secure its long-term raw materials requirements in a cost-effective manner could have a material adverse effect on the Company's business, financial condition and results of operations.

The prices of the Company's products may be influenced by outside factors.

Whilst the Company aims to maximise the number of products for which its Advanced Materials unit can charge a premium on the basis of product differentiation, approximately one third of the Company's 2006 revenues were generated by sales of products such as ferrovanadium, silicon metal, ferrotitanium and chromium metal, the sales prices of which were determined by market referenced prices. The Company is unable to influence directly the prices of many of its niche specialty metals and complex metals products, so its competitiveness and profitability are, to a significant degree, dependent upon its ability to reduce costs and maintain low-cost, efficient operations as well as upon its ability to differentiate its products from metals commodities. Any substantial or extended decline in the price or demand for its products or inability to anticipate future market trends could have a material adverse effect on the Company's business, financial condition and results of operations.

Whilst a cyclical upturn in the markets in which the Company operates could cause prices of metals to increase, any increase in the price of metals may encourage other producers to increase production of those metals. Any over-production of a particular metal could lead to a reduction in the price of that

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product, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Significant competition from other market participants or increased use of substitutes for the Company's products could reduce the Company's market share and have an adverse effect on its selling prices and sales volume.

The market for niche specialty metals and complex metals products is highly competitive globally, notwithstanding the fact that for many of the Company's products there are few significant market participants. Competition is based primarily on price, quality and the ability to meet customers' product specifications and delivery schedules. Some of the Company's competitors based in emerging markets, in particular in China and Russia, currently produce lower-quality, lower-cost products but could, by improving the quality of their products, have an adverse effect on the Company's selling prices and sales volume. Technologically advanced competitors could also relocate their production facilities to lower-cost countries, thereby increasing competition.

In addition, lower-quality, lower-cost products may in certain instances serve as substitutes for the Company's products or new substitutes for the Company's products and systems may be developed, which may provide attractive alternatives to the Company's products and systems. The Company could also face competition from suppliers of spent refinery catalysts and power plant residues if they establish their own processes to produce ferrovanadium. There can be no assurance that the Company's products and systems will compete successfully against current or new market participants or against any substitute products or systems that may be developed in the future. Increased competition or an increase in the use of substitutes for niche specialty metals and complex metals products could have a material adverse effect on the Company's business, financial condition and results of operations.

Risk Factors Relating to the Company's Business

Unexpected equipment failures or damage to the Company's facilities may lead to production curtailments or shutdowns.

Interruptions in the Company's production capabilities will affect production levels and reduce its revenue and income for the affected period. The Company's manufacturing processes are dependent upon critical production equipment, such as its furnaces, casters and crushing equipment, as well as electrical equipment such as transformers. This equipment may, on occasion, be out of service as a result of unanticipated failures and is also subject to scheduled maintenance shutdowns. The Company has experienced and may in the future experience material shutdowns or periods of reduced production as a result of such equipment failures or as a result of prolonged maintenance shutdowns. Moreover, any interruption in production capability may require the Company to make significant capital expenditures to remedy the underlying problem, which could have a negative effect on the Company's profitability and cash flows. In addition to equipment failures, the Company's facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions or violent weather conditions. The losses that the Company sustains as a result of such events may exceed any recoveries it may be able to make under its business interruption insurance coverage. In addition to such losses, longer-term business disruption could result in a loss of customers, which could also have a material adverse effect on the Company's business, financial condition and results of operations.

Unexpected transportation disruptions may lead to production curtailments or shutdowns.

The Company depends upon seaborne freight, rail, truck and air transport to deliver raw materials to its facilities and its products to market. Disruption of these transportation services because of weather-related problems, equipment failures, strikes, lock-outs or other events such as available port capacity could temporarily impair the Company's ability to supply its raw materials to its facilities and its products to its customers and thus could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company depends upon limited sources of vanadium raw materials.

The Company depends on limited sources of raw materials to produce ferrovanadium. In particular, the Company obtains raw materials from only three suppliers for its North American production in Cambridge, Ohio, United States, and one supplier from Italy and one from China for its vanadium chemical production in Nuremberg, Germany. All of the Company's agreements for the supply of raw

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materials expire in 2008. Whilst ferrovanadium and vanadium chemical sales represented 8.9% of the Company's revenues for the year ended 31 December 2006, they represented a higher proportion of its profitability. The Company also depends upon particular suppliers of spent refinery catalysts and power plant residues for its production process. Although alternative sources of raw materials for ferrovanadium exist, supplies are limited and there can be no assurance that the Company will be able to obtain adequate supplies of such materials, if at all, on acceptable terms from other sources when its existing supply agreements expire. In addition, there may be interruptions or limitations in supply in the future. The Company could also face supply constraints or delays in supply due to the fact that certain of the raw materials it uses are considered toxic in some jurisdictions. Any disruption in the supply of materials for the production of ferrovanadium or any increase in the production costs for ferrovanadium could have a material adverse effect on the Company's business, financial condition and results of operations.

Expansion of the Company's solar-grade silicon metal production facilities entails inherent risks.

The Company intends to expand its production facilities to raise its capacity to produce solar-grade silicon metal, from 300 tonnes per year to an expected 3,600 tonnes per year, in order to meet the demand of its current and potential customers. A number of additional risks to the Company's business are inherent in this expansion. For example, there could be delays in construction and commissioning of equipment or technological or other operational problems associated with the scaling up of production capacity; customers could be unable to take contracted volumes in the expected timeframes; and the market price for solar-grade silicon metal could fall below current levels owing to increased competition or supply or reduced demand. The occurrence of any of these events could have a material adverse effect on the Company's business, financial condition and results of operations.

Higher energy costs could result in increased production costs and interruptions in energy supply could affect production.

The Company's Advanced Materials unit consumes substantial amounts of energy in its production of niche specialty metals and complex metals products and the Company is almost wholly dependent on third parties for the supply of energy. The price of energy has varied significantly in the past several years and may vary significantly in the future, largely as a result of market conditions, including factors beyond the Company's control such as significant price increases for oil, electricity, coal or natural gas. The factors that affect the Company's energy costs and supply reliability tend to be specific to each of its facilities. During the first quarter of 2007 the Company's silicon facility at Bécancour, Quebec, Canada, experienced above-average stoppages in electricity supply during peak times, which caused inefficiencies in production and may recur in the future. A rise in energy costs, or a disruption in energy supplies or supply arrangements, could also have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be affected by adverse labour relations.

The Company has operations in multiple regions around the world. As a result, it is subject to different regulatory requirements and labour laws that restrict its ability to reduce manufacturing capacity and reduce the related labour force. These requirements are particularly stringent in Europe where, as at 31 March 2007, the Company employed 940 people. Such regulatory restrictions may affect the Company's ability to respond to market downturns in an efficient manner, resulting in higher expenses associated with carrying excess capacity and infrastructure during market downturns which could have a material adverse effect on the Company's business, financial condition and results of operations.

Approximately 33% of the Company's 1,785 employees (as at 31 March 2007) are subject to collective bargaining or similar agreements. The collective bargaining agreements for certain of the Company's subsidiaries expire in 2007 and 2008. There can be no assurance that new labour agreements will be reached without a work stoppage or strike or will be reached on terms satisfactory to the Company. Any work stoppages or other labour-related developments (including the introduction of new labour regulations in countries where the Company operates) could have a material adverse effect on the Company's business, financial condition or results of operations.

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A violation of environmental, health or safety laws or releases of hazardous substances could expose the Company to liability.

The Company is involved in a number of businesses that may be deemed to be hazardous to the environment, and the Company must also comply with stringent regulatory requirements in a number of jurisdictions. The Company maintains environmental and industrial safety and health compliance programmes at its facilities, and the Directors believe that the Company's manufacturing operations are in material compliance with all applicable safety, health and environmental laws and that the Company maintains all material permits required under such laws to operate its business. However, the Company has, on occasion, paid fines or penalties for exceeding emission limitations in its permits or for breaches of environmental or other regulations. There can be no assurance that current environmental requirements or future changes to them, including possible additional regulations or increases in levels of fines or penalties, will not result in liabilities and obligations, including liability for disposal or contamination at facilities anywhere in the world, that may be material to the Company's business, financial condition and results of operations.

The Company's manufacturing businesses are subject to extensive and changing laws and regulations governing, amongst other things, emissions to air, discharges and releases to land and water, the generation, handling, storage, transportation, treatment and disposal of wastes and other materials, including materials containing low levels of radioactivity, and the remediation of contamination caused by discharges of waste and other material, as well as the risk that employees and others are exposed to hazardous or toxic substances. Such laws and regulations not only expose the Company to liability for its own actions, but also may expose it to liability for the conduct of others or for its actions which were in compliance with all applicable laws at the time such actions were undertaken or performed but which subsequently have become subject to regulation. In addition, the Company could be held liable for the release or discharge of materials which may be hazardous to health or the environment, including the cost of investigating and cleaning up such contamination, regardless of whether such release or discharge was legal and of whether the Company continues to own or operate the facility at which such release or discharge occurred, as well as such releases or discharges that occur at sites to which the Company or its predecessors have sent waste or that migrate onto the property of third parties. The Company could be held liable for such costs even if they arise from the actions of third parties. The Company's operations generally, and those involving hazardous materials in particular, also raise potential risks of liability under common law.

A violation of environmental or health and safety laws relating to the Company's facilities or a failure to comply with the instructions of the relevant environmental or health and safety authorities could lead to, amongst other things, a temporary shutdown of the Company's facilities or the imposition of fines, penalties or costly compliance or remediation procedures. The Company may also be exposed to potential litigation based on perceived violations of environmental or health and safety laws. If environmental or health and safety authorities impose substantial fines or penalties or require the Company to shut down any of its facilities or to implement costly compliance measures, whether pursuant to existing or new environmental, health and safety laws and regulations, such measures could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is also obligated to undertake remediation activities at its facility at Newfield, New Jersey, United States (which has been designated a US National Priority List or 'Superfund' site), pursuant to a 1997 settlement agreement mandating the closure of wastewater lagoons, the decontamination of groundwater, soil remediation, surface water and sediment clean-up, wetlands restoration and related operation and maintenance activities. At 31 March 2007, the wastewater lagoon closure and a number of other tasks had been completed, and there were two outstanding primary obligations for the Newfield site: the decontamination of the groundwater and the decommissioning of a slag pile with low-level, naturally occurring radiation, together with the related operations and maintenance costs. The Company no longer produces the materials that created the environmental issues. In October 2005, the Company submitted a revised decommissioning plan, supplemented in June 2006 (by a proposal for regrading and capping of the slag pile) which would cost an estimated US\$9 million. However, if this decommissioning plan is not approved or if US state or federal regulatory agencies require alternative measures, the Company could face additional remediation costs, including significant costs if it were required to move the slag pile. The primary alternative to regrading and recapping the slag pile would be excavation and off-site disposal of the contents of the slag pile. On the basis of the preliminary evaluations completed to date, the Directors believe that the off-site disposal alternatives could cost up to US\$63 million (compared with US\$9 million for the regrading and capping proposed in the

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decommissioning plan). A more detailed discussion of this matter is provided in “Operating and Financial Review—Year Ended 31 December 2006 Compared with Year Ended 31 December 2005—Environmental Expense” on page 53 of this prospectus and “Environmental and Other Regulatory Matters—Specific Environmental Matters—United States—Newfield, New Jersey”, on page 89 of this prospectus.

The Company has faced similar environmental remediation and decommissioning requirements at its other sites, including at its facility in Cambridge, Ohio, United States, and may face similar issues with respect to hazardous waste and environmental remediation at its other production sites in and outside the United States as well as at any sites formerly owned or operated by the Company or any of its predecessors. The Company has not investigated all of its currently or formerly owned or operated facilities to determine whether by-product has been disposed on site. The Company has not established reserves for the costs of investigating and cleaning up contamination (if any) at the time of the closing of each of its facilities or mines. The remediation and decommissioning costs also entail long-term financial commitments, in particular with respect to radiological remediation. Compliance with existing or new regulations could require significant expenditure and could have a material adverse effect on the Company’s business, financial condition and results of operations.

The Company’s competitive position and future prospects depend to a large extent on the experience and expertise of its senior management.

The Company’s ability to maintain its competitive position and to implement its business strategy is dependent to a significant extent on the services of its senior managers, and in particular the members of the Management Board. Furthermore, personal connections and relationships of members of senior management are critical to the conduct of its business. The Company depends on its senior management including, in particular, Dr. Heinz Schimmelbusch, the chairman of the Management Board and Mr. Arthur Spector, the deputy chairman of the Management Board, as well as Mr. William Levy, Mr. Eric Jackson and Dr. Reinhard Walter, who are also members of the Management Board. However, there can be no assurance that these individuals will continue to make their services available to the Company in the future. Dr. Schimmelbusch also serves as non-executive chairman of Allied Resource Corporation and PFW Aerospace AG, Speyer, Germany (“**PFW Aerospace**”) and is a non-executive director of Open Joint Stock Company Mining and Metallurgical Company Norilsk Nickel (“**Norilsk**”). He will therefore have substantial time commitments outside the Company. The Company also depends on the hiring of qualified engineers for the operation of its business, particularly for the design, sales and marketing functions in the Engineering Systems unit.

The loss or diminution of the services of any of the Company’s senior managers, an insufficient time commitment by them or an inability of the Company to attract and retain additional senior management personnel or qualified engineers could have a material adverse effect on the Company’s business, financial condition and results of operations.

The Company is newly incorporated and its operating subsidiaries have a limited history of operating together.

The Company is a newly formed holding company for an existing group of long-established independent companies. It is difficult to evaluate an investment in the Shares and future prospects of the Company owing to the Company’s limited history of operating as a group. Integrating various subsidiaries within the group is a complex and ongoing process. Successful integration requires, amongst other things, the satisfactory co-ordination of business development and procurement efforts, technology improvements and employee retention, hiring and training policies as well as the alignment of products, sales and marketing operations and information and software systems. There can be no assurance that the integration of the Company will be successful and, whilst the ongoing operations of the Company’s businesses are intended to yield favourable results, there can be no assurance that the Company will be successful as a group.

As a holding company with no revenue-generating operations, the Company depends on the earnings and cash flows of its operating subsidiaries, which may not be sufficient to meet future needs.

As a holding company with no business operations of its own, the Company is dependent upon the earnings and cash flows of, and dividends and distributions from, its operating subsidiaries to pay expenses, meet its debt service obligations and pay any cash dividends or other distributions on the Shares. Any interruption in the Company’s receipt of dividends and distributions from its operating subsidiaries could

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cause the Company to default on its financial facilities or be unable to pay dividends or other distributions on the Shares.

The Company intends to make acquisitions, or enter into partnerships or joint ventures, which it may not be able to integrate or manage successfully.

As part of its growth strategy, the Company will consider prospective acquisitions, as well as proposals for business combinations and strategic alliances or partnerships, that may complement its existing businesses. However, the Company may not identify suitable targets or be able to conclude acquisitions or enter into partnerships on its preferred terms. Moreover, if the Company is not able to successfully integrate or manage any acquired company or strategic alliance or partnership, the acquisition or strategic alliance may fail to achieve the desired benefits. In addition, the Company may be unable to manage its relationship with its partners, and management's attention may be diverted away from other ongoing business concerns.

Certain of the Company's subsidiaries may enter into joint ventures. Joint ventures may involve special risks associated with the possibility that the joint venture partners may: (i) have economic or business interests or goals that are inconsistent with those of the Company; (ii) take action contrary to the Company's policies or objectives with respect to its investments, for instance by veto of proposals in respect of the joint venture operations; (iii) be unable or unwilling to fulfil their obligations under the joint venture or other agreements; or (iv) experience financial or other difficulties. Any of the foregoing may have a material adverse effect on the Company's business, financial condition or its results of operations.

Failures of the Company's accounting systems and internal controls to ensure timely and accurate financial reporting could result in material misstatements.

The Company does not have integrated information systems. The Company's subsidiaries prepare their individual financial accounts and the Company consolidates those statements. Additionally, the Company has only recently prepared quarterly consolidated accounts in accordance with International Financial Reporting Standards ("IFRS"). The preparation of IFRS consolidated financial statements is a manual process that involves, first, the transformation of the statutory financial statements of the Company's subsidiaries into IFRS financial statements through accounting adjustments and, second, a consolidation of all subsidiaries' financial statements. Although the Directors believe that the Company has implemented appropriate financial controls and procedures ahead of Admission, it will continue to monitor and improve upon these processes if appropriate. Failures in the Company's accounting systems and internal controls to ensure timely and accurate financial reporting could result in material misstatements in the Company's financial statements. Any failure to detect or prevent such misstatements could have a material adverse effect on the Company's business, financial condition and results of operations and cause the market price of the Shares to decline.

The Company's future growth plans could require substantial cash resources and a failure to secure such resources could have a material adverse effect on the Company's growth prospects.

The Company will seek to grow its business, which will require capital expenditures. In particular, the Company is in the advanced engineering planning stages of a project that will include building a new roaster and that, if successfully implemented, is expected to increase the Company's capacity to process spent refinery catalysts and to produce ferrovandium and ferronickel-molybdenum. This project will require capital expenditures of approximately US\$30 million for the first phase of the project, which is expected to enable the roaster to begin operations in 2010. The Directors expect the Company to fund its capital expenditures from operating cash flows, existing cash balances, debt financing and other sources it deems appropriate. These sources of financing may not be available to the Company when required in the amounts needed or on acceptable terms for reasons including, without limitation, the unavailability of external financing sources on satisfactory terms; changes in the terms of existing financing arrangements; a deterioration in the financial condition of the Company; and cost overruns in connection with its projects. If sufficient sources of financing are not available in the future for these or for other reasons, or if there is a delay between the initial capital outlay and returns on a project, the Company may not be able to implement fully its growth plans, which could have a material adverse effect on the Company's business, financial condition and results of operations.

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Safeguard, as a significant Shareholder of the Company after the Offering, may have different interests from the Company and will be able to control the Company, including the outcome of Shareholder votes.

On Admission, Safeguard will hold 46.94% of the Shares, assuming that the Over-Allotment Option is not exercised. Accordingly, Safeguard will be a significant Shareholder and in a position to exercise control over the Company. Safeguard is a limited partnership scheduled to dissolve on 31 March 2008, by which time its assets, including the Shares held by it, must be distributed to its partners. Based on Safeguard's current partnership unit holdings, no limited partner will hold more than 15.39% of the enlarged issued Share capital following the Offering (assuming that the Over-Allotment Option is not exercised) as a result of Safeguard's dissolution. The Management Board's chairman, Dr. Heinz Schimmelbusch, and its deputy chairman, Mr. Arthur Spector, are also members of the executive committee of the general partner of Safeguard.

Consequently, Safeguard, or potentially two or more of its limited partners acting in concert after the distribution of its assets, may be in a position to exercise control over the Company with regard to: decisions of the General Meeting as to corporate governance; the appointment, removal and discharge of members of the Management Board and members of the Company's supervisory board (*Raad van Commissarissen*) (the "**Supervisory Board**"); and the approval of significant transactions of the Company. Thus, Safeguard or (after the distribution of its assets) potentially two or more of its limited partners acting in concert, may have the ability to control policies and operations, including the management, the entering into of mergers, acquisitions, sales of assets and other significant transactions, future issues of shares or other securities, the payment of dividends, if any, on the Shares, the incurrence of debt by the Company and the amendment of the Company's articles of association (as most recently amended on 26 June 2007, the "**Articles of Association**"). Safeguard or (after the distribution of its assets) two or more of its limited partners acting in concert, will also have the ability to approve or prevent any transaction that requires the approval of the General Meeting regardless of whether members of the Management Board or other Shareholders believe that such a transaction is in the Company's interests. To the extent that the interests of Safeguard or its limited partners acting in concert (after the distribution of Safeguard's assets) may differ from the interests of other Shareholders, those other Shareholders may be disadvantaged by actions that Safeguard or such limited partners may take. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, merger, amalgamation, consolidation, takeover or other business combination of the Company. It could also discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, which could in turn have an adverse effect on the market price of the Shares.

Additionally, the limited partners in Safeguard may from time to time acquire and hold interests in businesses that compete directly or indirectly with the Company. They may also pursue acquisition opportunities that may be complementary to the Company's business and as a result those acquisition opportunities may not be available to the Company. Dr. Heinz Schimmelbusch, the chairman of the Management Board, is bound only by limited prohibitions on competing with the Company in his employment agreement (see "Management and Corporate Governance—Directors' Service Contracts" on page 104 of this prospectus) and is non-executive chairman of Allied Resource Corporation, a company that provides wastewater purification, thermal treatment and petroleum waste recycling and gasification services, and PFW Aerospace, a company that supplies aerospace components; and is also a non-executive director of Norilsk, a mining and metallurgical company. Those companies could have business interests that compete with those of the Company.

One of the Company's subsidiaries, Timminco, is listed on the Toronto Stock Exchange and is not a wholly-owned subsidiary of the Company, so the Company does not have complete control over Timminco's operations and finances.

The Company currently owns 50.3% of the common shares in the capital of Timminco ("**Timminco Shares**"), which are listed on the Toronto Stock Exchange in Canada. The remaining Timminco Shares and rights associated with them are held by others. Safeguard and its affiliate ALD International LLC ("**ALD International**") also have rights to additional Timminco Shares through convertible loans made to Timminco (see "Related Party Transactions" on page 116 of this prospectus) and there are a number of outstanding options over Timminco Shares (see "General Information—Timminco Shares and Options" on page 152 of this prospectus). Whilst the Company has a majority shareholding in Timminco, it does not have full control over this subsidiary. The directors of Timminco will be obliged to consider the interests of all Timminco shareholders, which may be different from the interests of the Company. The shareholders of Timminco other than the Company may contest certain decisions and may claim unfair prejudice as

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minority shareholders, which could have an adverse effect on the Company's reputation and financial condition. The Company's shareholding in Timminco could be diluted by the conversion of the convertible loans or exercise of the options referred to above. Safeguard and ALD International have granted the Company an option to acquire any shares arising from the conversion of the convertible loans, of which further details are given in "Related Party Transactions" on page 116 of this prospectus, but there can be no assurance that the Company will have sufficient cash available to be able to exercise this option when it becomes exercisable.

In addition, Timminco is subject to the regulatory controls of the Toronto Stock Exchange. Greater restrictions or reporting requirements with respect to such controls may limit the Company's ability to manage its shareholding in Timminco, which could affect its operations and could have a material adverse effect on the Company's business, financial condition and results of operations.

Long-lead-time contracts for the Company's vacuum furnace systems expose the Company to risk of losses.

The Company's Engineering Systems unit generally enters into contracts that have long lead times to completion. The furnace systems the Company provides pursuant to such contracts sometimes require extensive customisation and development and, as a result, significant time and resources, to design, build and install, particularly when sophisticated levels of technologies are involved or the furnace system presents novel features or issues which the Company has not previously encountered. Although the Company has a limited ability to renegotiate contracts in certain circumstances, differences between the estimated costs and actual costs with respect to these contracts can have a substantial negative effect on the Company's financial position and results of operations. The profit margins the Company realises on such contracts may vary from original estimates as a result of changes in costs and productivity over the term of each contract owing to a variety of factors, including quality problems, cost overruns or contractual penalties caused by unexpected technological problems or changes in the law or regulations, unforeseen developments in the assembly of furnace systems, problems with subcontractors and suppliers, or other logistical difficulties.

In addition, the Company may encounter substantial delays in fulfilling a complex furnace systems order which it did not anticipate when it agreed to pricing for the contract for the reasons discussed above, as well as for other reasons common to all supply and, where relevant, installation contracts. As a result of these and other factors, variations in activity levels in respect of these contracts may result in significant variations in the Engineering Systems unit's revenues and operating income from year to year. In addition, delays in contract execution or the Company's failure to comply with customer requirements or agreed standards could result in adverse customer reactions, negative publicity regarding the Company and its products, harm to the Company's reputation or loss of or delay in market acceptance of a new product or furnace system, or could require extensive changes, any of which could have a material adverse effect upon the Company's business, financial condition and results of operations.

Warranty claims could adversely affect the Company's operations.

The Engineering Systems unit sells complex, highly engineered vacuum furnace systems that may contain defects in design or manufacturing failures. Defects in any of the Company's systems due to these or other factors or customer dissatisfaction not related to defects could result in diminished market acceptance for the Company's systems, product recalls in one or more of the Company's markets or claims for damages. Recalls, if necessary, may be costly and divert management's attention from the operation of the Company's business.

The Company typically provides a two-year warranty on its vacuum furnace systems. These warranties cover certain operating performance specifications and spare parts. Whilst the Company maintains warranty insurance coverage, claims for money or other damages in excess of insurance coverage could have a material adverse effect on the Company's business, financial condition and results of operations.

A failure by the Company to maintain its leadership in vacuum furnace technology could adversely affect the Company's operations.

The Engineering Systems unit is an industry leader in vacuum furnace technology and currently commands premium pricing for a majority of its vacuum furnace systems. The willingness of the Company's customers to continue to pay a premium for these systems will depend upon the Engineering Systems unit's ability to maintain technological leadership and a reputation for quality and reliability. Defects or perceived defects in any of the Company's systems or customer dissatisfaction not related to

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defects could reduce the Company's ability to obtain premium pricing for its vacuum furnace systems which could have a material adverse effect on the Company's business, financial condition and results of operations.

An increase in existing trade barriers or the imposition of new trade barriers in the Company's principal markets could cause a significant decrease in the demand for its products in those markets.

The Company has extensive global operations with sales spanning many countries, and therefore its businesses have significant exposure to the effects of trade actions and barriers. The Company may also be subject to restrictive export or exchange controls imposed by government regulators which could affect the Company's operations. Various countries have in the past imposed, or are currently contemplating the imposition of, protective or restrictive trade actions and barriers such as anti-dumping duties, tariffs and quotas. These trade barriers affect the demand for the Company's products by effectively increasing the prices for those products compared with "domestically" available products. The Directors also cannot predict the timing and nature of similar or other trade actions by any country, and an increase in existing trade barriers, or the imposition of new trade barriers, could cause a significant decrease in the demand for the Company's products in its principal markets, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's insurance policies provide limited coverage, potentially leaving it uninsured against some business risks.

The Company maintains insurance on property and equipment in amounts believed to be consistent with industry practices but it may not be fully insured against some or all business risks. The Company's insurance policies cover physical loss or damage to its property and equipment on a reinstatement basis arising from a number of specified risks and certain consequential losses, including business interruption arising from the occurrence of certain events. Notwithstanding the insurance coverage that the Company carries, the occurrence of an incident that causes losses in excess of limits specified under the policy, or losses arising from events not covered by its insurance policies, could have a material adverse effect on the Company's business, financial condition and results of operations.

Product liability claims could adversely affect the Company's operations.

The Company sells products to major manufacturers whose products may be incorporated into a wide range of end products. Furthermore, its products are also sold to, and used in, certain safety-critical applications, particularly in the aerospace and construction industries. If the Company were to provide a product that was inconsistent with the specifications of the order or the requirements of the application, significant disruptions to the customer's production lines could result. There could also be significant consequential damages resulting from the use of such products. The Company has a limited amount of product liability insurance coverage, and a claim for damages related to products sold could leave the Company uninsured against a portion or the entire award and, as a result, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is exposed to currency fluctuations and translation risks.

The cost of the Company's raw materials and components are primarily denominated in euros and US dollars; the Company's other operating costs are primarily denominated in euros, Brazilian reais, pounds sterling and Canadian and US dollars, whilst the Company's revenues are primarily denominated in euros and US dollars. The Company's profitability will be affected by fluctuations in the value of the currencies in which it sells its products and services against the currencies in which it pays for raw materials, components and other operating costs. The majority of the Company's debt is denominated in US dollars, but the Company also has borrowings denominated in pounds sterling, Brazilian reais, euros and Canadian dollars. There can be no assurance that present or future management of foreign exchange risk is or will be adequate or that exchange rate fluctuations will not have a material adverse effect on the Company's business, financial condition and results of operations.

The Company reports its financial results in US dollars. Therefore, it also faces a currency translation risk to the extent that the assets, liabilities, revenues and expenses of its subsidiaries are denominated in currencies other than the US dollar. In preparing its financial statements, the Company must translate the values of those assets, liabilities, revenues and expenses into US dollars at the applicable exchange rates. Consequently, increases and decreases in the value of the US dollar against other currencies will affect the

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value of these items in the Company's consolidated financial statements, even if their value has not changed in their original currency.

The Company's interest in intellectual property rights held by it and third parties is complex and subject to uncertainties.

The Company benefits from its ability to obtain, maintain and enforce its intellectual property rights for its technologies and products and to preserve its trade secrets and other proprietary information. The patent positions of the Company involve complex legal and factual questions and, therefore, the success of any applications and the validity and enforceability of any patents granted cannot be predicted with certainty. Patents may be challenged, deemed unenforceable, invalidated or circumvented or infringed by competitors. The validity, enforceability and commercial value of these rights are therefore uncertain.

The Company applies for patents covering certain of its technologies and products as it deems appropriate. The Company has determined not to apply for patents for certain technologies in order to maintain the confidentiality of its processes and systems. If the Company does decide to apply for patents on important technologies or products, it might not do so in a timely fashion, or at all, and in any event, any applications filed may be challenged and may not result in issued patents. Any future patents obtained by the Company may not be sufficiently broad to prevent others from using its technologies or from developing competing products. Furthermore, others may independently develop similar or alternative technologies or design around the Company's patented or unpatented technologies. In addition, if challenged, the Company's patents may be declared invalid. Even if valid, the Company's patents may fail to provide it with any competitive advantages.

Any adverse outcome that the Company may experience whilst attempting to obtain, maintain or enforce its intellectual property rights could have a material adverse effect on the Company's business, financial condition and results of operations.

Litigation or third-party claims of intellectual property infringement could require substantial time and money to resolve. Unfavourable outcomes in these proceedings could limit the Company's intellectual property rights and its activities.

The Company may need to resort to litigation to enforce or defend its intellectual property rights, including any patents issued to it. Failure to apply for patents could also lead to infringement claims. If a competitor or collaborator files a patent application, which the Directors believe infringes the Company's intellectual property, the Company may have to participate in an expensive and time-consuming opposition proceeding in order to protect its rights before the European Patent Office, the United States Patent and Trademark Office or patent authorities in other jurisdictions. The Company cannot guarantee that there will be no claims from third parties alleging that its products or processes infringe the intellectual property rights of such parties. Third parties may assert that the Company is employing their proprietary technologies without authorisation and they may resort to litigation to attempt to enforce their rights. Third parties may have or obtain patents in the future and claim that the use of the Company's technology or any of its products or systems infringes their patents. The Company may not be able to develop or commercialise certain products because of patent protection others have. The Company's efforts to obtain, protect and defend its patent and other intellectual property rights, whether successful or not, can be expensive and may require the Company to incur substantial costs, including the diversion of management and technical personnel. An unfavourable ruling in patent or intellectual property litigation could subject the Company to significant liabilities to third parties; require it to cease developing, manufacturing or selling the affected products or using the affected technologies or to license the disputed rights from third parties; or result in awards of substantial damages against the Company.

There can be no assurance that the Company would prevail in any intellectual property infringement action or will be able to obtain a licence to any third-party intellectual property on commercially reasonable terms, successfully develop non-infringing alternatives on a timely basis, or license non-infringing alternatives, if any exist, on commercially reasonable terms. Any significant intellectual property impediment on its ability to develop and commercialise the Company's products could have a material adverse affect on the Company's business, financial condition and results of operations.

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Risk Factors Relating to Regulation

The Company is subject to extensive environmental and other operating laws and regulations in many jurisdictions.

The Company is subject to extensive environmental and other operating laws and regulations in the multiple jurisdictions in which it operates. Such laws and regulations may require significant expenditures to ensure compliance, and are frequently modified or revised to impose new obligations. Environmental operating permits are, or may be, required for its operations under these laws and regulations. These operating permits are subject to modification, renewal and revocation. Exports of products that could be used in the manufacture of weapons, delivery systems or nuclear reactors are also restricted and subject to licensing. Failure to comply with these laws, regulations and permits could result in civil or criminal liabilities, termination or revocation of permits or other restrictions on operations. The risk of non-compliance and resulting liability is inherent in the operation of the Company's businesses, as it is with other companies engaged in similar businesses. The Company's cost of compliance with environmental laws and remediation obligations under such laws has been and is expected to continue to be significant. Any change in, or modified interpretation of, existing laws and regulations or enforcement policies, or any investigation or evaluation of the potential health hazards associated with the Company's products, business activities or facilities, may give rise to additional compliance and other costs that could have a material adverse effect on the Company's business, financial condition and results of operations. Any revocation or amendment of a licence or permit required by the Company for any part of its business, or any refusal to grant or renew any such licence or permit, could have an adverse effect on the Company's business, financial condition and results of operations.

European Union ("EU") legislation establishing a new regulatory regime for chemical substances may adversely impact the business.

EU Regulation 2006/1907 on the Registration, Evaluation, Authorisation, and Restriction of Chemicals ("REACH") entered into force on 1 June 2007 and requires industrial businesses, rather than public authorities, to assume general responsibility for ensuring and demonstrating the safety of chemical substances in the EU. The obligations and provisions of REACH affecting the Company will apply from 1 June 2008. The Company will be required to submit a detailed registration in respect of each substance it manufactures in the EU or imports into the EU in a quantity of one tonne or more per year. Aside from the costs and administrative burden associated with compliance, a general concern raised across relevant EU industries is the potential for substances to be withdrawn from the EU market as a consequence of REACH, either due to regulatory action or commercial considerations, and the potential impact of this on supply chains. The Company has not yet determined the impact of REACH on its operations. The increased compliance costs and potential reduction in demand for the Company's products resulting from the implementation of REACH could have a material adverse effect on the Company's business, financial condition and results of operations.

EU legislation concerning antimony trioxide may adversely impact the business.

Antimony trioxide in powder form, which is manufactured by the Company as a flame retardant, is classified as a possible carcinogen by the European Commission under Directive 67/548/EEC on dangerous substances. Masterbatches and other non-powder forms containing more than 0.1% of antimony trioxide are similarly classified. The risks presented by antimony trioxide to human health and the environment are undergoing extensive further assessment by the European Commission, which may affect its current classification. An unfavourable conclusion of the antimony trioxide assessment or any potential litigation arising from the Company's products, whether in connection with the assessment or not, could have an adverse effect on the Company's business, financial condition and results of operations.

The Company's health and safety regulation costs could increase.

The Company operates in multiple jurisdictions so its operations are subject to regulation of health and safety matters by various regulatory bodies. The costs of compliance with such regulation can be significant and the possibility exists that new legislation or regulations may be adopted that may materially adversely affect the Company's operations, its cost structure or its customers' ability to use the products produced by the Company. In addition, a violation of health and safety laws relating to the Company or failure to comply with the instructions of the relevant health and safety authorities could lead to, amongst other things, a temporary shutdown of one of the Company's facilities or the imposition of costly

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compliance procedures. If health and safety authorities were to require the Company to shut down one of the Company's facilities or to implement costly compliance measures, whether pursuant to existing or new health and safety laws and regulations, such measures could have a material adverse effect on the Company's business, financial condition and results of operations.

Claims that may be asserted against the Company for work-related illnesses or injury could increase its operating costs. The Directors are unable to predict the ultimate cost of such claims. Accordingly, there can be no assurance that the Company will not become involved in future litigation or other proceedings or, if it was found to be responsible or liable in any litigation or proceedings, that such costs would not be material.

The tax liability of the Company may substantially increase if the tax laws and regulations in countries in which it operates change or become subject to adverse interpretations or inconsistent enforcement, or if the Company's operating subsidiaries are unable to utilise certain tax benefits.

Taxes payable by companies in many of the countries in which the Company operates are substantial and include corporation tax, value added tax, excise duties, payroll-related taxes, property taxes and other taxes. Tax laws and regulations in some of the countries in which the Company operates may be subject to change, varying interpretation and inconsistent enforcement. As a result, the Company may face a significant increase in taxes payable if tax rates and tax laws and regulations in the jurisdictions and treaties between jurisdictions in which it operates increase and/or are modified by regulatory authorities in an adverse manner. In addition, many of the jurisdictions in which the Company operates have adopted transfer pricing legislation. Whilst the Directors believe that the Company's operations are conducted in compliance with applicable transfer pricing legislation, if tax authorities impose significant additional tax liabilities as a result of transfer pricing adjustments, it could significantly reduce the Company's cash flow and profitability.

It is possible that taxing authorities in the countries in which the Company operates will introduce additional revenue-raising measures. The introduction of any such provisions may affect the overall tax efficiency of the Company and may result in significant additional taxes becoming payable. There can be no assurance that additional tax exposure will not arise or that any such additional tax exposure will not significantly reduce the Company's cash flow and profitability.

If the Company were unable to fully utilise its deferred tax assets, its profitability could be reduced.

At 31 March 2007, the Company had US\$24.6 million recorded as deferred tax assets on its balance sheet. These assets can only be utilised if, and to the extent that, the Company's operating subsidiaries generate adequate levels of taxable income in future periods to offset the tax loss carryforwards and reverse the temporary differences before they expire. At 31 March 2007, the aggregate amount of future income required to recover the Company's deferred tax assets is approximately US\$66.5 million at certain operating subsidiaries. The Company's ability to generate taxable income is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. If the Company generates lower taxable income than the amount it has assumed in determining the deferred tax assets, the carrying amount of a deferred tax asset will be reduced accordingly.

Adverse competition law rulings could restrict the Company's ability to expand or to operate its business as it wishes and could expose it to fines.

The Company is subject to a variety of competition laws in the jurisdictions in which it operates. In a number of markets, the Company has market positions which may make future significant acquisitions more difficult and may limit its ability to expand by acquisition or merger.

In addition, the Company is subject to legislation in many of the jurisdictions in which it operates relating to unfair competitive practices and similar behaviour. Although the Company operates a strict competitive behaviour policy to seek to ensure that none of its employees engage in anti-competitive behaviour, there can be no assurance that the Company will not be subject to allegations of, or regulatory investigations or proceedings into, such practices, particularly in respect of those products in which it has or gains an especially significant market share. In the event that such allegations are made or investigations or proceedings initiated (irrespective of merit), the Company may be required to devote significant management resources to defending the Company against such allegations. In the event that such allegations are proved, the Company may be subject to significant fines, damages awards and other expenses and may be required to change the manner in which it conducts some of its operations.

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Certain of the Company's subsidiaries operate or participate in defined benefit pension and employee benefit plans.

Certain of the Company's subsidiaries operate, participate in or provide defined benefit pension and employee benefit plans for and in respect of certain of their respective employees and former employees. The principal arrangements and their valuation for the Company's accounting purposes are summarised at note 24 to the Company's combined historical financial information for the years ended 31 December 2006 and 2005 on page F-58 of this prospectus. A number of funded defined benefit plans applicable to the Company are in deficit.

Certain of the Company's subsidiaries in the United States and the United Kingdom restructured certain of their defined benefit plans during 2006 so that there is no future accrual of defined benefits under those plans. However, there are risks inherent in the provision of defined benefit pensions in relation to accrued and (where relevant) accruing benefits, for which the Company could be liable. The risks relate primarily to interest rates and mortality and, where a plan is funded, to investment performance of plan assets. An increase in the expected value of accrued and accruing benefits or (where a plan is funded) a fall in the value of, or lower than expected returns on, investments may result in an increase in the cost to the Company of paying, funding or providing the relevant benefits. Applicable statute and case law may also increase relevant pension plans' liabilities and their cost to the Company. Increases in cost could have a material adverse effect on the Company's financial condition and results of operations.

In particular, if one of the Company's UK pension plans, the LSM 2006 Pension Plan (the "**UK Plan**") were to be wound up (which could occur at the instigation of either its principal employer, LSM, or its trustees or if the UK Pensions Regulator so orders under relevant provisions of the UK Pensions Act 2004), a debt due from the two participating employers to the UK Plan would arise in the amount of approximately £17.6 million, according to an actuarial estimate as at 31 May 2007. The UK Plan and its participating employers are also subject to the UK Pensions Act 2004, which provides that an employer and its associates and connected persons (as defined in sections 249 and 435 of the UK Insolvency Act 1986, including a person holding, alone or together with his associates, directly or indirectly one third or more of the voting power of such an employer) could be the subject of a contribution notice (requiring contributions to a pension plan) if they have been party to an act or a deliberate failure to act which had as one of its main purposes the avoidance or reduction of pension liabilities and the UK Pensions Regulator considers it reasonable to issue such a notice. The amount of contributions that can be required under a contribution notice is an amount up to the pension plan's deficit calculated on a buy-out basis (estimated as at 31 May 2007 to be of the order of £17.6 million for the UK Plan). In addition, the UK Pensions Regulator has power under the Pensions Act 2004 to impose a financial support direction on, amongst others, any employer or any person connected or associated with that employer, in certain circumstances including if the employer is "insufficiently resourced"—meaning that the employer has net assets that are less than 50% of the employer's share of a pension plan's buy-out deficit and an associate or connected person has net assets equal to or more than the balance. A financial support direction can be issued where the UK Pensions Regulator considers it reasonable to do so and, where issued, requires prescribed forms of financial support to be put in place for a pension plan for its duration (and contribution notices can be issued, in default). The UK Pensions Regulator can issue clearance statements under the UK Pensions Act 2004 which, if issued in relation to the Offering and associated transactions, would mitigate any such risk of a contribution notice or financial support direction being imposed in relation to the Offering and associated transactions, but no application for such clearance has been made on the basis that an application for clearance is not mandatory. The ability of the UK Pensions Regulator to issue contribution notices and financial support directions to employers and to persons who are associates or connected persons of employers in relation to UK defined benefit pension plans represents a risk to direct and indirect shareholders in such an employer (including one which is a company limited by shares) that they will potentially be liable for more than the amount paid up or to be paid on their shares.

In addition, the UK Pensions Regulator must be notified of certain events. Such events include a decision to relinquish control of an employer. It is therefore anticipated that a notification will be made in respect of the UK Plan in connection with the dissolution of Safeguard expected in 2008 (see "The Selling Shareholders—Information about Safeguard—Dissolution" on page 115 of this prospectus). This or other notifiable events that occur in future could form the basis for a decision of the UK Pensions Regulator to impose a financial support direction or contribution notice. The Pensions Regulator can impose a contribution notice in respect of events that occurred up to six years previously (but not prior to 27 April

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2004) and a financial support direction in respect of persons who have been an employer's associates or connected persons within the prior 12 months.

A second defined benefit pension plan (the LSM Additional Pension Plan) in which certain of the subsidiaries of the Company in the UK participate contains provisions that transfer all powers and discretions from its principal employer, LSM, to the plan's trustees in the event that they certify that in their opinion there has been a significant change of control of the principal employer, which will occur on completion of the Offering. If invoked, this provision could result in materially higher contributions being required from the plan's employers, or in other changes which indirectly may have that effect.

Certain operating subsidiaries of the Company have long histories and have insufficient corporate records of transfers of their shares.

The Company's German subsidiaries GfE and ALD have existed for many decades. These subsidiaries have not been able to locate certain historic corporate records by which the chain of the shareholdings from the establishment of the respective company until Admission can be evidenced. Since the commercial register in Germany only sets out the total amount of the subscribed share capital and does not show the holding of each shareholder, there can be no assurance that there is not a defect in the chain of title to shares in those subsidiaries which could result in claims in respect of title to the shares, difficulties in passing shareholders' resolutions, future challenges to shareholders' resolutions or potential litigation involving GfE, ALD and their shareholders. Any of the foregoing may have a material adverse effect on the Company's business, financial condition or its results of operations.

Risk Factors Relating to the Shares and the Offering

Future issues of Shares may affect the market price of the Shares and could dilute the interests of existing Shareholders.

The Company may issue Shares in future public offerings, in private placements, under an employee share and stock option plan or in connection with acquisitions. If the Shares are not issued on a pre-emptive basis or if certain holders of Shares outside the Netherlands are not able to exercise pre-emption rights, it may not be possible for existing Shareholders to participate in such future ordinary Share issues, which may dilute the existing Shareholders' interests in the Company. In addition, the issue of additional Shares by the Company, or the possibility of such issue, may cause the market price of the Shares to decline.

The market price of the Shares could be negatively affected by sales of substantial numbers of Shares in the public markets.

Sales by the Company, Safeguard or (after distribution of Safeguard's assets) Safeguard's limited partners of a substantial number of Shares in the public markets following the Offering, or the perception that such sales might occur, could cause the market price of the Shares to decline. Furthermore, there is no commitment on the part of either Safeguard or any of its limited partners to remain a Shareholder or to retain a minimum interest in the Company following the expiry, 180 days after the date of the Underwriting Agreement, of an initial lock-up period to be provided for in the Underwriting Agreement. As a result, no investment decision should be made on the basis that Safeguard or any of its limited partners will retain any interest in the Company following the Offering.

The market price of the Shares may fluctuate widely in response to different factors.

The market price of the Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from stock market expectations, changes in earnings estimates by analysts, a perception that other market sectors may have higher growth prospects, general economic conditions, legislative changes in the Company's sector and other events and factors outside the Company's control. The market value of a Share may vary considerably from its underlying net asset value.

Other factors which could cause the price of the Shares to fluctuate or could damage the reputation of the Company include any adverse publicity derived from any business affairs, contingencies, litigation or other proceedings, its assets (including the imposition of any lien) its management, or the Selling Shareholders.

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In addition, stock markets have from time to time experienced extreme price and volume volatility which, in addition to general economic and political conditions, could adversely affect the market price for the Shares.

There may not be an active market for the Shares, which may cause the Shares to trade at a discount to the Offer Price and make it difficult to sell Shares.

There is currently no public market for the Shares. There can be no assurance that an active trading market for the Shares will develop or, if it develops, will be sustained after this Offering or how liquid that market will be. There can be no assurance that the Offer Price will correspond to the price at which the Shares will trade in the public market subsequent to this Offering or that the price of the Shares available in the public market will reflect the Company's actual financial performance.

If securities or industry analysts do not publish research or reports about the Company's business, or if they change their recommendations regarding the Shares adversely, the market price and trading volume of the Shares could decline.

The trading market for the Shares will be influenced by the research and reports that securities or industry analysts publish about the Company. If one or more of the analysts who cover the Company, or the industries in which it operates, downgrades the Shares, the market price of the Shares may decline. If one or more of these analysts ceases coverage of the Company or fails to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which could cause the market price of the Shares or trading volume to decline.

The Company does not intend to pay dividends for the foreseeable future.

The Company does not anticipate paying dividends for the foreseeable future and payment of future dividends to Shareholders will effectively be at the discretion of the Management Board subject to the approval of the Supervisory Board after taking into account various factors, including the Company's business prospects, cash requirements, financial performance, new product development and system development and expansion plans. The payment of dividends is further subject to regulatory, legal and financial restrictions and any limitations that may be contained in future credit agreements. In addition, because AMG is a holding company, its ability to make dividend payments may also depend on its subsidiaries' ability to distribute funds to it. Accordingly, investors cannot rely on dividend income from the Shares and any returns on an investment in the Shares will likely depend entirely upon any future capital appreciation in the price of Shares. The Company cannot provide any assurance that the price of the Shares will appreciate after the Offering or that the market price of the Shares will not fall below the Offer Price.

Holders of the Shares outside the Netherlands may not be able to exercise pre-emption rights.

In the event of an increase in the Company's share capital, holders of Shares are generally entitled to full pre-emption rights unless these rights are excluded either by a resolution of the General Meeting, or by a resolution of the Management Board (if the Management Board has been designated by the general meeting for this purpose). Certain holders of Shares outside the Netherlands may not be able to exercise pre-emption rights unless local securities laws have been complied with. In particular, US holders of the Shares may not be able to exercise pre-emption rights unless a registration statement under the Securities Act is declared effective with respect to the shares issuable upon exercise of such rights or an exemption from the registration requirements is available. The Company intends to evaluate at the time of any rights issue, the cost and potential liabilities associated with any such registration statement, as well as the indirect benefits and costs to it of enabling the exercise by US holders of their pre-emption rights for the shares and any other factors considered appropriate at the time, and then make a decision as to whether to file such a registration statement. There can be no assurance that any registration statement would be filed or that any exemption from registration would be available to enable the exercise of a US holder's pre-emption rights.

If the closing of the Offering does not take place on the Settlement Date or at all, subscriptions for Offer Shares will be disregarded and Euronext Amsterdam may cancel transactions that have occurred.

Application will be made to list all the Shares on Eurolist by Euronext under the symbol 'AMG'. The Directors expect that the Shares will first be admitted to listing and that trading in them will commence

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prior to the closing of the Offering on the Settlement Date on an ‘as-if-and-when-issued-or-delivered’ basis. Subject to acceleration or extension of the timetable for the Offering, the Settlement Date, on which the closing of the Offering is scheduled to take place, is expected to occur on or about 16 July 2007, the third business day following the Listing Date. The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived or occur on or prior to such date. Such conditions will include the receipt of officers’ certificates and legal opinions and such events will include the suspension of trading on Euronext Amsterdam or a material adverse change in the Company’s financial condition or business affairs or in the financial markets. If the closing of the Offering does not take place on the Settlement Date or at all, the Offering may be withdrawn, all subscriptions for Offer Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and transactions on Euronext Amsterdam will be annulled. All dealings in the Shares, including those which may be part of the Over-Allotment Option if this has been exercised prior to the Settlement Date, prior to settlement and delivery are at the sole risk of the parties concerned.

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INFORMATION FOR INVESTORS

PROSPECTIVE INVESTORS SHOULD READ THIS ENTIRE PROSPECTUS AND IN PARTICULAR “RISK FACTORS” ON PAGE 12 OF THIS PROSPECTUS WHEN CONSIDERING AN INVESTMENT IN THE COMPANY.

No person has been authorised to give any information or to make any representations in connection with the Offering other than those contained in this prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company or the Managers.

The contents of this prospectus are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

The Company and each of the Directors, whose names are set out on pages 96 and 98 of this prospectus, each accept responsibility for the information contained in this prospectus. To the best of the knowledge and belief of the Company and each of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this prospectus is in accordance with the facts and contains no omission likely to affect its import. No representation or warranty, express or implied, is made by either Manager as to the accuracy or completeness of information contained in this prospectus. Prospective investors should not assume that the information in this prospectus is accurate as at any other date than the date of this prospectus.

Each of Credit Suisse Securities (Europe) Limited and ING Bank N.V. is acting exclusively for the Company and no one else in connection with the Offering. Neither Credit Suisse Securities (Europe) Limited nor ING Bank N.V. will regard any other person (whether or not a recipient of this prospectus) as its client in relation to the Offering and neither of them will be responsible to anyone other than the Company for providing the protections afforded to its respective clients nor for the giving of advice in relation to the Offering, the contents of this prospectus or any transaction, arrangement or other matter referred to in this prospectus.

The distribution of this prospectus and the offer of the Offer Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this prospectus comes should inform themselves about and observe any such restrictions, including those set out in “Selling and Transfer Restrictions” on page 135 of this prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Stabilisation and Over-Allotment

In connection with the Offering the Sole Bookrunner, as stabilising manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot or effect other transactions which stabilise or maintain the market price of the Shares or any options, warrants or rights with respect to, or interests in, the Shares, in each case at a higher level than might otherwise prevail in the open market. The Sole Bookrunner is not required to enter into such transactions and such transactions may commence on or after the Listing Date and will end no later than the thirtieth day after the Listing Date. Such transactions may be effected on Eurolist by Euronext or the over-the-counter market or otherwise. There can be no assurance that such transactions will be undertaken and, if commenced, they may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares above the Offer Price. Save as required by law or regulation, the Managers and their respective agents do not intend to disclose the extent of any over-allotments and/or stabilisation transactions under the Offering.

Safeguard will grant to the Managers the Over-Allotment Option, exercisable, in whole or in part, by the Sole Bookrunner on behalf of both Managers no later than the thirtieth day after the Listing Date, pursuant to which the Sole Bookrunner, on behalf of both Managers, may require Safeguard to sell some or all of the Additional Shares at the Offer Price to cover over-allotments, if any, and short positions resulting from stabilisation transactions, if any.

Certain United States Matters

The Offering consists of a public offering in the Netherlands and an international offering to certain institutional investors in certain other jurisdictions. The Shares are only being offered or sold to QIBs within the United States in reliance on Rule 144A and in compliance with any applicable state security

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laws, or outside of the United States in compliance with Regulation S under the Securities Act. Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Shares and the distribution of this prospectus, see “Selling and Transfer Restrictions” on page 135 of this prospectus.

The Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this prospectus. Any representation to the contrary may be a criminal offence in the United States.

Notice to New Hampshire Residents Only

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each a “**Relevant Member State**”), each Manager will represent and agree that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), it has not made and will not make an offer of the Shares to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Shares to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR 43,000,000; and (iii) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances falling within Article 3(2) of the Prospective Directive,

provided that no such offer of Shares will result in the requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Shares to the public” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase or subscribe for the Shares, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each subscriber for or purchaser of Shares in the Offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a qualified investor within the meaning of Article 2(1)(e) of the Prospectus Directive (“**Qualified Investor**”). In the case of any Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, warranted to and agreed with the

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Managers and the Company that: (i) the Shares acquired by it have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than Qualified Investors, or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale; or (ii) where Shares have been acquired by it or on behalf of persons in any Relevant Member State other than Qualified Investors, the offer of those Shares to it is not treated under the Prospectus Directive as having been made to such persons. The Company and the Managers, each of their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, warranty and agreement. Notwithstanding the above, a person who is not a Qualified Investor and who has notified the Managers of that fact in writing may, with the consent of the Managers, be permitted to subscribe for or purchase Shares.

Notice to Prospective Investors in the United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are Qualified Investors and also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**FSMA Order**”); or (ii) high net worth entities or other persons falling within Article 49(2)(a) to (d) of the FSMA Order (all such persons together being referred to as “**Relevant Persons**”). This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any investment or investment activity to which this prospectus relates is available in the United Kingdom to Relevant Persons only. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this prospectus or any of its contents.

Forward-Looking Statements

Certain statements contained in this prospectus are or may constitute “forward-looking statements”. All statements other than statements of historical facts included in this prospectus including, without limitation, in relation to the Company’s investment performance, results of operations, financial position, liquidity, prospects, growth potential, strategies, synergies, dividend policy and information about the industry and regulatory environment in which the Company operates are forward-looking. By their nature, such forward-looking statements involve known and unknown risks and uncertainties that could cause the Company’s actual results, performance or achievements and the development of the industry in which it operates to be materially different from those expressed in, or suggested by, the forward-looking statements contained in this prospectus. Prospective investors should read “Risk Factors” on page 12 of this prospectus for a further discussion of the factors which could affect the Company’s future performance and the industry in which it operates. Neither the Company nor any of its Directors or other officers undertakes any obligation, except as required by law or by any appropriate regulatory authority, to release publicly any revisions or updates to these forward-looking statements to reflect events that occur, circumstances that arise or new information of which they become aware after the date of this prospectus. The words “believe”, “expect”, “intend”, “estimate”, “forecast”, “project”, “will”, “may”, “should” and similar expressions identify forward-looking statements. Forward-looking statements appear in a number of places including, without limitation, “Risk Factors”, “Operating and Financial Review” and “Business”, and include statements regarding:

- strategies, outlook and growth prospects;
- future plans and potential for future growth;
- integration of the Company’s business units;
- liquidity, capital resources and capital expenditures;
- growth in demand for the Company’s products;
- economic outlook and industry trends;
- developments of the Company’s markets;
- the impact of regulatory initiatives; and
- the strength of the Company’s competitors.

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Available Information under the Securities Act

The Company has agreed that, for so long as any Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

Enforceability of Judgments

The Company is a public limited liability company (*naamloze vennootschap*) organised under the laws of the Netherlands. Several of the Directors are not residents of the United States, and a substantial portion of the assets of the Company and the Directors is located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce against any of them in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

Description of Financial Information

The Company, in co-operation with the Selling Shareholders, completed an internal reorganisation of its direct and indirect holdings on 29 March 2007 and is now organised in two business units: “Advanced Materials” and “Engineering Systems”. Following a series of intra-group share transfers, the Company now holds under its Advanced Materials unit the shares in Metallurg Delaware Holding Company (“**MDHC**”), a Delaware, United States, holding company, which in turn holds the shares in Metallurg Holdings, a Delaware, United States, holding company, which in turn holds the shares in three sub-holding companies: Metallurg, Inc. (“**Metallurg**”), a Delaware, United States, company; GfE, a German company; and Sudamin, a Belgian company. The Advanced Materials unit of the Company also includes AMG’s 50.3% holding in Timminco, an Ontario, Canada, company. The Timminco Shares are listed on the Toronto Stock Exchange in Canada. Through its Engineering Systems unit, the Company is the sole shareholder of a German holding company intended shortly to be renamed ALD Holding GmbH but currently called pertus zwölfte GmbH (“**ALD Holding**”), which in turn holds the shares in a German operating company, ALD. The Company also has a number of other less significant subsidiaries. (See “Business—Corporate Structure” on page 68 of this prospectus and “General Information—Subsidiaries” on page 151 of this prospectus.)

The Company’s combined historical financial information has been prepared for inclusion in this prospectus, on the basis of the accounting policies set out in note 2 (“Basis of preparation”) to the Company’s combined historical financial information for the years ended 31 December 2006 and 2005 on page F-8 of this prospectus, after combining the Company and its subsidiaries Metallurg Holdings, ALD, GfE, Sudamin and Timminco. As the Company has a complex financial history, the Company has, in accordance with items 20.1 and 20.2 of Annex I of Commission Regulation 2004/809/EC and Commission Regulation 211/2007/EC, included the following financial information in this prospectus:

- audited combined historical financial information for the years ended 31 December 2006 and 2005 on the basis of IFRS;
- unaudited consolidated historical financial information for the quarter ended 31 March 2007 (with unaudited combined historical financial information for the quarter ended 31 March 2006 for comparison purposes) in accordance with IFRS;
- summary audited individual financial information for the years ended 31 December 2005 and 2004 for each of the Company’s major subsidiaries; and
- incorporated by reference, audited historical financial information (translated into English in cases where the original information was not in English) for each of the Company’s major subsidiaries (Metallurg Holdings, GfE, Sudamin, Timminco and ALD) for the years ended 31 December 2005 and 2004.

It has not been practicable for the Company to prepare combined historical financial information for the year ended 31 December 2004. No direct comparison can be made between the individual financial

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information for the years ended 31 December 2005 and 2004 of the Company's major subsidiaries and the Company's combined historical financial information for the years ended 31 December 2006 and 2005.

The consolidated historical financial information for the quarter ended 31 March 2007 and the combined historical financial information for the quarter ended 31 March 2006 included in this prospectus have been prepared for the purposes of the Offering and, following the Offering, the Company intends to report its results on a semi-annual basis.

Economic and Industry Data

Economic and industry data and certain industry forward-looking statements used throughout this prospectus are derived from various industry and other independent sources, including Roskill Consulting Group Ltd. of 27a Leopold Road, London, SW19 7BB, United Kingdom, a consulting group providing information on international metals and minerals markets ("**Roskill**"). The Company has relied on the accuracy of such data and statements without carrying out an independent verification thereof. The statements in this prospectus that are attributed to Roskill are included in this prospectus, in the form and context in which they are included, with the consent of Roskill. The industry forward-looking statements included in this prospectus may be materially better or worse than actual results. The information in this prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Company and the Directors are aware and able to ascertain from the information published by those third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

In addition, certain information in this prospectus for which no source is given, regarding the Company's market position relative to its competitors in the specialty materials industry, is not based on published statistical data or information obtained from independent third parties. Such information and statements reflect the Directors' best estimates based upon information obtained from trade and business organisations and associations and other contacts within the industries in which the Company competes, as well as information published by the Company's competitors. To the extent that no source is given for information contained in this prospectus, or such information is identified as being the Directors' belief, that information is based on the following: (i) in respect of the Company's market share, information obtained from trade and business organisations and associations and other contacts within the industries in which it competes and internal analysis of the Company's sales data; (ii) in respect of industry trends, the Directors' and the senior management team's business experience, experience in the industry and the local markets in which the Company operates; and (iii) in respect of the performance of the Company's operations, the Company's internal analysis of the Company's audited and unaudited information.

In this prospectus references to "tonnes" are to metric tonnes. A metric tonne is equal to 1,000 kilograms or approximately 2,205 pounds.

Currencies

All references in this prospectus to "euros", "EUR" or "€" are to the lawful currency of the European Monetary Union; all references to "pounds" (as units of currency), "sterling" or "£" are to the lawful currency of the United Kingdom; all references to "US dollars" or "US\$" are to the lawful currency of the United States; all references to "Canadian dollars" or "C\$" are to the lawful currency of Canada; and all references to "reais" are to the lawful currency of Brazil.

Exchange Rates

The Company's combined and consolidated historical financial information is stated in US dollars, but various other information in this prospectus is given in euros and Canadian dollars. The exchange rates below are provided solely for information by reference to the noon buying rates in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the "**Noon Buying Rates**"). No representation is made that any currency could have been, or could be, converted into any other currency at any of these rates. On 30 March 2007, the Noon Buying Rate for purchases of US dollars with euros was EUR 1.00 = US\$1.34 and the Noon Buying Rate for purchases of US dollars with Canadian dollars was C\$1.00 = US\$0.87. On 22 June 2007 (the latest practicable date before the date of this prospectus), the Noon Buying Rate for purchases of US dollars with euros was EUR 1.00 = US\$1.34 and the Noon Buying Rate for purchases of US dollars with Canadian dollars was C\$1.00 = US\$0.94.

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Defined Terms and Interpretation

Certain terms used in this prospectus are explained in “Definitions” on page 185 of this prospectus and “Glossary of Industry Terminology” on page 189 of this prospectus.

No Incorporation of Websites

The contents of the Company’s websites do not form part of this prospectus, other than the documents listed in “General Information—Documents Incorporated by Reference” on page 163 of this prospectus, which are available at www.amg-nv.com.

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SELECTED COMBINED AND CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

The selected combined and consolidated historical financial information set forth below has been presented for illustrative purposes only and does not purport to project the results of the Company’s operations for any future period or its financial condition for any future date. In addition, the quarterly consolidated financial information for 2007 is based on the Company’s unaudited interim consolidated financial accounts for the quarter ended 31 March 2007 and the results are not necessarily indicative of the results for the full year.

The selected combined historical financial information for 2006 and 2005 and the selected consolidated historical financial information for 2007 should be read in conjunction with the “Operating and Financial Review” on page 40 of this prospectus and the Company’s combined historical financial information and related notes beginning on page F-1 of this prospectus.

	Year ended 31 December		Quarter ended 31 March (unaudited)	
	2005	2006	2006	2007
(Amounts in US\$ thousands)				
Combined statement of income data⁽¹⁾				
Advanced Materials revenue	778,889	760,853	194,667	204,733
Engineering Systems revenue	127,822	166,955	40,186	61,203
Total revenue	906,711	927,808	234,853	265,936
Cost of sales	728,834	777,203	194,769	220,833
Gross profit	177,877	150,605	40,084	45,103
Selling, general and administrative expenses	100,095	97,236	23,483	25,638
Restructuring and asset impairment expenses	20,961	19,341	404	7
Environmental expenses	199	11,044	5,745	120
Pension curtailment	—	(15,159)	—	—
Other (income) expense, net	(3,425)	60	129	(1,253)
Results from operating activities	60,047	38,083	10,323	20,591
Loss on extinguishment of debt	10,234	—	—	—
Interest expense	33,207	36,559	8,671	9,381
Interest (income)	(3,968)	(3,544)	(609)	(966)
Net finance costs	39,473	33,015	8,062	8,415
Share of profit (loss) of associates	447	(2,372)	(402)	(130)
Profit before income tax	21,021	2,696	1,859	12,046
Income tax provision	16,332	8,383	2,191	5,043
Profit for the period	4,689	(5,687)	(332)	7,003
Attributable to:				
Equity holders of the Company	16,874	4,507	139	7,398
Minority interest	(12,185)	(10,194)	(471)	(395)

(1) Financial information for 2007 is provided on a consolidated basis.

	Year ended 31 December		Quarter ended 31 March (unaudited)	
	2005	2006	2006	2007
(Amounts in US\$ thousands)				
Combined cash flow data⁽¹⁾				
Net cash from operating activities	58,609	23,353	9,592	42,703
Net cash from/(used in) investing activities	(26,809)	(38,921)	(4,623)	(6,514)
Net cash from/(used in) financing activities	(23,481)	14,472	2,087	(3,764)

(1) Financial information for 2007 is provided on a consolidated basis.

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	As at 31 December		As at 31 March (unaudited)	
	2005	2006	2006	2007
	(Amounts in US\$ thousands)			
Combined balance sheet data⁽¹⁾				
Cash and cash equivalents	50,317	54,610	58,284	88,382
Total assets	545,904	570,638	574,946	648,857
Total long-term liabilities	341,730	308,755	336,359	347,315
Total current liabilities	212,999	285,624	246,923	336,848
Total equity	(8,825)	(23,741)	(8,335)	(35,306)

(1) Financial information for 2007 is provided on a consolidated basis.

	Year ended 31 December		Quarter ended 31 March (unaudited)	
	2005	2006	2006	2007
	(Amounts in US\$ thousands)			
Other financial data⁽¹⁾				
EBITDA (unaudited)	101,188	72,280	20,799	24,623
Capital expenditures	13,659	24,292	5,516	6,676

EBITDA means earnings before interest payments, taxes, depreciation and amortisation and further adjusted for non-recurring items. EBITDA is not a measure of financial performance under IFRS. The Company’s calculation of EBITDA may be different from the calculations used by other companies and it should therefore not be used to compare one company against another or as a substitute for analysis of the Company’s operating results as reported under IFRS. EBITDA is not a direct measure of the Company’s liquidity, nor is it an alternative to cash flows from operating activities as a measure of liquidity, and it needs to be considered in the context of the Company’s financial commitments. EBITDA may not be indicative of the Company’s historical operating results, nor is it meant to be predictive of the Company’s potential future results. The Directors believe that EBITDA provides useful information to investors because it is an indicator of the strength and performance of the Company’s ongoing business operations, including the Company’s ability to fund discretionary spending such as capital expenditure, acquisitions and other investments and the Company’s ability to incur and service debt. While depreciation and amortisation are considered operating costs under IFRS, these expenses primarily represent non-cash current-period allocation of costs associated with long-lived assets acquired or constructed in prior periods. The following table reconciles operating profit with EBITDA calculated from amounts determined under IFRS.

	Year ended 31 December		Quarter ended 31 March (unaudited)	
	2005	2006	2006	2007
	(Amounts in US\$ thousands)			
EBITDA reconciliation				
Operating profits	60,047	38,083	10,323	20,591
Depreciation and amortisation	(18,272)	(18,529)	(4,181)	(4,523)
Foreign exchange (income) loss	(1,709)	(442)	(146)	364
Restructuring and asset impairment expenses	(20,961)	(19,341)	(404)	7
Environmental expenses	(199)	(11,044)	(5,745)	120
Pension curtailments	—	15,159	—	—
EBITDA (unaudited)	101,188	72,280	20,799	24,623

(1) Financial information for 2007 is provided on a consolidated basis.

The Company’s financial information has been prepared on the basis of IFRS since 2005 for the preparation of this prospectus.

Ernst & Young Accountants (“Ernst & Young”), which has been appointed as the Company’s independent auditors, has audited the combined historical financial information of the Company for the financial years ended 31 December 2006 and 2005 on the basis of IFRS as described in more detail in

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note 2 (“Basis of preparation”) to that financial information on page F-8 of this prospectus. The audit report of Ernst & Young in respect of those periods is included on page F-1 of this prospectus, in the form and context in which it is included, with the consent of Ernst & Young. Ernst & Young has also reviewed but not audited the consolidated historical financial information for the quarter ended 31 March 2007, the combined historical financial information for the quarter ended 31 March 2006 and performed agreed upon procedures to reconcile the summary individual historical financial information of certain of the Company’s subsidiaries for the financial years ended 31 December 2005 and 2004 included in this prospectus with the respective statutory financial statements of the Company’s subsidiaries. The review report of Ernst & Young in respect of the consolidated financial information for the quarter ended 31 March 2007 and March 2006 is included on page F-85 of this prospectus, in the form and context in which it is included, with the consent of Ernst & Young.

The companies whose financial information has been combined in the preparation of the Company’s combined historical financial information for the years ended 31 December 2006 and 2005 are the same as those whose information has been included in the Company’s unaudited interim consolidated historical financial information for the quarter ended 31 March 2007, except that FNE is included only in the latter information, because FNE did not become a significant subsidiary of the Company until 7 June 2006. The aforementioned combined and consolidated information is otherwise comparable.

Certain financial information in this prospectus has been rounded and, as a result, the totals of the data presented in this prospectus may vary slightly from the arithmetic totals of such information.

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USE OF PROCEEDS

The Directors expect the Company to raise approximately US\$250 million of gross proceeds from the issue of New Shares in the Offering. The Directors also expect the Company to receive US\$100.0 million from the Credit Facilities expected to be provided by Credit Suisse, London Branch pursuant to a commitment letter dated 24 June 2007 (which are conditional on, amongst other conditions, the execution of final documents and Admission). The Directors estimate that the net proceeds the Company will receive from the issue of New Shares in the Offering and from the Credit Facilities will be approximately US\$308.0 million after deducting the underwriting fees and commissions and expenses payable by the Company (which are estimated to be approximately US\$26.0 million in the aggregate). The Directors intend the Company to use the net proceeds of the Offering, together with the funds they expect it to receive under the Credit Facilities, to repay substantially all of the existing indebtedness of the Company and its wholly owned subsidiaries, including related party indebtedness (see “Related Party Transactions” on page 116 of this prospectus), and for capital expenditures. However, Timminco will leave its current US\$38.6 million credit facility provided by Bank of America, N.A. in place following the Offering; as at 22 June 2007, the latest practicable date before the date of this prospectus, Timminco had drawn down US\$9.0 million in principal under this facility.

The table below sets forth the estimated sources and uses of funds.

Sources of Funds		Uses of Funds	
	(Amounts in US\$ millions)		(Amounts in US\$ millions)
Offering of the New Shares	250.0	Debt refinancing	308.0
Credit Facilities	100.0	Fees and expenses	26.0
		Capital expenditures	16.0
Total sources of funds	350.0	Total uses of funds	350.0

The Company will not receive any proceeds from the sale of the Sale Shares, the net proceeds of which will be received by the Selling Shareholders, or, if the Over-Allotment Option is exercised, from the sale of any Additional Shares, the net proceeds of which will be received by Safeguard. Safeguard will distribute the net proceeds it receives from the sale of the Sale Shares and any Additional Shares to its limited partners in accordance with its limited partnership agreement. The other Selling Shareholders will receive their pro rata share of the net proceeds of the sale of the Sale Shares.

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DIVIDEND POLICY

The Company, having been incorporated on 21 November 2006, has never paid any dividends. The Company’s dividend policy following the Offering is to retain future earnings, if any, to finance the growth and development of its business. As a result, the Directors do not anticipate that the Company will pay any dividends for the foreseeable future.

The dividend policy will, however, be reviewed from time to time and payment of future dividends to Shareholders will be at the discretion of the Management Board subject to the approval of the Supervisory Board after taking into account various factors, including business prospects, cash requirements, financial performance, new product development, expansion plans, the terms of the Company’s financing facilities and the compliance with applicable statutory and regulatory requirements. Additionally, payment of future dividends or other distributions to Shareholders may be made only if the Company’s shareholders’ equity exceeds the sum of the issued share capital plus the reserves required to be maintained by law.

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CAPITALISATION AND INDEBTEDNESS

The table below sets forth the consolidated cash and cash equivalents and capitalisation of the Company on an actual basis as at 31 March 2007 and on an adjusted basis to give effect to: (i) the Offering; (ii) the Credit Facilities; and (iii) the application of the net proceeds in relation to the repayment of indebtedness.

This table is derived from and should be read in conjunction with the “Operating and Financial Review” on page 40 of this prospectus and the Company’s historical financial information and related notes beginning on page F-1 of this prospectus.

Capitalisation and indebtedness as at 31 March 2007

	Actual (unaudited)	Adjustments	As adjusted
	(Amounts in US\$ thousands)		
Equity attributable to the Shareholders	(52,465)	188,328	135,863
Minority interests	17,159	—	17,159
Total equity	(35,306)	188,328	152,992
Short-term loans and borrowings ⁽¹⁾	80,866	(54,416)	26,450
Long-term loans and borrowings ⁽¹⁾	217,893	(117,893)	100,000
Financial debt	298,759	(172,309)	126,450
Total capitalisation	263,453	16,019	279,442
Cash and cash equivalents	88,382	16,019	104,401
Net financial debt (cash)	210,377	(188,328)	22,049

(1) All borrowings are secured.

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OPERATING AND FINANCIAL REVIEW

The following operating and financial review is based on and should be read together with the “Selected Combined and Consolidated Historical Financial Information”, the Company’s audited combined historical financial information for the years ended 31 December 2006 and 2005 and the Company’s unaudited consolidated historical financial information for the quarter ended 31 March 2007 and unaudited combined historical financial information for the quarter ended 31 March 2006 and the related notes beginning on page F-1 of this prospectus. It has not been practicable for the Company to prepare combined historical financial information for the year ended 31 December 2004. As the Company has a complex financial history, the Company has, in accordance with items 20.1 and 20.2 of Annex I of Commission Regulation 2004/809/EC and Commission Regulation 211/2007/EC, presented in this prospectus summary financial information for the years ended 31 December 2005 and 2004 for each of the Company’s major subsidiaries. See “Summary of Financial Data for the Years Ended 31 December 2005 and 2004” on page 165 of this prospectus. In addition, the Company has incorporated by reference audited historical financial information for such companies for the years ended 31 December 2005 and 2004. As such, no direct comparison can be made between such financial information for the years ended 31 December 2005 and 2004 and the Company’s combined historical financial information for the years ended 31 December 2006 and 2005.

Certain information contained in the following operating and financial review and elsewhere in this prospectus includes forward-looking statements that involve risks and uncertainties and speak only as at the date they are made. See “Information for Investors—Forward-Looking Statements” on page 30 of this prospectus and “Risk Factors” on page 12 of this prospectus for a discussion of the important factors that could cause actual results to differ materially from the results described or implied by the forward-looking statements contained in this prospectus.

Overview

AMG Advanced Metallurgical Group N.V. is a leading global specialty materials company offering highly engineered metallurgical products and furnace systems to a broad range of end markets. AMG’s revenue in the quarter ended 31 March 2007 was US\$265.9 million, producing earnings before interest, taxes, depreciation and amortisation and further adjusted for non-recurring items (“**EBITDA**”) of US\$24.6 million. AMG’s revenue and EBITDA in the year ended 31 December 2006 were US\$927.8 million and US\$72.3 million, respectively, and those in the year ended 31 December 2005 were US\$906.7 million and US\$101.2 million, respectively.

AMG was incorporated in November 2006; however, its operating subsidiaries have significant operating histories. In March 2007, the Company completed a series of intra-group share transfers, following which the Company was organised into two business units: Advanced Materials and Engineering Systems.

The Advanced Materials unit develops and produces niche specialty metals and complex metals products. The Advanced Materials unit generated revenue of US\$204.7 million and EBITDA of US\$11.7 million for the quarter ended 31 March 2007, revenue of US\$760.9 million and EBITDA of US\$43.8 for the year ended 31 December 2006, and revenue of US\$778.9 million and EBITDA of US\$81.6 million for the year ended 31 December 2005.

The Engineering Systems unit designs, engineers and produces advanced vacuum furnace systems and provides vacuum case-hardening heat treatment services on a fee-per-part, or tolling, basis to customers through its Own & Operate Facilities equipped with AMG-designed vacuum heat treatment furnaces. The Engineering Systems unit generated revenue of US\$61.2 million and EBITDA of US\$12.9 million for the quarter ended 31 March 2007, revenue of US\$167.0 million and EBITDA of US\$28.5 million for the year ended 31 December 2006, and revenue of US\$127.8 million and EBITDA of US\$19.6 million for the year ended 31 December 2005.

The Company now holds all of the shares (unless otherwise indicated) of the following significant operating companies:

- **Advanced Materials Unit:**

- *Companhia Industrial Fluminense (“CIF”)*, a producer of tantalum and niobium oxides, aluminium master alloys and compacted alloying products, established in Brazil, with facilities in Sao Joao del Rei, Brazil, and revenues of US\$65.7 million in the year ended 31 December 2006;

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- *GfE Gesellschaft für Elektrometallurgie mbH* (“**GfE**”), a producer of specialty alloys for titanium and superalloys, vanadium chemicals, coating materials and other specialty metals-based powders, established in Germany, with facilities in Nuremberg, Germany, and revenues of US\$109.6 million in the year ended 31 December 2006;
 - *London & Scandinavian Metallurgical Co Limited* (“**LSM**”), a producer of aluminium master alloys, compacted alloying products, chromium metal, ferrotitanium and aluminium powders, established in England and Wales, with facilities in Holyhead, Minworth and Rotherham, United Kingdom, and revenues of US\$242.3 million in the year ended 31 December 2006;
 - *Metallurg Vanadium Corporation* (“**MVC**”), a producer of ferrovanadium and ferronickel-molybdenum, established in Delaware, United States, with facilities in Cambridge, Ohio, United States, and revenues of US\$95.9 million in the year ended 31 December 2006;
 - *Sudamin Holdings SA* (“**Sudamin**”), a producer of antimony trioxide, established in Belgium, with facilities in Chauny and Laval, France, and revenues of US\$64.6 in the year ended 31 December 2006; and
 - *Timminco Limited* (“**Timminco**”) (50.3% shareholding), a producer of silicon metal and magnesium extrusions and fabricated products, established in Canada with facilities in Bécancour, Quebec, Canada and Haley, Ontario, Canada, and revenues of US\$155.5 million in the year ended 31 December 2006.
- **Engineering Systems Unit:**
 - *ALD Vacuum Technologies GmbH* (“**ALD**”), a designer, engineer and producer of advanced vacuum furnace systems and operator of vacuum heat treatment facilities, established in Germany, with facilities in Hanau and Limbach-Oberfrohna, Germany; and Columbia, South Carolina and Port Huron, Michigan, United States; and which had revenues of US\$167.0 in the year ended 31 December 2006.

Material Factors Affecting the Company's Results of Operations

Demand for Products and Systems

Advanced Materials Unit

Revenue for the Advanced Materials unit is affected by global and regional demand for the materials it produces and the products in which these materials are incorporated. One of the unit's principal product groups, ferrovanadium and ferronickel-molybdenum, is also one of the Company's most important product groups in terms of gross profit. Demand for ferrovanadium is primarily driven by the volume of worldwide steel production, the ferrovanadium content per tonne of steel being produced and the price of ferrovanadium. Ferrovanadium content per tonne of steel, particularly in markets such as China and other emerging economies where ferrovanadium content per tonne of steel is lower than in Europe and the United States, continues to increase as demand, in particular in the construction industry, for steel with higher ferrovanadium content increases to meet performance and safety requirements. Recent factors affecting the price of ferrovanadium have also influenced the Company's results of operations. In the first half of 2005 ferrovanadium prices increased significantly, reaching record levels in May 2005. Following this rapid price escalation, steel producers, which represent the largest consumers of ferrovanadium, reduced their inventories of ferrovanadium and began purchasing ferrovanadium substitutes, such as niobium, which led to a brief reduction in demand, resulting in lower ferrovanadium prices in 2006. As prices for ferrovanadium decreased from the highs reached in 2005, demand for ferrovanadium stayed above historical levels, and sales volumes of the Company's ferrovanadium products increased 27.3% in the year ended 31 December 2006 from the year ended 31 December 2005. To attempt to capitalise on this increased demand, the Company is in the advanced engineering planning stages of a multi-phase project that includes building a new roaster and that, if successfully implemented, is expected to triple its capacity to process spent refinery catalysts, a principal raw material source used by the Company to produce ferrovanadium, and thereby to increase the Company's capacity to produce ferrovanadium from approximately 4 million pounds in the year ended 31 December 2006 to 5.6 million pounds in 2009 or 2010 and subsequently to 10 million pounds by 2012, and significantly to increase the Company's capacity to produce ferronickel-molybdenum.

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Engineering Systems Unit

Revenue for the Engineering Systems unit is affected by global and regional demand for vacuum furnace systems and products in the aerospace, energy (including solar-photovoltaic and nuclear), transportation, electronics, superalloys and specialty steel industries. In particular, demand for remelting furnaces designed and produced by the Engineering Systems unit has been growing, driven by increased demand from the aerospace and construction industries for highly refined specialty steel and titanium products which require vacuum heat treatment services. The Engineering Systems unit generates additional revenue from fees earned at its three Own & Operate Facilities where it provides vacuum case-hardening heat treatment and high-pressure gas quenching services to its original equipment manufacturer (“OEM”) customers on a fixed-fee-per-part, or tolling, basis. The Company intends to spend US\$15.0 million in 2007 and 2008 to build its fourth Own & Operate Facility which is expected to be operational by the end of 2008, in Mexico, to serve the North American transportation industry.

Pricing of the Company’s Products and Systems

Advanced Materials Unit

Prices for the Company’s Advanced Materials unit’s products are primarily affected by market factors, including the market trading prices of various metals and the cost of raw materials, to the extent these costs cannot be passed on to customers in the form of price increases. The Company seeks to address its gross profit variability by maximising the number of products it can sell at a premium to metals trading prices in order to reduce its susceptibility to metals price fluctuations. For example, in its production of ferrovanadium from spent refinery catalysts and power plant residues, the Company has a partial hedge against fluctuations in ferrovanadium prices, because the prices of these raw materials are partially indexed to the price of the end product, ferrovanadium. The Company is also able to offset increases in the cost of its raw materials for the production of aluminium alloy products by pricing these products at the London Metal Exchange (“LME”) price plus a premium. For instance, some of the aluminium alloys most commonly produced by the Company were priced on 31 March 2007 at a premium of approximately US\$0.75 to US\$1.10 per pound to aluminium, which then had an LME price of US\$1.27 per pound. The Company has also recently entered into two significant multi-year fixed-price customer contracts to supply solar-grade silicon metal and has long-term contracts for the supply of a significant proportion of its raw materials to address gross profit variability.

Engineering Systems Unit

The prices for systems sold by the Engineering Systems unit are relatively inelastic, and the Engineering Systems unit’s sales volumes correspond to the capital investment levels of its customers in the aerospace, construction and energy industries. This unit has significant fixed costs as a result of the number of highly skilled employees it must retain in order to design, produce, market and maintain its vacuum furnace systems products and services. Consequently, any price increases the unit is able to achieve could lead to increased profitability. Whilst revenues generated from the sale of vacuum furnace systems tend to vary from year to year depending on the status of each order in terms of production, the unit’s Own & Operate Facility segment has entered into long-term contractual arrangements with its customers. These long-term contracts are intended to generate consistent revenue independent of metals prices through a fee-per-part pricing structure and to reduce the inventory and associated working capital needed for the Own & Operate Facilities.

Efficiency of Operations

The performance of both of AMG’s units is dependent on their ability to operate efficient, low-cost facilities. The Company is continually seeking to enhance the operating efficiency of the Advanced Materials unit by streamlining a number of its production process and optimising its raw materials mix. The Company is also seeking to improve the operating efficiency of the Engineering Systems unit through closer co-operation and integration with key suppliers that manufacture its vacuum furnaces. The use of long-lead-time contracts for the supply of products and systems gives the Company high visibility on product and system orders and revenues for future years, which allows it to schedule production efficiently.

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Financial Statement Presentation

The Company operates through two business units: Advanced Materials and Engineering Systems. The Company is organised into two reportable segments centred around its management structure and reporting relationships.

Total revenue represents the selling price of the Company’s products plus certain shipping charges less applicable provisions for discounts and allowances. Total revenue also includes the Engineering Systems unit’s contract revenues calculated using the percentage-of-completion method. Gross profit represents total revenue less cost of sales, which includes direct material and manufacturing costs and manufacturing depreciation. Selling, general and administrative (“SG&A”) expenses include all non-product-related operating expenses. Operating income represents gross profit less SG&A expenses, environmental expense, asset impairment and restructuring charges and miscellaneous other income or expense items.

Results of Operations

The table below summarises AMG’s combined historical results of operations in US dollars and as a percentage of total revenue for the years ended 31 December 2006 and 2005 and the quarter ended 31 March 2006 and the consolidated results of operations in US dollars and as a percentage of total revenue for the quarter ended 31 March 2007.

	Year ended 31 December				Quarter ended 31 March			
	2005		2006		2006		2007	
	(audited)				(unaudited)			
	(Amounts in US\$ thousands, except percentages)							
Statement of operations data								
Advanced Materials								
Revenue	778,889	85.9 %	760,853	82.0 %	194,667	82.8 %	204,733	77.0 %
Engineering Systems								
Revenue	127,822	14.1 %	166,955	18.0 %	40,186	17.2 %	61,203	23.0 %
Total Revenue	906,711	100 %	927,808	100 %	234,853	100 %	265,936	100 %
Cost of sales	728,834	80.4 %	777,203	83.8 %	194,769	83.0 %	220,833	83.0 %
Gross profit	177,877	19.6 %	150,605	16.2 %	40,084	17.0 %	45,103	17.3 %
Selling, general and administrative expenses	100,095	11.0 %	97,236	10.5 %	23,483	10.0 %	25,638	9.6 %
Restructuring and asset impairment expense . .	20,961	2.3 %	19,341	2.1 %	404	0.2 %	7	—
Environmental expenses .	199	—	11,044	1.2 %	5,745	2.4 %	120	—
Pension curtailment . . .	—	—	(15,159)	(1.6)%	—	—	—	—
Other (income) expense .	(3,425)	(0.4)%	60	—	129	0.1 %	(1,253)	(0.5)%
Results from operating activities	60,047	6.6 %	38,083	4.1 %	10,323	4.4 %	20,591	7.7 %
Other:								
Loss on extinguishment of debt	10,234	1.1 %	—	—	—	—	—	—
Interest expense	33,207	3.7 %	36,559	3.9%	8,671	3.7 %	9,381	3.4%
Interest (income)	(3,968)	(0.4)%	(3,544)	(0.3)%	(609)	(0.2)%	(966)	(0.3)%
Net finance costs	39,473	3.2 %	33,015	3.6 %	8,062	3.4 %	8,415	3.2 %
Share of profit (loss) of associates	477	0.1 %	(2,372)	(0.3)%	(402)	(0.2)%	(130)	—
Profit before income tax .	21,021	2.3 %	2,696	0.3 %	1,859	0.8 %	12,046	4.5 %
Income tax provision . .	16,332	1.8 %	8,383	0.9 %	2,191	0.9 %	5,043	1.9 %
Profit for the period . . .	4,689	0.5 %	(5,687)	—	(332)	—	7,003	2.6 %
Attributable to:								
Equity holders of the Company	16,874		4,507		139		7,398	
Minority interest	(12,185)		(10,194)		(471)		(395)	

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Quarter Ended 31 March 2007 Compared with Quarter Ended 31 March 2006

Total Revenue

AMG's total revenue increased to US\$265.9 million in the quarter ended 31 March 2007 from US\$234.9 million in the quarter ended 31 March 2006, a 13.2% increase.

Advanced Materials Unit

Revenue for the Advanced Materials unit increased to US\$204.7 million in the quarter ended 31 March 2007 from US\$194.7 million in the quarter ended 31 March 2006, a 5.1% increase. This increase was mainly a result of increased sales volume or higher prices for most of the Company's products. The following is an analysis of the factors affecting the unit's revenues by product type for the quarter ended 31 March 2007 compared with the quarter ended 31 March 2006.

Ferrovanadium and Ferronickel-Molybdenum. Ferrovanadium prices rose during the quarter ended 31 March 2007 as strong demand continued from steel producers. Despite the rising prices during the quarter, ferrovanadium prices were on average 23.4% lower than in the quarter ended 31 March 2006. The decline in pricing was partially offset by a 15.5% increase in volume sold in the quarter ended 31 March 2007 compared with the quarter ended 31 March 2006. Revenue from sales of ferrovanadium products declined to US\$14.8 million in the quarter ended 31 March 2007 from US\$16.7 million in the quarter ended 31 March 2006, an 11.4% decrease. Revenue from sales of ferronickel-molybdenum, a product the Company produces from the same raw material and production process used for ferrovanadium, was US\$8.2 million in the quarter ended 31 March 2007 as compared with US\$4.1 million in the quarter ended 31 March 2006. This 100.0% increase was largely due to significantly higher market prices for nickel and molybdenum in the quarter ended 31 March 2007 compared with the quarter ended 31 March 2006. The volume of ferronickel-molybdenum sold by the Company declined slightly, by 7.2%, in the quarter ended 31 March 2007 compared with the quarter ended 31 March 2006.

Aluminium Master Alloys and Compacted Alloying Products. Revenue from sales of aluminium master alloys and compacted alloying products increased by 11.5% to US\$36.9 million in the quarter ended 31 March 2007 from US\$33.1 million in the quarter ended 31 March 2006. Revenue from sales of aluminium master alloys increased to US\$29.3 million in the quarter ended 31 March 2007, compared with US\$23.3 million in the quarter ended 31 March 2006, a 25.8% increase. Aluminium master alloys unit prices and sales volume increased by 6.6% and 17.9% respectively in the quarter ended 31 March 2007 compared with the quarter ended 31 March 2006. Revenue per pound for the Company's most typical aluminium master alloy was US\$2.19 in the quarter ended 31 March 2007 and the average premium over the LME price in that quarter for that alloy was US\$0.92 per pound, as compared with US\$1.86 per pound and an average premium over the LME price of US\$0.76 in the quarter ended 31 March 2006. Increases in revenue from aluminium master alloys were more than offset by declines in both sales volume and prices of aluminium compacted products, with overall revenue for these products declining from US\$9.7 million in the quarter ended 31 March 2006 to US\$7.6 million in the quarter ended 31 March 2007, a 21.6% decrease.

Silicon Metal. Revenue from sales of silicon products decreased by 1.8% to US\$19.6 million in the quarter ended 31 March 2007 from US\$20.0 million in the quarter ended 31 March 2006. An increase in the average selling price per tonne of 6.0% was offset by a 6.7% decrease in volume sold. The price increases were a result of the Company negotiating higher contracted selling prices for 2007 compared with 2006 as demand for the Company's silicon metal products has increased. The decline in volume sold related to lower volumes produced in the quarter ended 31 March 2007 compared with the quarter ended 31 March 2006 as a result of production problems that have since been resolved.

Magnesium Extrusions and Fabricated Products. Revenue from sales of magnesium extrusions and fabricated products decreased by 16.4% to US\$15.8 million in the quarter ended 31 March 2007 from US\$18.9 million in the quarter ended 31 March 2006. The majority of the revenue decrease was due to increased competition and pricing pressure in the magnesium extrusions and fabricated products business as the volume sold by the Company increased by 4.2% in the quarter ended 31 March 2007 as compared with the quarter ended 31 March 2006.

Tantalum and Niobium Oxides. Revenue from sales of tantalum and niobium oxides increased by 114.3% to US\$4.5 million in the quarter ended 31 March 2007 from US\$2.1 million in the quarter ended 31 March 2006. Product revenue increased as the Company resumed its mining operations as a result of

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rising demand for tantalum and niobium oxides and an increase of more than 10% in prices for niobium oxides. The Company had temporarily halted its mining operations in 2006 in response to the low tantalum prices and the continued sale by the US Defense Logistics Agency (the “US DLA”) of its tantalum stockpile. The US DLA substantially completed the sale of its stockpile in November 2006.

Specialty Alloys, Metals-Based Powders, Coating Materials and Chemicals. Revenue from sales of specialty alloys for titanium and superalloys, vanadium chemicals, antimony trioxide and other specialty metals-based powders and coating materials increased to US\$63.4 million in the quarter ended 31 March 2007 from US\$56.0 million in the quarter ended 31 March 2006, a 13.2% increase. The increase in revenue was the result of increases in sales volume across nearly all product lines, in particular a 17.5% increase in the sales volume of specialty alloys for titanium and superalloys for the aerospace and energy industries. In the quarter ended 31 March 2007, the Company also successfully raised its average prices for antimony trioxide to more than 35% higher than they were in the quarter ended 31 March 2006, as an offset to raw material cost increases.

Engineering Systems Unit

Revenue for the Engineering Systems unit increased to US\$61.2 million in the quarter ended 31 March 2007 from US\$40.2 million in the quarter ended 31 March 2006, a 52.2% increase. Revenue from contract-based sales of vacuum furnace systems, which constituted 91.0% and 90.5% of the unit’s revenue in the quarters ended 31 March 2007 and 2006 respectively, increased to US\$55.7 million in the quarter ended 31 March 2007 from US\$35.6 million in the quarter ended 31 March 2006, a 53.0% increase. The increase in vacuum furnace systems revenue was driven by revenue from sales of solar silicon melting and crystallisation furnace systems, primarily to the energy (solar-photovoltaic) industry, which increased to US\$20.7 million in the quarter ended 31 March 2007 from US\$5.1 million in the quarter ended 31 March 2006, and revenue from sales of remelting furnaces sold primarily to the energy, titanium and specialty steel industries, which increased to US\$13.6 million in the quarter ended 31 March 2007 from US\$11.5 million in the quarter ended 31 March 2006. The unit’s revenue from its Own & Operate Facilities increased to US\$5.5 million in the quarter ended 31 March 2007 from US\$3.7 million in the quarter ended 31 March 2006, a 48.6% increase. The increase in the Own & Operate Facility revenue was primarily the result of a full quarter of operations at the Company’s third facility, which opened with limited production in April 2006.

Cost of Sales

AMG’s cost of sales was US\$220.8 million, or 83.0% of total revenue, in the quarter ended 31 March 2007 as compared with US\$194.8 million, or 82.9% of total revenue, in the quarter ended 31 March 2006.

Advanced Materials Unit

Cost of sales for the Advanced Materials unit was US\$178.0 million, or 87.0% of the Advanced Materials unit’s revenue, in the quarter ended 31 March 2007 as compared with US\$168.3 million, or 86.5% of the Advanced Materials unit’s revenue, in the quarter ended 31 March 2006. The Advanced Materials unit’s cost of sales is primarily affected by raw material and labour costs, sales volume and production efficiency.

Ferrovanadium and Ferronickel-Molybdenum. Cost of sales of ferrovanadium and ferronickel-molybdenum was US\$17.5 million, or 76.1% of product revenue, in the quarter ended 31 March 2007 as compared with US\$12.9 million, or 62.0% of product revenue, in the quarter ended 31 March 2006. The US\$3.4 million increase in cost of sales was primarily related to an increase in the cost of power plant residues and ashes under the Company’s annually negotiated fixed-price contract with one of its suppliers and the increase in nickel and molybdenum prices in the quarter ended 31 March 2007 compared with the quarter ended 31 March 2006. This cost increase was partially offset by the decline in average ferrovanadium prices in the quarter ended 31 March 2007 compared with the quarter ended 31 March 2006. Approximately 40% of the cost of the Company’s ferrovanadium raw materials, 100% of the cost of the Company’s molybdenum materials and 70% of the cost of the Company’s nickel raw materials are indexed to the market price of ferrovanadium. The increase in cost of sales as a percentage of product revenue is a result of the higher-cost inventory, partially offset by fixed manufacturing costs allocated over a greater sales volume.

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Aluminium Master Alloys and Compacted Alloying Products. Cost of sales for aluminium master alloys and compacted alloying products was US\$34.4 million, or 93.2% of product revenue, in the quarter ended 31 March 2007 as compared with US\$31.3 million, or 94.6% of product revenue, in the quarter ended 31 March 2006. Cost of sales of aluminium master alloys was US\$27.1 million, or 92.5% of product revenue, in the quarter ended 31 March 2007 as compared with US\$21.7 million, or 93.1% of product revenue, in the quarter ended 31 March 2006. The increased cost of sales for aluminium master alloys was primarily related to higher aluminium prices, which the Company mostly passed through to its customers. The decrease in cost of sales as a percentage of product revenue was a result of the higher premiums received for processing these products compared with the quarter ended 31 March 2006 and greater efficiency as fixed costs were allocated over a greater sales volume. Cost of sales of compacted aluminium alloying products was US\$7.3 million, or 96.1% of product revenue, in the quarter ended 31 March 2007 as compared with US\$9.6 million, or 99.0% of product revenue, in the quarter ended 31 March 2006. The decrease in cost of sales as a percentage of product revenue was primarily a result of reduced sales of lower-margin compacted alloying products.

Silicon Metal. Cost of sales for silicon metal was US\$18.7 million, or 95.4% of product revenue, in the quarter ended 31 March 2007 as compared with US\$20.2 million, or 101.0% of product revenue, in the quarter ended 31 March 2006. The decrease in cost of sales as a percentage of product revenue was primarily the result of higher selling prices for silicon metal. The Company encountered different production problems during the two quarters, which also led to increased costs in both years. The Directors believe that these problems have now been resolved.

Magnesium Extrusions and Fabricated Products. Cost of sales for magnesium extrusions and fabricated products was US\$14.8 million, or 93.7% of product revenue, in the quarter ended 31 March 2007 as compared with US\$16.3 million, or 86.2% of product revenue, in the quarter ended 31 March 2006. The cost of sales as a percentage of product revenue increased as lower production costs related to a reduced headcount in 2007 were more than offset by lower selling prices caused by increased competition, particularly from Chinese producers.

Specialty Alloys, Metals-Based Powders, Coating Materials and Chemicals. Cost of sales for specialty alloys for titanium and superalloys, vanadium chemicals, antimony trioxide and other specialty metals-based powders and coating materials was US\$51.4 million, or 81.1% of product revenue, in the quarter ended 31 March 2007 as compared with US\$42.8 million, or 77.3% of product revenue, in the quarter ended 31 March 2006. The increase in cost of sales as a percentage of product revenue was primarily related to lower margins for specialty alloys for titanium and superalloys and coating materials.

Engineering Systems Unit

Cost of sales for the Engineering Systems unit was US\$42.7 million, or 69.8% of the unit's revenue, in the quarter ended 31 March 2007 as compared with US\$26.5 million, or 65.9% of the unit's revenue, in the quarter ended 31 March 2006. Cost of sales as a percentage of vacuum furnace product revenues increased to 69.2% in the quarter ended 31 March 2007 from 68.0% in the quarter ended 31 March 2006. The increase was driven by increasing costs of certain raw materials and the changes in product mix. Cost of sales as a percentage of revenues from the unit's Own & Operate Facilities increased to 77.1% in the quarter ended 31 March 2007 from 44.5% in the quarter ended 31 March 2006. The increase was a result of start-up costs associated with the continued increase in production at the Company's facility at Port Huron, Michigan, United States.

Gross Profit

AMG's gross profit increased to US\$45.1 million in the quarter ended 31 March 2007 from US\$40.1 million in the quarter ended 31 March 2006, a 12.5% increase.

Advanced Materials Unit

Gross profit for the Advanced Materials unit increased to US\$26.6 million, or 13.0% of the unit's revenue, in the quarter ended 31 March 2007 as compared with US\$26.4 million, or 13.6% of the unit's revenue, in the quarter ended 31 March 2006.

Ferrovanadium and Ferronickel-Molybdenum. Gross profit for ferrovanadium and ferronickel-molybdenum decreased to US\$5.5 million, or 23.9% of product revenue, in the quarter ended 31 March 2007 from US\$7.9 million, or 38.0% of product revenue, in the quarter ended 31 March 2006.

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Aluminium Master Alloys and Compacted Alloying Products. Gross profit for aluminium master alloys and compacted alloying products increased to US\$2.5 million, or 6.8% of product revenue, in the quarter ended 31 March 2007 from US\$1.8 million, or 5.4% of product revenue, in the quarter ended 31 March 2006. Gross profit of aluminium master alloys was US\$2.2 million, or 7.5% of product revenue, in the quarter ended 31 March 2007 as compared with US\$1.6 million, or 6.9% of product revenue, in the quarter ended 31 March 2006. Gross profit of compacted aluminium alloying products was US\$0.3 million, or 3.9% of product revenue, in the quarter ended 31 March 2007 as compared with US\$0.1 million, or 1.0% of product revenue, in the quarter ended 31 March 2006.

Silicon Metal. Gross profit for silicon metal increased to US\$0.9 million, or 4.6% of product revenue, in the quarter ended 31 March 2007 from a loss of US\$0.2 million in the quarter ended 31 March 2006.

Magnesium Extrusions and Fabricated Products. Gross profit for magnesium extrusions and fabricated products decreased to US\$1.0 million, or 6.3% of product revenue, in the quarter ended 31 March 2007 from US\$2.6 million, or 13.8% of product revenue, in the quarter ended 31 March 2006.

Specialty Alloys for Titanium and Superalloys, Coating Materials, Metals-Based Powders and Chemicals. Gross profit for specialty alloys for titanium and superalloys, vanadium chemicals, antimony trioxide and other specialty metals-based powders and coating materials was US\$11.9 million, or 18.9% of product revenue, in the quarter ended 31 March 2007 as compared with US\$12.5 million, or 22.7% of product revenue, in the quarter ended 31 March 2006.

Engineering Systems Unit

Gross profit for the Engineering Systems unit was US\$18.5 million, or 30.2% of the unit's revenue, in the quarter ended 31 March 2007 as compared with US\$13.7 million, or 34.1% of the unit's revenue, in the quarter ended 31 March 2006. Gross profit for vacuum furnace sales decreased to 30.8% in the quarter ended 31 March 2007 from 32.0% in the quarter ended 31 March 2006. Gross profit for the Own & Operate Facilities decreased to US\$1.3 million, or 22.9% of product revenue, in the quarter ended 31 March 2007 from US\$2.1 million, or 55.5% of product revenue, in the quarter ended 31 March 2006. The reasons for the variances in gross profit are explained in "Cost of Sales—Engineering Systems Unit" above.

Selling, General and Administrative Expenses

AMG's SG&A expenses increased to US\$25.6 million, or 9.6% of total revenue, in the quarter ended 31 March 2007 from US\$23.5 million, or 10.0% of revenue, in the quarter ended 31 March 2006. SG&A expenses primarily consist of salaries and benefits, professional fees, occupancy costs, insurance and other related expenses.

Advanced Materials Unit

SG&A expenses for the Advanced Materials unit were US\$18.4 million, or 9.0% of the unit's revenue, in the quarter ended 31 March 2007 as compared with US\$17.6 million, or 9.0% of the unit's revenue, in the quarter ended 31 March 2006. The largest component of SG&A, salaries and benefits, was US\$9.1 million in both the quarter ended 31 March 2007 and the quarter ended 31 March 2006. The unchanged salaries and benefits expense represents a reduction as a percentage of revenue from 4.6% in the quarter ended 31 March 2006 to 4.4% in the quarter ended 31 March 2007. The Company also incurred significant expenses for professional services relating to accounting and consulting services of US\$3.0 million and US\$2.5 million in the quarters ended 31 March 2007 and 2006, respectively. All other SG&A expenses, such as insurance, occupancy, supplies and research and development, increased slightly to US\$6.3 million in the quarter ended 31 March 2007 from US\$6.0 million in the quarter ended 31 March 2006.

Engineering Systems Unit

SG&A expenses for the Engineering Systems unit were US\$7.2 million, or 11.8% of the unit's revenue, in the quarter ended 31 March 2007 as compared with US\$5.9 million, or 14.7% of the unit's revenue, in the quarter ended 31 March 2006. SG&A as a percentage of the unit's revenue decreased as the Company achieved greater economies of scale owing to revenue increases. Salaries and benefits, the Engineering Systems unit's largest component of SG&A, accounted for substantially all of the increase in SG&A in the quarter ended 31 March 2007 as compared with the quarter ended 31 March 2006. Salaries

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and benefits increased to US\$4.5 million in the quarter ended 31 March 2007 from US\$3.4 million in the quarter ended 31 March 2006. While this represents a 33.0% increase in salaries and benefits, the expense of salaries and benefits as a percentage of revenue was reduced to 7.4% in the quarter ended 31 March 2007 from 8.5% in the quarter ended 31 March 2006.

Environmental Expense

AMG’s environmental expense decreased to US\$0.1 million in the quarter ended 31 March 2007 from US\$5.7 million for the quarter ended 31 March 2006. The expense in the quarter ended 31 March 2006 related to the previously unreserved portion of the fixed-price remediation contract with TRC Companies, Inc. (“**TRC**”) to address environmental remediation obligations at the Company’s New Jersey facility, which is further described in “Operating and Financial Review—Year Ended 31 December 2006 Compared with Year Ended 31 December 2005—Environmental Expense” on page 53 of this prospectus.

Restructuring and Asset Impairment Expenses

AMG’s restructuring and asset impairment charges were US\$0.0 million in the quarter ended 31 March 2007 as compared with US\$0.4 million in the quarter ended 31 March 2006. The expense in the quarter ended 31 March 2007 related to severance expense for employees of the Advanced Materials unit.

Operating Income

AMG’s operating income increased to US\$20.7 million in the quarter ended 31 March 2007 from US\$10.3 million in the quarter ended 31 March 2006, a 101.1% increase due primarily to improved gross profit, particularly in the Engineering Systems unit, and reduced environmental and restructuring expenses as discussed above.

Other

Net Finance Expense

The table below sets forth AMG’s net finance expense for the quarters ended 31 March 2007 and 2006.

	Quarter ended 31 March	
	2006	2007
	(Amounts in US\$ thousands)	
Interest (income)	(609)	(966)
Interest expense	8,671	9,381
Finance expense, net	<u>8,062</u>	<u>8,415</u>

Net finance expense increased to US\$8.4 million for the quarter ended 31 March 2007 from US\$8.1 million for the quarter ended 31 March 2006, a 3.7% increase. The increase was primarily due to an increase in long-and short-term debt outstanding during the quarter.

Income Tax Provision

The table below sets forth AMG’s income tax provision for the quarters ended 31 March 2007 and 2006.

	Quarter ended 31 March	
	2006	2007
	(Amounts in US\$ thousands)	
Total current	2,069	4,539
Total deferred	122	504
Income tax provision, net	<u>2,191</u>	<u>5,043</u>

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Income tax provision increased to US\$5.0 million for the quarter ended 31 March 2007 from US\$2.2 million for the quarter ended 31 March 2006.

The increase in income tax provision is primarily a result of the Company's increased profit before taxes. Profit before taxes increased to US\$12.0 million for the quarter ended 31 March 2007 as compared with US\$1.9 million for the quarter ended 31 March 2006.

See note 12 ("Income tax") to the Company's combined historical financial information for the years ended 31 December 2006 and 2005 on page F-39 of this prospectus for additional information about the Company's effective tax rate and deferred tax assets.

Net Profit (Loss)

The Company recorded a net profit of US\$7.0 million in the quarter ended 31 March 2007 as compared with a net loss of US\$0.3 million in the quarter ended 31 March 2006. This improved performance is a result of the factors discussed above.

Year Ended 31 December 2006 Compared with Year Ended 31 December 2005

Total Revenue

AMG's total revenue increased to US\$927.8 million in the year ended 31 December 2006 from US\$906.7 million in the year ended 31 December 2005, a 2.3% increase.

Advanced Materials Unit

Revenue for the Advanced Materials unit decreased to US\$760.8 million in the year ended 31 December 2006 from US\$778.9 million in the year ended 31 December 2005, a 2.3% decrease. This decrease was mainly due to lower prices for ferrovanadium compared with the record high prices reached in 2005. The following is an analysis of the factors affecting the unit's revenues by product type for the year ended 31 December 2006 compared with the year ended 31 December 2005.

Ferrovanadium and Ferronickel-Molybdenum. Ferrovanadium pricing reached record levels in May 2005 due to increased demand from producers in the steel industry. As ferrovanadium pricing continued to increase, these steel producers replaced their diminishing ferrovanadium inventories with substitutes such as niobium, which reduced demand over the second half of 2005, resulting in an eventual reduction in prices. In the year ended 31 December 2006, average ferrovanadium prices declined 43.2%, whilst demand for the Company's ferrovanadium products increased 27.3% from the previous year. The increase in demand was primarily the result of steel makers returning to "normal" ferrovanadium consumption after greater utilisation of ferrovanadium substitutes in 2005 when prices for ferrovanadium were at record highs. As a result of lower ferrovanadium prices in the year ended 31 December 2006 compared with the year ended 31 December 2005, revenue from sales of ferrovanadium products declined to US\$66.9 million in the year ended 31 December 2006 from US\$94.6 million in the year ended 31 December 2005, a 29.3% decrease. Revenue from sales of ferronickel-molybdenum, a product the Company produces from the same raw material and production process used for ferrovanadium, was US\$19.6 million in the year ended 31 December 2006 as compared with US\$22.5 million in the year ended 31 December 2005. This 12.9% decrease was largely due to decreases in sales volume arising from a small change in the raw material mix, which resulted in a lower proportion of ferronickel-molybdenum being produced in comparison with ferrovanadium.

Aluminium Master Alloys and Compacted Alloying Products. Revenue from sales of aluminium master alloys and compacted alloying products decreased by 1.5% to US\$139.3 million in the year ended 31 December 2006 from US\$141.4 in the year ended 31 December 2005. Revenue from sales of aluminium master alloys increased to US\$102.9 million in the year ended 31 December 2006 as compared with US\$92.5 million in the year ended 31 December 2005, an 11.2% increase. Aluminium master alloy unit price increases of 17.7% in the year ended 31 December 2006 compared with the year ended 31 December 2005 were partially offset by 5.5% lower sales volume and the 6.0% reduction in premium. Revenue per pound for the Company's most typical aluminium master alloys was US\$2.11 in the year ended 31 December 2006 and the average premium over the LME price in that year was US\$0.94 per pound, as compared with US\$1.86 revenue per pound and an average premium over the LME price of US\$1.00 in the year ended 31 December 2005. Increases in revenue from aluminium master alloys were more than offset by declines in both sales volume and price of sales of aluminium compacted products with

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overall revenue for these products declining from US\$48.9 million in the year ended 31 December 2005 to US\$36.4 million in the year ended 31 December 2006, a 25.6% decrease.

Silicon Metal. Revenue from sales of silicon products increased to US\$90.4 million in the year ended 31 December 2006 from US\$82.0 million in the year ended 31 December 2005, a 10.2% increase. Sales volume in tonnes for the year ended 31 December 2006 increased 2.9% compared with the year ended 31 December 2005, with increases in tonnes of silicon metal sold to electronics and chemicals industries, partially offset by a small decrease in tonnes of silica fumes sold to the concrete industry and dross sold to the steel industry.

Magnesium Extrusions and Fabricated Products. Revenue from sales of magnesium extrusions and fabricated products decreased by 7.4% to US\$65.1 million in the year ended 31 December 2006 from US\$70.3 million in the year ended 31 December 2005. The majority of the revenue decrease was due to increased competition in the magnesium extrusions and fabricated products business and weakness in market demand in the water heater and hand tool segment. Whilst the Directors believe that the Company did not lose market share in the year ended 31 December 2006, the increased competition put downward pressure on prices.

Tantalum and Niobium Oxides. Revenue from sales of tantalum and niobium oxides decreased by 43.0% to US\$9.8 million in the year ended 31 December 2006 from US\$17.2 million in the year ended 31 December 2005. Product revenue decreased because the Company temporarily halted its mining operations during the year in response to low tantalum prices and the US DLA's continued sell-off of its tantalum stockpile. (Since November 2006, when the US DLA substantially completed the sale of its entire tantalum stockpile, which took almost four years to complete, tantalum prices have increased. However, they have still only reached US\$45 per pound, having been over US\$200 per pound in 2001.) This caused a 44.0% decline in the volume of the Company's sales of tantalum oxides in the year ended 31 December 2006. Niobium revenue also suffered as volume of sales declined 77.3% due to the stoppage in mining operations.

Specialty Alloys, Metals-Based Powders, Coating Materials and Chemicals. Revenue from sales of specialty alloys for titanium and superalloys, vanadium chemicals, antimony trioxide and other specialty metals-based powders and coating materials increased to US\$215.9 million in the year ended 31 December 2006 from US\$191.5 million in the year ended 31 December 2005, a 12.7% increase. The increased revenue was the result of sales volume increases across nearly all product lines, in particular a 29.7% increase in the sales volume of specialty alloys for titanium and superalloys for the aerospace and energy industries. The Company also successfully raised its prices for antimony trioxide by 27% in the year ended 31 December 2006, as a partial offset to raw material cost increases.

Engineering Systems Unit

Revenue for the Engineering Systems unit increased to US\$167.0 million in the year ended 31 December 2006 from US\$127.8 million in the year ended 31 December 2005, a 30.7% increase. Contract-based sales of vacuum furnace systems, which constituted 87% and 86% of the unit's revenue in the years ended 31 December 2006 and 2005, respectively, increased to US\$145.3 million in the year ended 31 December 2006 from US\$110.4 million in the year ended 31 December 2005, a 31.6% increase. The increase in vacuum furnace systems revenue was driven by revenue from sales of remelting furnace systems primarily to the energy and steel industries, which increased to US\$53.9 million in the year ended 31 December 2006 from US\$25.5 million in the year ended 31 December 2005. The unit's revenue from its Own & Operate Facilities increased to US\$21.6 million in the year ended 31 December 2006 from US\$17.4 million in the year ended 31 December 2005, a 24.1% increase. The increase in the Own & Operate Facility revenue was primarily the result of the opening in April 2006 of the Company's third facility, which serves General Motors Corporation from Port Huron, Michigan, United States.

Cost of Sales

AMG's cost of sales was US\$777.2 million, or 83.8% of total revenue, in the year ended 31 December 2006 as compared with US\$728.8 million, or 80.4% of total revenue, in the year ended 31 December 2005.

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Advanced Materials Unit

Cost of sales for the Advanced Materials unit was US\$660.2 million, or 86.8% of the Advanced Materials unit's revenue, in the year ended 31 December 2006 as compared with US\$637.9 million, or 82.0% of the Advanced Materials unit's revenue, in the year ended 31 December 2005. The Advanced Materials unit's cost of sales is primarily affected by raw material and labour costs, sales volume and production efficiency.

Ferrovandium and Ferronickel-Molybdenum. Cost of sales of ferrovandium and ferronickel-molybdenum was US\$54.2 million, or 62.6% of product revenue, in the year ended 31 December 2006 as compared with US\$55.5 million, or 47.4% of product revenue, in the year ended 31 December 2005. The US\$1.3 million decrease in cost of sales was primarily related to the decline in average ferrovandium prices in the year ended 31 December 2006 compared with the year ended 31 December 2005, as approximately 40% of the price for the Company's ferrovandium raw materials was indexed to the market price of ferrovandium. The increase in cost of sales as a percentage of product revenue was a result of higher-cost ferrovandium purchased in the year ended 31 December 2005 that was sold in the year ended 31 December 2006, and an increase in raw material costs for one of the Company's fixed-priced ferrovandium contracts, partially offset by fixed manufacturing costs allocated over a greater sales volume.

Aluminium Master Alloys and Compacted Alloying Products. Cost of sales for aluminium master alloys and compacted alloying products was US\$131.7 million, or 94.5% of product revenue, in the year ended 31 December 2006 as compared with US\$128.9 million, or 91.2% of product revenue, in the year ended 31 December 2005. Cost of sales of aluminium master alloys was US\$95.8 million, or 93.1% of product revenue, in the year ended 31 December 2006 as compared with US\$86.2 million, or 93.2% of product revenue, in the year ended 31 December 2005. The increased cost of sales for aluminium master alloys was primarily related to higher aluminium prices, which the Company mostly passed through to its customers, and slightly lower premiums for processing these products compared with the year ended 31 December 2005. Cost of sales of compacted aluminium alloying products was US\$35.9 million, or 98.6% of product revenue, in the year ended 31 December 2006 as compared with US\$42.7 million, or 87.3% of product revenue, in the year ended 31 December 2005. The increase in cost of sales as a percentage of product revenue was primarily a result of similar fixed manufacturing costs from year to year spread over a 20.9% reduction in volume and lower sales prices in the year ended 31 December 2006 as a result of increased competition from low-cost producers in China.

Silicon Metal. Cost of sales for silicon metal was US\$89.7 million, or 99.2% of product revenue, in the year ended 31 December 2006 as compared with US\$74.0 million, or 90.2% of product revenue, in the year ended 31 December 2005. The increase in cost of sales as a percentage of product revenue was primarily the result of higher energy costs (coal and electricity) and production problems incurred during the first half of the year. These problems have been resolved by relining Timminco's silicon metal furnaces, which is a maintenance operation required approximately every 12 years.

Magnesium Extrusions and Fabricated Products. Cost of sales for magnesium extrusions and fabricated products was US\$59.3 million, or 91.1% of product revenue, in the year ended 31 December 2006 as compared with US\$65.3 million, or 92.9% of product revenue, in the year ended 31 December 2005. The cost of sales as a percentage of product revenue was relatively stable as lower production costs related to a reduced headcount in 2006 more than offset lower selling prices caused by increased competition.

Specialty Alloys, Metals-Based Powders, Coating Materials and Chemicals. Cost of sales for specialty alloys for titanium and superalloys, vanadium chemicals, antimony trioxide and other specialty metals-based powders and coating materials was US\$170.2 million, or 78.8% of product revenue, in the year ended 31 December 2006 as compared with US\$152.0 million, or 79.4% of product revenue, in the year ended 31 December 2005. The improved cost of sales as a percentage of product revenue was primarily related to improved margins in titanium and super alloys and specialty powders products.

Engineering Systems Unit

Cost of sales for the Engineering Systems unit was US\$117.0 million, or 70.1% of the unit's revenue, in the year ended 31 December 2006 as compared with US\$90.9 million, or 71.1% of the unit's revenue, in the year ended 31 December 2005. Cost of sales as a percentage of vacuum furnace product revenues

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decreased to 67.9% in the year ended 31 December 2006 from 72.6% in the year ended 31 December 2005. The decrease was driven by an increase in unit volumes, which resulted in increased operating efficiencies, due to relatively fixed labour costs. Cost of sales as a percentage of revenues from the unit's Own & Operate Facilities increased to 83.0% in the year ended 31 December 2006 from 61.6% in the year ended 31 December 2005. The increase was a result of start-up costs incurred in the Port Huron, Michigan, United States, facility that opened in April 2006, but did not generate a material amount of revenues until June 2006. During this time the Company incurred labour costs and other operating costs whilst gradually increasing production volumes to a volume commensurate with staffing levels.

Gross Profit

AMG's gross profit decreased to US\$150.6 million in the year ended 31 December 2006 from US\$177.9 million in the year ended 31 December 2005, a 15.3% decrease.

Advanced Materials Unit

Gross profit for the Advanced Materials unit was US\$100.6 million, or 13.2% of the unit's revenue, in the year ended 31 December 2006 as compared with US\$141.0 million, or 18.1% of the unit's revenue, in the year ended 31 December 2005.

Ferrovanadium and Ferronickel-Molybdenum. Gross profit for ferrovanadium and ferronickel-molybdenum decreased to US\$32.4 million, or 37.4% of product revenue, in the year ended 31 December 2006 from US\$61.6 million, or 52.6% of product revenue, in the year ended 31 December 2005.

Aluminium Master Alloys and Compacted Alloying Products. Gross profit for aluminium master alloys and compacted alloying products decreased to US\$7.6 million, or 5.5% of product revenue, in the year ended 31 December 2006 from US\$12.5 million, or 8.8% of product revenue, in the year ended 31 December 2005. Gross profit of aluminium master alloys was US\$7.1 million, or 6.9% of product revenue, in the year ended 31 December 2006 as compared with US\$6.3 million, or 6.8% of product revenue, in the year ended 31 December 2005. Gross profit of compacted aluminium alloying products was US\$0.5 million, or 1.4% of product revenue, in the year ended 31 December 2006 as compared with US\$6.2 million, or 12.7% of product revenue, in the year ended 31 December 2005.

Silicon Metal. Gross profit for silicon metal decreased to US\$0.7 million, or 0.8% of product revenue, in the year ended 31 December 2006 from US\$8.0 million, or 9.8% of product revenue, in the year ended 31 December 2005.

Magnesium Extrusions and Fabricated Products. Gross profit for magnesium extrusions and fabricated products increased to US\$5.7 million, or 8.9% of product revenue, in the year ended 31 December 2006 from US\$5.0 million, or 7.1% of product revenue, in the year ended 31 December 2005.

Specialty Alloys, Metals-Based Powders, Coating Materials and Chemicals. Gross profit for specialty alloys for titanium and superalloys, vanadium chemicals, antimony trioxide and other specialty metals-based powders and coating materials was US\$45.7 million, or 21.2% of product revenue, in the year ended 31 December 2006 as compared with US\$39.5 million, or 20.6% of product revenue, in the year ended 31 December 2005.

Engineering Systems Unit

Gross profit for the Engineering Systems unit was US\$50.0 million, or 29.9% of the unit's revenue, in the year ended 31 December 2006 as compared with US\$36.9 million, or 28.9% of the unit's revenue, in the year ended 31 December 2005. Gross profit for vacuum furnace sales increased to 32.1% in the year ended 31 December 2006 from 27.4% in the year ended 31 December 2005. Gross profit for the Own & Operate Facilities decreased to US\$3.7 million in the year ended 31 December 2006 from US\$6.7 million in the year ended 31 December 2005. This 44.8% decrease was caused primarily by the start-up costs incurred in connection with the commencement of operations at the Company's facility at Port Huron, Michigan, United States, which began operating in April 2006 but did not generate significant revenue until June 2006.

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Selling, General and Administrative Expenses

SG&A expenses decreased to US\$97.2 million, or 10.5% of total revenue, in the year ended 31 December 2006 from US\$100.1 million, or 11.0% of revenue, in the year ended 31 December 2005. SG&A expenses primarily consist of salaries and benefits, professional fees, occupancy costs, insurance and other related expenses.

Advanced Materials Unit

SG&A expenses for the Advanced Materials unit were US\$71.2 million, or 9.4% of the unit's revenue, in the year ended 31 December 2006 as compared with US\$75.5 million, or 9.7% of the unit's revenue, in the year ended 31 December 2005. The largest component of SG&A, salaries and benefits, increased by 0.8% to US\$36.5 million in the year ended 31 December 2006 from US\$36.2 million in the year ended 31 December 2005. The reduction arising from certain headcount reductions that took place in the year ended 31 December 2005 and therefore had a full year effect on SG&A expense in the year ended 31 December 2006 and additional headcount reductions that occurred in the year ended 31 December 2006 was more than offset by increases in other salaries and benefits. The Company also incurred significant expenses for professional services relating to accounting and consulting services of US\$14.0 million and US\$13.1 million in the years ended 31 December 2006 and 2005, respectively.

Engineering Systems Unit

SG&A expenses for the Engineering Systems unit was US\$26.0 million, or 15.6% of the unit's revenue, in the year ended 31 December 2006 as compared with US\$24.6 million, or 19.2% of the unit's revenue, in the year ended 31 December 2005. SG&A as a percentage of the unit's revenue decreased as the Company achieved greater economies of scale due to revenue increases. Salaries and benefits, the Engineering Systems unit's largest component of SG&A, accounted for substantially all of the increase in SG&A in the year ended 31 December 2006 as compared with the year ended 31 December 2005. Salaries and benefits increased to US\$16.1 million in the year ended 31 December 2006 from US\$13.5 million in the year ended 31 December 2005, a 19.3% increase. The increase was primarily a result of an increase in variable compensation directly related to the significant increase in operating earnings and an increase in headcount and start-up costs from the Own & Operate Facility at Port Huron, Michigan, United States.

Environmental Expense

Environmental expense increased to US\$11.0 million in the year ended 31 December 2006 from US\$0.2 million in the year ended 31 December 2005. This expense was primarily related to the facility at Newfield, New Jersey, United States, owned by the Advanced Materials unit. In January 2006, the Company entered into a fixed-price remediation contract with TRC, an environmental remediation company, to address certain non-radiological environmental remediation obligations at the New Jersey facility. Under this agreement, TRC assumed primary responsibility for completion of all required non-radiological remediation at the site, except for perchlorate contamination in groundwater and damage (if any) to natural resources. This agreement was approved by the New Jersey Department of Environmental Protection (the "NJDEP") in February 2006 and received final approval by the United States Environmental Protection Agency (the "USEPA") in March 2006. Under the terms of this agreement, the Company was required to make payments of US\$16.9 million by 2008, with US\$14.8 million (part of which was reserved for in a previous period) of that amount paid in April 2006. The fixed-price remediation proposal reduces the Company's risk with regard to the New Jersey remediation required by the NJDEP and the USEPA but required a premium above previously estimated remediation costs. In addition to the premium paid for the fixed-price remediation proposal, the Company also revised its estimates related to the radiological environmental remediation at the Newfield site. The revisions were based on a decommissioning plan which was submitted to the United States Nuclear Regulatory Commission ("NRC"). The fixed-price remediation premium in addition to the revisions in estimates amounted to US\$10.1 million of the US\$11.0 million expense in 2006. The remaining amounts were accrued in respect of one-time waste removal costs for the disposal of filter cakes created from the wastewater treatment process at the Company's facilities in Brazil. See "Business—Environmental and Other Regulatory Matters" on page 85 of this prospectus.

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Restructuring and Asset Impairment Expenses

Restructuring and asset impairment charges were US\$19.3 million in the year ended 31 December 2006 as compared with US\$21.0 million in the year ended 31 December 2005. In the year ended 31 December 2006, the Company completed several reorganisations in the Advanced Materials unit aimed at improving its competitive position by reducing costs. In the year ended 31 December 2006, personnel reductions were made in the United Kingdom, the United States, Canada and Brazil. US\$6.1 million of the restructuring and asset impairment charges for the year ended 31 December 2006 were related to severance costs for 242 employees. In the year ended 31 December 2005, the Company reduced its personnel at certain of its North American locations and recorded US\$5.0 million of severance costs for 49 employees. These reductions were made primarily at two production facilities in order to make those facilities more cost-competitive.

In the year ended 31 December 2006 the Company recorded an asset impairment charge of US\$6.2 million related to its magnesium casthouse, extrusion and fabrication assets at the Haley, Ontario, Canada, facility as compared with a US\$16.0 million asset impairment charge in the year ended 31 December 2005 related to the same matter. The impairment resulted from lower volumes being processed through the Haley assets owing to the Directors’ decision to source a significant volume of magnesium billets from lower-cost foreign sources. The Company also had an asset impairment charge of US\$4.6 million at its Aurora, Colorado, United States, facility and the related spare parts at both facilities in the year ended 31 December 2006. The impairment at the Aurora facility resulted from decreased throughput as the Company outsourced a portion of the production of semi-finished extrusions to lower-cost foreign sources, as well as from the implementation of remote fabrication sites, such as the Company’s Nuevo Laredo, Mexico, facility, to lower costs and serve customers better.

See note 3(J) (“Impairment”) to the Company’s combined historical financial information for the years ended 31 December 2006 and 2005 on page F-18 of this prospectus.

Operating Income

Operating income decreased to US\$38.1 million in the year ended 31 December 2006 from US\$60.0 million in the year ended 31 December 2005, a 36.6% decrease, primarily due to the environmental charges discussed above, in addition to decreased revenue and margins in the Advanced Materials unit.

Net Finance Expense

The table below sets forth the net finance expense for the years ended 31 December 2006 and 2005.

	Year ended 31 December	
	2005	2006
	(Amounts in US\$ thousands)	
Loss on extinguishment of debt	10,234	—
Interest (income)	(3,968)	(3,544)
Interest expense	33,207	36,559
Finance expense, net	<u>39,473</u>	<u>33,015</u>

On 29 September 2005 Metallurg Holdings consummated a refinancing transaction pursuant to which it refinanced the majority of its and its subsidiaries’ debt. In connection with the refinancing, the Company incurred a loss on debt extinguishment of US\$10.2 million. This included US\$4.7 million of prepayment penalties, US\$4.2 million from the write-off of unamortised balance of previously deferred financing costs and US\$1.3 million of interest expense for the 30-day redemption notice period required in connection with the refinancing.

Net finance expense decreased to US\$33.0 million for the year ended 31 December 2006 from US\$39.5 million for the year ended 31 December 2005, a 16.5% decrease. The decrease in net finance expense was a result of the extinguishment of debt in the year ended 31 December 2005, which was a non-recurring event. Excluding that item, net finance expense increased by 12.9%, primarily owing to an increase in net interest expense principally related to: (i) an increase in long- and short-term debt;

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(ii) amortisation on deferred issuance costs related to the additional long-term debt arrangements entered into by Metallurg in September 2005; and (iii) a reduction in foreign exchange income.

Income Tax Provision (Benefit)

The table below sets forth the income tax provision (benefit) for the years ended 31 December 2006 and 2005.

	Year ended 31 December	
	2005	2006
	(Amounts in US\$ thousands)	
Total current	11,229	11,715
Total deferred	5,103	(3,332)
Income tax provision, net	16,332	8,383

Income tax provision decreased to US\$8.4 million for the year ended 31 December 2006 from US\$16.3 million for the year ended 31 December 2005.

The decrease in income tax provision resulted from the Company’s reduced profit before tax which decreased to US\$2.7 million in the year ended 31 December 2006 from US\$21.0 million in the year ended 31 December 2005 and from the Company’s recognition of income tax benefits of US\$9.3 million and US\$1.3 million during the years ended 31 December 2006 and 2005, respectively, related to previously unrecognised tax losses and temporary differences for GfE in Germany. The income tax benefits were recognised because the Directors believe it is probable the benefit of the tax losses and temporary differences will be realised. The main factors considered were improved profitability, higher forecast profitability and the indefinite carryforward period of the tax losses. After assessing these factors, the Directors have determined that it is more likely than not that the deferred tax benefit of the losses will be realised.

See note 12 (“Income Tax”) to the Company’s combined historical financial information for the years ended 31 December 2006 and 2005 on page F-39 of this prospectus for additional information about the Company’s effective tax rate and deferred tax assets.

Net Profit (Loss)

The Company recorded a net loss of US\$5.7 million in the year ended 31 December 2006 as compared with net profit of US\$4.7 million in the year ended 31 December 2005. This decline in performance was primarily due to the increase in environmental expense in the year ended 31 December 2006 discussed above.

Liquidity and Capital Resources

Sources of Liquidity

The Company’s sources of liquidity include cash and cash equivalents, cash from operations and amounts available under credit facilities. Further details of these sources are given in “Net Cash Provided by Operating Activities”, “Net Cash Used in Investing Activities” and “Net Cash Provided by (Used in) Financing Activities” below. At 31 March 2007, the Company had US\$88.4 million in cash and cash equivalents, including US\$60.9 million in advance payments from customers, principally with respect to the Engineering Systems unit, as compared with US\$54.6 million as at 31 December 2006, including US\$29.7 million in advance payments from customers. In addition, the Advanced Materials unit utilises letters of credit that are not reflected on the Company’s balance sheet; as at 31 December 2006 it had a contingent liability of US\$6.2 million for these letters of credit.

The Company is a holding company with no operations of its own. All of its operating income is generated by its subsidiaries. Dividends, advances and other distributions to the Company from its subsidiaries will depend on their earnings and may be restricted under applicable law or restrictive covenants contained in their debt agreements or other contracts.

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The table below summarises the Company’s net cash provided by or used in its operating activities, investing activities and financing activities for the years ended 31 December 2006 and 2005 and the quarters ended 31 March 2007 and 2006.

	Year ended 31 December		Quarter ended 31 March	
	2005	2006	2006	2007
	(audited)		(unaudited)	
	(Amounts in US\$ thousands)			
Net cash provided by (used in):				
Operating activities	58,609	23,353	9,592	42,703
Investing activities	(26,809)	(38,921)	(4,623)	(6,574)
Financing activities	(23,481)	14,472	2,087	(3,764)

Net Cash Provided by Operating Activities

Quarter Ended 31 March 2007 Compared with Quarter Ended 31 March 2006

Cash provided by operating activities was US\$42.7 million in the quarter ended 31 March 2007, as compared with US\$9.6 million in the quarter ended 31 March 2006. The increase in cash inflow from operations was primarily a result of advance payments the Company received from the Engineering Systems unit’s customers. The significant increase in advance payments was a result of the unit’s fast-growing backlog and its ability to collect deposits from its customers. The cash flow from operations also benefited from improved net income and reduced inventory levels. Net cash inflows from working capital were US\$25.6 million in the quarter ended 31 March 2007 as compared with net cash outflows from working capital of US\$8.1 million in the quarter ended 31 March 2006.

Year Ended 31 December 2006 Compared with Year Ended 31 December 2005

Net cash provided by operating activities decreased to US\$23.4 million in the year ended 31 December 2006 from US\$58.6 million in the year ended 31 December 2005, a 60.2% decrease. The decrease was primarily due to a decline in net income, as well as an increase in environmental expenditures in the year ended 31 December 2006. Net income of US\$4.7 million in the year ended 31 December 2005 declined to a loss of US\$5.7 million in the year ended 31 December 2006. Environmental expenditures increased by US\$15.9 million in the year ended 31 December 2006 owing to payments made for remediation at the Company’s Newfield, New Jersey, United States facility (see “Business—Environmental and Other Regulatory Matters” on page 85 of this prospectus).

Net Cash Used in Investing Activities

Quarter Ended 31 March 2007 Compared with Quarter Ended 31 March 2006

Net cash used in investing activities was US\$6.5 million in the quarter ended 31 March 2007 compared with US\$4.6 million in the quarter ended 31 March 2006. The increase in cash expenditures was a result of an increase in capital expenditures from US\$5.5 million in the quarter ended 31 March 2006 to US\$6.7 million in the quarter ended 31 March 2007. Capital expenditures in the quarter ended 31 March 2007 related to purchasing solar-grade silicon metal production equipment, initial construction costs for the Company’s Own & Operate facility in Mexico and continued engineering costs for the ferrovanadium and ferronickel-molybdenum expansion project in Cambridge, Ohio, United States. Additionally, the Company’s majority-owned subsidiary Timminco made a further investment of US\$1.5 million in Fundo, acquiring 453 newly issued shares in the quarter ended 31 March 2007 (maintaining Timminco’s ownership percentage in Fundo at 47.1%, as the other shareholder invested pro rata). These amounts were offset by proceeds from the sale of equipment in the amount of US\$0.7 million.

Year Ended 31 December 2006 Compared with Year Ended 31 December 2005

Net cash used in investing activities increased to US\$38.9 million in the year ended 31 December 2006 from US\$26.8 million in the year ended 31 December 2005, a 45.2% increase. The increase was primarily caused by an increase in capital expenditures to US\$24.3 million in the year ended 31 December 2006 from US\$13.7 million in the year ended 31 December 2005. The increase in capital expenditures was related to both the purchase of a new furnace in the Advanced Materials unit, which is expected to improve efficiency

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within the operation, and the first phase of a project intended to increase the Company's spent catalyst roasting capacity for the production of ferrovanadium and ferronickel-molybdenum. In addition to increased capital expenditures in the year ended 31 December 2006, the Company invested US\$4.0 million in: (i) the acquisitions by GfE of 24.9% of the shares of FNE for approximately US\$1.7 million; (ii) the acquisition by ALD of 19.9% the shares of ABS Apparate- und Behälterbau GmbH for approximately US\$1.4 million; and (iii) the acquisition by Timminco of 264 newly issued shares in Fundo Wheels AS (formerly Fundamus AS) ("**Fundo**") for approximately US\$0.9 million (maintaining Timminco's ownership percentage in Fundo at 47.1%, as the other shareholder invested pro rata).

Net Cash Provided by (Used in) Financing Activities

Quarter Ended 31 March 2007 Compared with Quarter Ended 31 March 2006

Cash used in financing activities was US\$3.8 million in the quarter ended 31 March 2007, compared with US\$2.1 million of cash generated in the quarter ended 31 March 2006. In the quarter ended 31 March 2007, the Company borrowed US\$0.1 million from existing lending facilities. This was offset by US\$3.5 million in required repayments of long-term debt and other financings activities of US\$0.4 million. In the quarter ended 31 March 2006, the Company borrowed US\$3.4 million from existing lenders and made US\$1.3 million of debt repayments to its lenders.

Year Ended 31 December 2006 Compared with Year Ended 31 December 2005

Cash provided by financing activities was US\$14.5 million in the year ended 31 December 2006 as compared with cash used in financing of US\$23.5 million in the year ended 31 December 2005. In the year ended 31 December 2006, the Company borrowed US\$26.6 million from existing lending facilities and from related parties to fund working capital and capital projects. See "Related Party Transactions—Specific Related Party Transactions" on page 116 of this prospectus. This was offset by US\$11.9 million in required repayments of debt. In the year ended 31 December 2005, the majority of the Company's US subsidiaries' debt facilities were refinanced, which resulted in a net repayment of debt of US\$7.0 million. This cash outflow was in addition to cash paid for deferred financing fees which totalled US\$13.5 million.

Following the consummation of the refinancing transactions, the Directors expect the Company to fund its operations, ongoing capital expenditures and debt service requirements from existing cash balances, operating cash flows and borrowings under the Credit Facilities (which are conditional on Admission). See "General Information—Material Contracts" on page 161 of this prospectus.

Capital Requirements

Capital Expenditures

Year Ended 31 December 2005

AMG invested US\$13.7 million in capital projects in the year ended 31 December 2005. Expenditures for major expansion projects in the year ended 31 December 2005 included: US\$2.1 million for construction of the Company's Own & Operate Facility in Port Huron, Michigan, United States; and US\$0.8 million for additional equipment for its Own & Operate Facility in Germany. Other than the projects listed above, the Company did not have any capital expenditure projects that exceeded US\$0.5 million in cost. Most of the smaller projects were geared towards minor expansion of capacity, improving product quality and replacing existing equipment.

Year Ended 31 December 2006

AMG invested US\$24.4 million in capital projects in the year ended 31 December 2006. The majority of the Company's capital expenditures were for projects that are designed to expand or materially upgrade the Company's production capabilities. Expenditures for major expansion projects in the year ended 31 December 2006 included: US\$5.9 million for the completion of the Own & Operate Facility in Port Huron, Michigan, United States, and purchase of additional equipment in its Columbia, South Carolina, United States, Own & Operate Facility; US\$1.1 million for new production equipment for solar-grade silicon metal; US\$1.6 million for engineering for the planned tripling of spent catalyst roasting capacity, which, if successfully implemented, is expected to increase the Company's capacity to produce ferrovanadium from approximately 4 million pounds in the year ended 31 December 2006 to 5.6 million pounds in 2009 or 2010 and subsequently to 10 million pounds by 2012, and significantly to increase the Company's capacity to produce ferronickel-molybdenum; and US\$0.9 million for new equipment for

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expansion into rotatable targets for large area coatings. Additional capital expenditure projects are for ongoing maintenance and environmental requirements (which are in addition to environmental expenditure discussed above) and replacement and repairs of existing facilities. These projects will be funded through existing and future internally generated cash and credit lines. The Company may require additional debt or equity financing if it has additional material capital expenditure requirements.

Quarter Ended 31 March 2007

AMG invested US\$6.7 million in capital projects in the quarter ended 31 March 2007. The majority of the Company's capital expenditures were for projects designed to expand or materially upgrade the Company's production capabilities. Expenditures for major expansion projects in the quarter ended 31 March 2007 included: US\$1.3 million for an advanced payment for the building of the Company's new Own & Operate Facility in Mexico; US\$1.1 million for new production equipment for solar-grade silicon metal; US\$0.9 million for additional equipment for the Company's Own & Operate Facilities in the United States; and US\$0.6 million for engineering for the planned tripling of the Company's spent catalyst roasting capacity referred to in the preceding paragraph. The remaining capital expenditures related to small maintenance and expansion projects.

Future Projects

The Company is implementing a strategic capital expenditure programme aimed at increasing operating efficiency. Projects planned for the period to 2010 require anticipated capital expenditures of: approximately US\$30 million over the next three years for the initial phase of a project that includes building a new roaster at the Cambridge, Ohio, United States, site to increase the Company's capacity to process spent refinery catalysts to produce ferrovandium and ferronickel-molybdenum, as mentioned above; approximately US\$15 million for the completion of the Company's fourth Own & Operate Facility, in Mexico; approximately US\$7 million for the expansion of the Company's tantalite mine and hydro-electric power plant in Brazil; approximately US\$5 million for the purchase of equipment for the Advanced Materials unit to expand its production of specialty alloys for titanium and superalloys; and approximately C\$20 million (approximately US\$18 million) for the expansion of Timminco's high-purity silicon metal facility in Bécancour, Quebec, Canada (which will be funded out of the proceeds of the Timminco Share offering completed by Timminco in April 2007). These projects are still under formulation or are still being implemented, and it is possible that the Company's actual expenditures may differ, perhaps to a significant extent, from these estimates. There can therefore be no assurance that these projects will be completed on time, on budget or at all. These projects will be funded through existing and future internally generated cash and credit lines (other than the silicon metal facility expansion, as noted above). The Company may require additional debt or equity financing if it has additional material capital expenditure requirements in the future.

Pensions

The Company does not have a group pension plan, but certain of its subsidiaries participate in pension plans based on local legislation or regulations. The Company's unfunded pension obligation was approximately US\$95.0 million as at 31 December 2006.

A number of funded defined benefit plans applicable to the Company are in deficit. Certain of the Company's subsidiaries in the United States and the United Kingdom restructured certain of their defined benefit plans during 2006 so that there is no future accrual of defined benefits under those plans. If the UK Plan were to be wound up (which could occur at the instigation of either its principal employer, LSM, or its trustees or if the UK Pensions Regulator so orders under relevant provisions of the UK Pensions Act 2004), a debt due from the employers to the UK Plan would arise in the amount of approximately £17.6 million, according to an actuarial estimate as at 31 May 2007. The Additional UK Plan, in which certain of the subsidiaries of the Company in the UK participate, contains provisions that transfer all powers and discretions from its principal employer, LSM, to the plan's trustees in the event that they certify that in their opinion there has been a significant change of control of the principal employer. If invoked, this provision could result in materially higher contributions being required from the plan's employers, or in other changes which indirectly may have that effect.

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Tabular Disclosure of Contractual Obligations

The Company has various contractual obligations and commercial commitments to make future payments including debt agreements, lease obligations and certain committed obligations. The table below sets forth the long-term debt and other known contractual obligations as at 31 December 2006.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(Amounts in US\$ thousands)				
Contractual cash obligations:					
Long-term and related party debt ⁽¹⁾	235.1	37.5	12.1	170.9	14.6
Fixed interest on long-term debt	89.5	22.2	43.9	23.4	—
Non-cancellable operating leases	33.3	7.6	12.1	8.3	5.3
Committed purchase obligations ⁽²⁾	96.9	85.3	11.6	—	—
Pension plan contributions	6.1	6.1	—	—	—
Total contractual cash obligations	460.9	158.7	79.7	202.6	19.9

(1) The difference between the contractual cash flows and the carrying amount of the long-term and related party debt is due to directly attributable issuance costs in the amount of US\$11.6 million.

(2) Represents purchase orders on hand at 31 December 2006, primarily for the purchase of inventory in the normal course of business.

Off-Balance-Sheet Arrangements

In the normal course of business, the Advanced Materials unit issues various guarantees and utilises letters of credit that are not reflected on the Company’s balance sheet. As at 31 December 2006, Advanced Materials unit had contingent liabilities of US\$6.7 million for these guarantees and US\$6.2 million for these letters of credit.

In the normal course of business, the Engineering Systems unit receives cash deposits from customers for the purchase of vacuum furnace systems. Upon request, the Engineering Systems unit provides guarantees to customers in the amount of the funds deposited with the Company. These guarantees are not reflected on the Company’s balance sheet. As at 31 December 2006, the Engineering Systems unit had US\$43.8 million of guarantees outstanding to customers, while at 31 March 2007 these guarantees were US\$68.8 million. As part of these guarantees, the Engineering Systems unit provides unsecured third-party guarantees from banks or insurance companies to these customers.

As at 31 December 2006, the Engineering Systems unit also had a contingent liability with respect to guarantees issued to Siemens VDO in the aggregate amount of EUR 2.0 million (US\$2.6 million). These guarantees are for the support of the operations of Vacuheat GmbH, a wholly owned subsidiary of ALD, and were still outstanding as at 31 March 2007.

Except as set out above, the Company did not engage in any other material off-balance-sheet arrangements in the year ended 31 December 2006 or the quarter ended 31 March 2007.

Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to fluctuations in currency exchange rates, interest rates and certain commodity prices. Derivative instruments, if used to manage these exposures, involve little complexity and are not used for speculative purposes. The counterparties of these instruments are diversified financial institutions. The Company monitors the concentration risk to limit its counterparty exposure.

Foreign Currency Risk

The Company actively manages foreign currency exposures that are associated with foreign currency purchases and sales and other assets and liabilities created in the normal course of business at the operating unit level. The Company’s costs are usually denominated in the local currency of the country where it operates and its sales and borrowings are either denominated in the local currency of the country where it operates or US dollars. As a result, the Company enters into foreign exchange contracts in the regular course of business to manage exposure against fluctuations on sales, raw material purchase transactions and operating expenses denominated in currencies other than the functional currencies of its

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businesses. The contracts mature at the anticipated cash requirement date, generally within 12 months, and are predominately denominated in US dollars and euros. The counterparties to these contractual arrangements are a diverse group of major financial institutions with which the Company also has other financial relationships. The Company's exposure to credit risk is generally limited to unrealised gains in such contracts in the event of non-performance by counterparties of those financial instruments. The notional values of these contracts provide an indication of the extent of the Company's involvement in such instruments but do not represent its exposure to market risk, which is essentially limited to risk related to currency rate movements. The estimated fair value of foreign exchange contracts is based on estimated amounts at which they could be settled on the basis of market exchange rates and includes all foreign exchange contracts regardless of hedge designation.

Interest Rate Risk

The Company has exposure to interest rate risk from its short-term and certain long-term debt. The applicable interest rates are to be determined upon agreement of the Company's refinancing arrangements.

Commodity Price Exposures

The Company is exposed to volatility in the prices of raw materials used in some of its products and to the extent possible uses forward contracts to manage some of those exposures. The estimated fair value of the forward contracts is based on estimated amounts at which they could be settled on the basis of market prices and includes all forward contracts regardless of hedge designation. Most of the raw materials the Company purchases cannot be hedged with traditional financial instruments. The Company endeavours to match the duration and pricing mechanisms of its supplier and customer contracts for those commodities that it cannot hedge.

Translation Risks

The Company earns revenues and incurs costs in a number of different countries. This exposes it to movements in currency exchange rates when translating amounts from various local currencies to the US dollar, which is the currency used for reporting the Company's results of operations.

Significant Accounting Policies and Estimates

Significant Accounting Policies

Significant accounting policies are those policies that require the application of management's most challenging, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Significant accounting policies involve judgments and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions. The Directors believe that the Company's most significant accounting policies are those described below. For a detailed discussion of these and other accounting policies, see the notes to the Company's combined historical financial information for the years ended 31 December 2006 and 2005 beginning on page F-1 of this prospectus.

Functional and Presentation Currency

The local currency is the functional currency for the Company's significant operations outside the US, except for certain operations in the United Kingdom and Brazil, where the US dollar is used as the functional currency. The determination of functional currency is based on appropriate economic and management indicators.

The Company's combined and consolidated financial statements are presented in US dollars, which is the Company's functional and reporting currency. All financial information presented in US dollars has been rounded to the nearest thousand (except where otherwise stated).

Derivative Financial Instruments

The Company uses derivative instruments, primarily forward contracts, to manage certain foreign currency, interest rate and commodity price exposures. The Directors view derivative instruments as risk management tools and the Company does not use them for trading or speculative purposes.

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Derivatives used to hedge forecasted cash flows associated with foreign currency commitments or forecasted commodity purchases are accounted for as cash-flow hedges. Changes in the fair value of the derivative hedging instrument designated as a cash-flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

Defined Benefit Plans

The Company maintains defined benefit plans for its employees in Germany, the United Kingdom, France, the United States and Canada. In 2006, the Company underwent a significant restructuring plan and made significant changes to the primary defined benefit plans at LSM in the United Kingdom and to the largest defined benefit plan in the United States.

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is based on the appropriate corporate bond yields for the maturity dates of and country where the obligation exists. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

All actuarial gains and losses as at 1 January 2005, the date of the Company's transition to IFRS, were recognised. In respect of actuarial gains and losses arising after 1 January 2005, the Company applies the corridor method to recognise in profit or loss actuarial gains and losses over the expected average remaining working lives of employees in the plan.

Business Combinations

As part of its transition to IFRS, the Company elected to restate only those business combinations that occurred on or after 1 January 2005.

Business combinations arising from transfers of interests in entities that are under the control of Safeguard (as controlling Shareholder) are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in Safeguard's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Company equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

Percentage of Completion Revenue Recognition

Furnace system construction contracts are reported using the percentage of completion method. Cumulative work done to date, including the Company's share of profit, is reported on a pro rata basis according to the percentage completed. The percentage of completion is measured as the ratio of contract costs incurred for work performed so far to total contract costs (cost-to-cost method). Contracts are reported in trade receivables and trade payables, as "gross amount due to/from customers for/from contract work (POC)". If cumulative work done to date (contract costs plus contract net profit) of contracts in progress exceeds progress payments received, the difference is recognised as an asset and included in amounts due from customers for contract work. If the net amount after deduction of progress payments received is negative, the difference is recognised as a liability and included in amounts due to customers for contract work. Anticipated losses on specific contracts are estimated taking account of all identifiable risks and are accounted for using the percentage of completion method. Contract income is recognised as the income stipulated in the contract and/or any change orders confirmed in writing by the client.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on the basis of the average cost and specific identification methods, and includes all costs of

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purchase incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads, based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Company estimates the net realisable value of its inventories at least quarterly and adjusts the carrying amount of these inventories as necessary.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. These audits can generate complex issues, which may require an extended period of time to resolve. The Directors believe that the Company has made adequate provisions for income taxes and valuation allowances against deferred taxes for all years.

Environmental Remediation Costs

The Company currently faces a number of environmental issues relating to environmental clean-up requirements, largely resulting from historical solid and hazardous waste handling and disposal practices at the Company's facilities. In accordance with the Company's environmental policy and applicable legal requirements, provisions for losses associated with environmental remediation obligations are accrued when such losses are deemed probable and reasonably estimable. Such accruals generally are recognised no later than the completion of the remedial feasibility study and are adjusted as further information develops or circumstances change.

Provision is made for close-down, restoration and environmental rehabilitation costs in the reporting period when the related environmental disturbance occurs, based on the estimated future costs using information available at the balance sheet date. The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is included in interest expense. The provision is reviewed on an annual basis for changes to obligations, legislation or discount rates that affect change in cost estimates or life of operations.

Rehabilitation trust funds holding monies committed for use in satisfying environmental obligations are included within other non-current assets on the balance sheet. Environmental expense recoveries are generally recognised in income upon final settlement with the Company's insurance providers. The Company does not hold any claims-made insurance policies currently in effect for historic environmental contamination. The Company enters into agreements (for example, administrative orders and consent decrees) that generally cover many years. The Directors must assess the type of technology to be used to accomplish the remediation as well as the continually evolving regulatory environment in evaluating costs associated with these sites. These factors are considered in the Company's estimates of the timing and amount of any future costs that may be necessary for remedial actions. Given the level of judgments and estimation as described above, it is likely that materially different amounts could be recorded if different assumptions were used or if underlying circumstances were to change (for example, a significant change in environmental standards).

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Long-Lived Asset Impairment

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Significant judgment is required to estimate future cash flows, including the impact of future prices, production and shipment levels, cost reduction initiatives, prices of inputs like raw materials and energy and future capital requirements. The Directors use their best judgment to assess these factors.

Accounting for Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

Acquisitions prior to 1 January 2005

As part of its transition to IFRS, the Company elected to restate only those business combinations that occurred on or after 1 January 2005. In respect of acquisitions prior to 1 January 2005, goodwill represents the amount recognised under the Company's previous accounting framework, US GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 January 2005 has not been reconsidered in preparing the Company's opening IFRS balance sheet at 1 January 2005.

Acquisitions on or after 1 January 2005

For acquisitions on or after 1 January 2005, goodwill represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Acquisitions of Minority Interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent Measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Adoption of IFRS

Prior to 1 January 2007, the subsidiaries of AMG prepared individual financial statements in accordance various generally accepted accounting standards, including Belgian GAAP, Canadian GAAP, German GAAP and US GAAP. In June 2002, the European Union adopted a regulation requiring all companies that are governed by the laws of a member state of the European Union and whose securities are admitted to trading on a regulated market of any member state, which after this Offering will include the Company, to apply IFRS for accounting periods commencing on or after 1 January 2005. Under this regulation, the Company chose 1 January 2005 as the transition date to IFRS and prepared its accounts in accordance with IFRS as explained in more detail in the notes to the Company's combined historical

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financial information for the years ended 31 December 2006 and 2005 beginning on page F-1 of this prospectus.

New Accounting Standards

The following new accounting standards, amendments to standards and interpretations are effective for the year ended 31 December 2006. If applicable, these standards and interpretations have been applied in preparing the Company's summary combined historical financial information for the year ended 31 December 2006.

- IAS 19 *Employee Benefits* was amended whereby the Company is now required to provide additional disclosures about trends in assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit change. This has required additional disclosure, but has not had a recognition or measurement impact.
- IAS 21 *The Effects of Changes in Foreign Exchange Rates* was amended and, as a result, all exchange differences arising from a monetary item that forms part of the Company's net investment in a foreign operation are recognised in a separate component of equity in the combined historical financial information, regardless of the currency in which the monetary item is denominated. This change has had no impact on the combined historical financial information.
- IAS 39 *Financial Instruments: Recognition and Measurement* has been amended to discuss the treatment of several different financial instruments: financial guarantee contracts, hedges of forecast intra-group transactions, and the fair value option. As the Company did not have any of these instruments, these amendments did not have any impact on the combined historical financial information.
- IFRIC 4 *Determining whether an Arrangement contains a Lease* addresses whether arrangements contain a lease to which lease accounting must be applied. This accounting policy has not had a significant impact on the combined historical financial information.
- IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* established the accounting treatment for funds established to help finance decommissioning for assets. This interpretation had the impact of reducing the trust fund values recorded in the combined balance sheet to a discounted value.
- IFRIC 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* establishes a recognition date arising from the EU Directive relating to the disposal of Waste Electrical and Electronic Equipment. There was no impact on the combined historical financial information.

Future Changes in Accounting Policies

The following new accounting standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006. They will, however, be implemented in future years. The implementation of these new standards will increase the level of disclosure provided in the footnotes to the Company's financial statements, but they are not expected to have a significant impact on the results.

- IAS 1 *Presentation of Financial Statements* has been amended to make new disclosures to enable users to evaluate the Company's objectives, policies and processes for managing capital. This is not expected to have any significant impact on the combined financial information, but will provide additional disclosure.
- IFRS 7 *Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1 required additional disclosures with respect to Company's financial instruments and share capital.
- IFRS 8 *Operating segments* requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

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- IFRIC 8 *Scope of IFRS 2 Share-based Payment* addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. It is to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. This is not expected to have a significant impact on the combined financial information.
- IFRIC 9 *Reassessment of Embedded Derivatives* requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. Early adoption of IFRIC 9 did not have any significant impact on the combined financial information.
- IFRIC 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Early adoption of IFRIC 10 is not expected to have any significant impact on the combined financial information.
- IFRIC 11 *IFRS 2: Company and Treasury shares transactions* clarifies IFRS 2 in stating whether cash-settled or equity-settled accounting treatment should be used for certain share-based arrangements. Adoption of IFRIC 11 is not expected to have any significant impact on the combined financial information.
- IFRIC 12 *Service Concession Arrangements* gives guidance on the accounting by operators for public-to-private service concession arrangements. Adoption of IFRIC 12 is not expected to have any impact on the combined financial information.

No Significant Change

Except ALD's entry into the purchase agreements described in "General Information—Material Contracts—Purchase of Land in Berlin by ALD" on page 162 of this prospectus, there has been no significant change in the financial or trading position of the Company and its subsidiaries which has occurred since 31 March 2007, the end of the last financial period for which financial information in this prospectus has been prepared.

Working Capital

In the Directors' opinion, the working capital available to the Company is sufficient for its present requirements, that is for the next 12 months following the date of this prospectus.

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BUSINESS

Company Overview

AMG Advanced Metallurgical Group N.V. is a leading global specialty materials company offering highly engineered metallurgical products and systems to a broad range of end markets. The Company utilises its proprietary know-how to supply sophisticated metals and materials through its production and sales activities in 12 countries on five continents. In addition, the Company designs, engineers and produces advanced vacuum furnace systems for growing industries globally. The Company’s metallurgical expertise has enabled it to capture leading market positions for many of its products and systems. Most of AMG’s products and systems are critical to the production of key components for the aerospace, energy, electronics, optics, chemicals, construction and transportation industries. The Company is organised into two business units: Advanced Materials and Engineering Systems.

The Advanced Materials unit, representing 82.0% of AMG’s 2006 revenue, develops and produces niche specialty metals and complex metals products, many of which are used in demanding, safety-critical, high-stress environments. The Company is one of a limited number of significant producers globally of niche specialty metals, such as ferrovanadium, ferronickel-molybdenum, ferrotitanium, aluminium master alloys and additives, silicon metal, chromium metal and magnesium alloys, used by steel, aluminium, silicones and superalloy producers for applications in the aerospace, energy, electronics, optics, chemicals, construction and transportation industries. The Company is also one of a limited number of significant producers of complex metals products that are formulated to perform critical functions in products used in the aerospace, energy, electronics, optics and chemicals industries. Examples of complex metals products produced by the Company include specialty alloys for titanium and superalloys, tantalum and niobium oxides, antimony trioxide, vanadium chemicals and metals-based powders.

The Engineering Systems unit, representing 18.0% of AMG’s 2006 revenue, designs, engineers and produces advanced vacuum furnace systems and operates vacuum heat treatment facilities. The Company sells vacuum furnace systems to customers in the aerospace, energy (including solar-photovoltaic and nuclear), transportation, electronics, superalloys and specialty steel industries. Examples of furnace systems include vacuum remelting furnaces, turbine blade coating furnaces, solar silicon melting and crystallisation furnaces and vacuum heat treatment furnace systems. The Company also provides vacuum case-hardening heat treatment services on a fee-per-part, or tolling, basis to customers through its Own & Operate Facilities equipped with AMG-designed vacuum heat treatment furnaces.

AMG operates globally with production facilities in Germany, the United Kingdom, France, the United States, Canada, Mexico, Brazil and Australia. The Company also has sales and customer service offices in Belgium, Russia, China and Japan. The Company’s total revenues in the period of 12 months ended 31 March 2007 were US\$958.9 million with EBITDA of US\$76.1 million. The Company’s customers include leading global metals producers such as Alcoa Inc., Allegheny Technologies Incorporated, Baoshan Iron and Steel Co. Ltd., Mittal Steel Company N.V. and VSMPO-AVISMA Corporation and major global manufacturers such as BASF Aktiengesellschaft, Momentive Performance Materials Inc. (formerly a subsidiary of General Electric Company) and Siemens AG.

History and Development of the Company

AMG was incorporated in the Netherlands as a public limited liability company on 21 November 2006 by Safeguard. It is comprised of a group of companies that were contributed to the Company by Safeguard in March 2007.

In March 2007, the Company organised these companies into two units, a brief history of which is set forth below. The Directors seek to ensure that the companies in these units benefit from their common ownership by sharing their expertise in the development, production and engineering of advanced materials and advanced vacuum furnace systems.

Advanced Materials Unit

The Advanced Materials unit traces its origins in the development and production of niche specialty metals and complex metals products to 1911, when GfE was founded as a producer of vanadium alloys and chemicals in Nuremberg, Germany. In 1937, GfE expanded its products and operations through its UK subsidiary, LSM. In the 1940s GfE reincorporated itself in the United States, where it operated under the name “Metallurg”. In the late 1970s, “Metallurg” expanded its operations into Brazil through the acquisition of CIF. “Metallurg” was purchased by an entity controlled by Safeguard in 1998 following

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“Metallurg’s” reorganisation pursuant to Chapter 11 of the US bankruptcy code and, under Safeguard’s ownership, it added spent catalyst and power plant residue recycling capabilities for vanadium feedstock at its facility in Cambridge, Ohio, United States.

As part of a reorganisation plan, the Metallurg holding company, Metallurg Holdings, sold its German assets, then operating as “GfE” (a producer of complex metals products), to other entities controlled by Safeguard in 2002. Following a financial restructuring of the “GfE” group, MDHC (the parent company of Metallurg Holdings) acquired the current GfE from ALD International in June 2006 in exchange for shares in MDHC. MDHC subsequently transferred GfE to Metallurg Holdings in exchange for shares in Metallurg Holdings. Metallurg Holdings is currently the sole shareholder of Metallurg, a Delaware, United States, holding company; GfE, a German holding company; and Sudamin, a Belgian holding company.

Société Industrielle et Chimique de l’Aisne (“SICA”), the predecessor company to Sudamin, was originally founded in 1925 as a producer of lead-free glazes. In 1933, it acquired Lufbéry & Chardonner, a producer of antimony trioxide, cobalt salts and tin oxide located in Chauny, France. After several changes in its ownership structure, the company was acquired by Sudamin in 1986. Sudamin used this acquisition to become a European leader in the production of antimony trioxide. An entity controlled by Safeguard acquired Sudamin in 1999 and Metallurg acquired Sudamin from Safeguard in May 2006 in exchange for shares in Metallurg.

Timminco, a producer of magnesium extrusions and fabricated products, was founded in 1934 and its shares were listed on the Toronto Stock Exchange in 1974. In 2003, an entity controlled by Safeguard made a controlling equity investment in Timminco through a voting trust agreement with Timminco’s largest shareholder. In September 2004, Timminco acquired 100% of the shares of Bécancour Silicon Inc. (“Bécancour”), one of North America’s largest producers of silicon metal and ferrosilicon based in Bécancour, Quebec, Canada, from Safeguard, which had acquired it in 1999. The Company currently has a 50.3% shareholding in Timminco, which forms part of the Advanced Materials unit. Timminco issued 11,500,000 new Timminco Shares at a price of C\$2.60 each, including Timminco Shares issued pursuant to an over-allotment option, on 30 April 2007 in a private placement. Proceeds from that issue will be used primarily to expand Timminco’s high-purity silicon facility and for general corporate purposes.

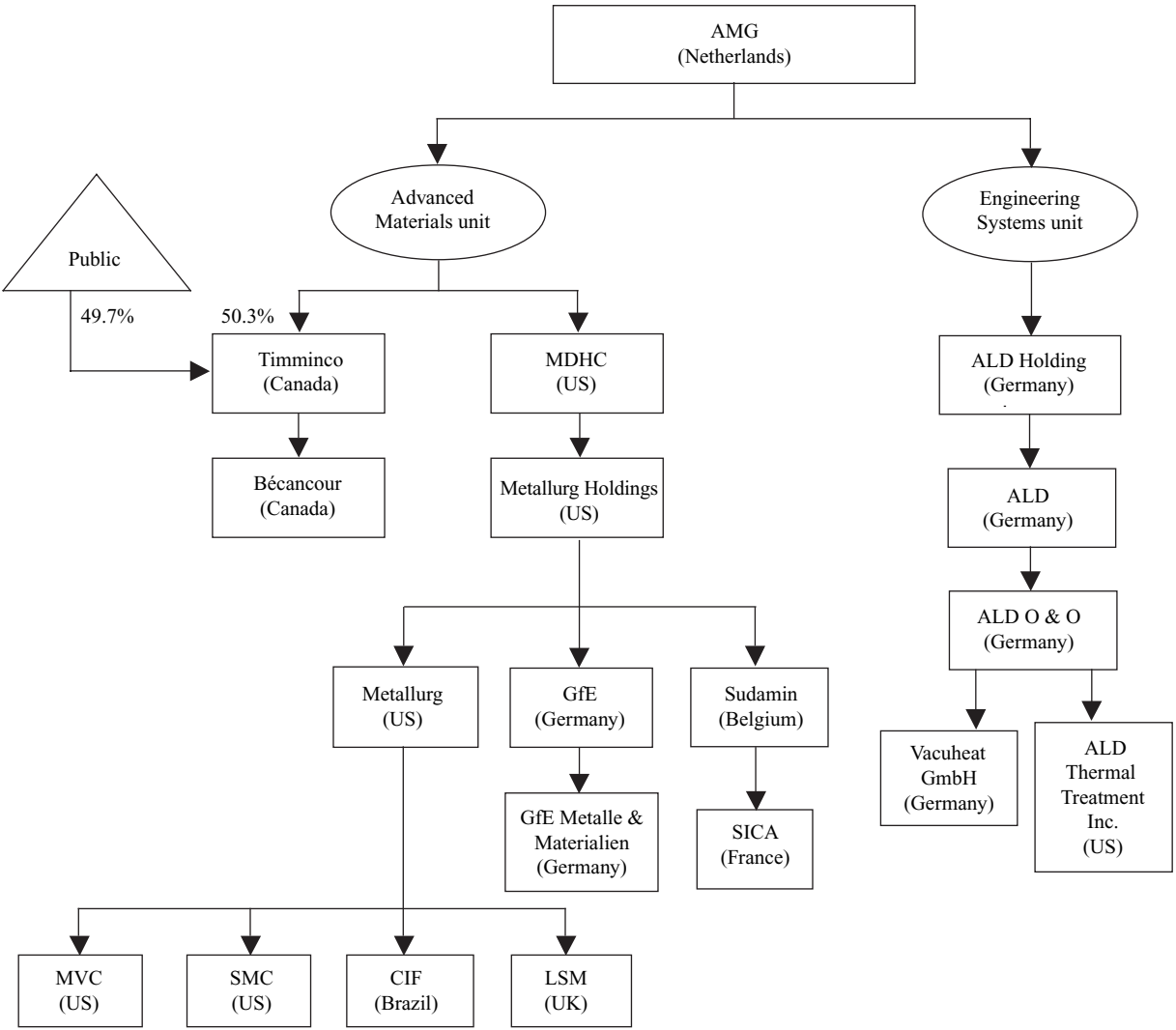
Engineering Systems Unit

The Engineering Systems unit traces its origins to the several predecessor companies of ALD founded in Germany during the mid-1800s. Following World War II, various German industrial companies combined their product and process expertise in the field of vacuum furnace metallurgy to form the immediate predecessor to ALD. In 1994, Leybold-Durferfrit, the parent organisation of these combined entities, spun out its vacuum furnace division to form ALD. An entity controlled by Safeguard acquired ALD in 1997. During Safeguard’s ownership, ALD has continued to improve upon and expand its vacuum furnace product offerings and established its Own & Operate Facilities.

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Corporate Structure

The chart below summarises the Company’s structure (excluding less significant subsidiaries) following the reorganisation that was completed on 29 March 2007. See “General Information—Subsidiaries” on page 151 of this prospectus for a complete list of the Company’s subsidiaries. See also see “General Information—Timminco Shares and Options” on page 152 of this prospectus and “General Information—Metallurg Options” on page 154 of this prospectus for details of outstanding share options whose exercise would dilute the Company’s shareholding in Timminco or Metallurg respectively.



Competitive Strengths

Leading market positions in advanced materials products. AMG has achieved leading market positions in terms of sales volumes through its focus on niche specialty metals and complex metals products where there are a limited number of significant producers globally. The Directors believe that AMG is:

- the largest producer of ferrovanadium and the second largest producer of silicon metal in North America;
- the largest global supplier of specialty alloys for titanium and superalloys;
- the largest global supplier of aluminium master alloys; and
- a leader in niche markets for vanadium chemicals, metals-based powders and coating materials.

Leading market positions in advanced vacuum furnace systems. AMG’s Engineering Systems unit has produced advanced vacuum furnace systems for nearly 100 years. The Directors believe that, in terms of revenue, AMG is one of the two largest worldwide producers of vacuum remelting systems, turbine blade coating systems and induction melting systems, which are critical to the production of key components for

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the aerospace, energy, specialty steel and titanium industries. The Directors believe that the Company is also a global leader in the design of solar silicon melting and crystallisation furnaces, as well as vacuum heat treatment systems for fuel injection and transmission components in the transportation industry.

History of innovation and development of proprietary products. AMG has a history of innovation and development of proprietary products which has allowed it to attain market leadership positions in many of its products and systems. Recent innovations include the development of titanium aluminide for turbine and aerospace applications, molten titanium silicon alloys for wear-resistant coatings and low-nitrogen vacuum-melt-grade chromium metal for superalloys used in industrial gas turbines and jet engines. The Company has developed advanced solar silicon melting and crystallisation systems and vacuum heat treatment and high-pressure gas quenching systems. The Directors believe that AMG’s combination of advanced materials production, process innovation and expertise in furnace design is unique in the market.

Strong long-term customer relationships. The Directors believe that AMG’s product quality and technical service have contributed to its long-term customer relationships, particularly with customers in the aerospace, energy, chemicals, construction and transportation industries. These relationships have also been strengthened through consultation with customers’ technical departments to develop and refine their metals products and vacuum furnace systems. Close interaction with the Company’s customers is important to industries where certain materials perform critical functions, such as turbine blade coatings for the aerospace and energy industries. The Company has co-developed products for a range of customers, which the Directors believe makes it a valued partner to such customers.

Highly efficient ferrovanadium recycling operations. AMG utilises an environmentally friendly process for the production of ferrovanadium and ferronickel-molybdenum from spent refinery catalysts and power plant residues. The Company extracts a high percentage of ferrovanadium from these spent catalysts and residues, whilst also recovering valuable ferronickel-molybdenum. This business model provides a partial hedge against fluctuations in prices of certain of the Company’s products through a variable cost structure, as raw material costs are partially indexed to the price of the end product.

Experienced management team. AMG’s senior management team is comprised of executives with extensive experience in the advanced materials and engineering systems industries, in the development of innovative materials and in identifying opportunities and acquiring businesses. Dr. Heinz Schimmelbusch, the chairman of AMG’s Management Board, has been a senior executive in the materials industry for over 30 years. Mr. Arthur Spector, the deputy chairman of the Management Board, has extensive experience in corporate finance and acquisitions. Each of the other members of the Management Board—Mr. William Levy, Mr. Eric Jackson and Dr. Reinhard Walter—has at least ten years of experience in senior management roles.

Business Strategy

Focus on niche markets. AMG seeks to grow revenue and increase profitability in its core businesses by:

- pursuing niche markets where the Company can attain leading positions;
- focusing production and sales efforts on niche specialty metals and complex metals products where the Company can differentiate its products in order to attempt to achieve higher margins; and
- working closely with customers to continually refine products and systems to meet those customers’ changing requirements.

Capitalise on favourable trends in industries with attractive growth potential. AMG focuses on developing products for fast-growing industries including:

- Energy (solar-photovoltaic)—AMG is active in the rapidly growing solar-photovoltaic segment of the energy industry through designing, engineering and producing solar silicon melting and crystallisation furnaces that make high-purity polysilicon solar wafers. The Company has also recently entered into two significant customer contracts to sell high-purity silicon or solar-grade silicon metal and the Company has recently shipped more than 20 tonnes of solar-grade silicon metal, partly to these customers and partly as samples to other potential customers. The Directors believe that the Company’s patent-pending metallurgical process for further refining the chemical-grade silicon metal it produces will enable it to produce the required higher-grade silicon cost-effectively;

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- **Aerospace**—AMG is benefiting from increases in demand in the global aerospace industry, in particular from the industry's increasing use of specialty alloys for titanium and superalloys. The Company produces proprietary titanium-aluminide alloys and other superalloys critical in the manufacture of aeroplanes and jet engines. Additionally, the Company's furnace technologies are used in the production of titanium and high-purity metals and superalloys, as well as for the coating of jet engine turbine blades. Titanium is a critical metal used in the manufacture of aeroplanes because of its light weight, which results in greater efficiency, and its importance as a fastener for composite components;
- **Energy (nuclear)**—AMG is developing sintering furnaces for the production of key components for the next generation of pebble bed nuclear reactors, which are expected to experience increased demand as an alternative to carbon-emitting power sources; and
- **Construction**—AMG is benefiting from increased consumption of ferrovanadium, which is a critical ingredient in the production of high-strength, low-alloy steel used in construction. This is being driven by growing global steel production and increased ferrovanadium content per tonne of steel, particularly in China and other emerging economies. To attempt to capitalise on this demand, the Company is in the advanced engineering planning stages of a multi-phase project that, if successfully implemented, is expected to triple its capacity to process spent refinery catalysts and thereby to increase the Company's capacity to produce ferrovanadium from approximately 4 million pounds in the year ended 31 December 2006 to 5.6 million pounds in 2009 or 2010 and subsequently to 10 million pounds by 2012, and significantly to increase the Company's capacity to produce ferronickel-molybdenum. Subject to agreeing to acceptable contract terms with the expected spent catalyst supplier, the Directors expect AMG to incur capital expenditures of approximately US\$30 million over the next three years for the initial phase of the project. The additional spent catalysts would be sourced from the anticipated major refinery capacity additions in the Canadian oil sands, where energy companies are expected to invest C\$94 billion over the period from 2006 to 2015.

Leverage metallurgical expertise to introduce new products. AMG will continue to focus on delivering innovative products to meet its customers' demands for advanced metallurgical products. For example, the Company is developing proprietary titanium-aluminide alloys that are light but strong and high-temperature-resistant for aerospace engine parts after successful application of these alloys in Formula One racing car engines. The Company is also focusing on refining its proprietary low-cost process for producing high-purity solar-grade metallurgical silicon.

Mitigate volatility in complex metals and other materials markets. AMG intends to mitigate its exposure to raw materials and product price volatility by:

- increasing its percentage of revenues derived from higher-margin processing activities;
- securing long-term raw material supply sources. For example, it owns a tantalite mine in Brazil, which, on the basis of current production levels, is expected to supply its current tantalum and niobium requirements for approximately 24 years; it has a long-term lease on a quartz mine in Quebec, Canada, used in the production of silicon metal; and it intends to renew contracts for the long-term supply of vanadium-bearing spent refinery catalysts and power plant residues as raw materials for its ferrovanadium and ferronickel-molybdenum operations in Cambridge, Ohio, United States; and
- expanding the number of its Own & Operate Facilities. Since 1999, the Company has introduced three new Own & Operate Facilities which provide vacuum case-hardening heat treatment services to customers through long-term arrangements whereby the Company processes customers' material, on a fee-per-part, or tolling, basis without taking ownership of the material. The Company is building its fourth such facility, in Mexico, to serve the North American transportation industry. These long-term arrangements are expected to generate consistent revenue independent of metal prices.

Sustain strategic growth. AMG intends to strengthen and broaden its product portfolio through selected acquisitions of companies with complementary products. For example, the Company recently acquired a company that produces rotatable targets for large area coatings. These targets are used in a wide variety of industries which the Company supplies including the energy (solar-photovoltaic), aerospace

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and transportation industries, allowing the Company to offer a more comprehensive product portfolio to its customers.

Integrate business units. The Advanced Materials and Engineering Systems units are jointly developing business opportunities. Since the formation of AMG, its senior management has been fostering closer co-operation between the Advanced Materials and Engineering Systems units to promote and increase commercialisation of products and systems. For example, the business units are jointly developing solutions for the energy (solar-photovoltaic) industry and for the production of specialty alloys for titanium and superalloys. Orders received by the Engineering Systems unit can give the Advanced Materials unit insight into supply-side trends in metals markets.

Products and Services

Advanced Materials Unit

The principal products of the Advanced Materials unit include niche specialty metals and complex metals products. The Company’s products incorporate sophisticated metallurgical formulations to enhance performance characteristics such as yield strength, ductility and corrosion and temperature resistance, which are critical in applications for the aerospace, energy, electronics, optics, chemicals, construction and transportation industries. The niche specialty metals produced by the unit include ferrovanadium, ferronickel-molybdenum, silicon metal, aluminium master alloys and additives, chromium metal, magnesium extrusions and fabricated products and ferrotitanium. Its complex metals products include tantalum and niobium oxides, antimony trioxide, vanadium chemicals and oxides, titanium, coating materials, specialty alloys and other specialty metals-based powders.

The Company works closely with many of its Advanced Materials customers through consultation with their technical departments to develop and refine its products. The Company sells its Advanced Materials products through its direct sales force to major global manufacturers such as BASF Aktiengesellschaft and Momenite Performance Materials Inc. and leading global metals producers including Alcoa Inc., Allegheny Technologies Incorporated, Mittal Steel Company N.V. and VSMPO-AVISMA Corporation.

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The table below sets forth a summary description of AMG’s principal products in the Advanced Materials unit, including the niche specialty metals and complex metals products segments.

Product	Functionality	Applications	End markets	Percent of total unit revenue ⁽¹⁾	Gross margin ⁽¹⁾
<i>Niche specialty metals</i>					
Ferrovanadium	Improves yield strength and ductility	High-strength steel, rebar and piping	Construction, energy and transportation	8.8%	US\$32.4 million ⁽²⁾
Ferronickel-molybdenum	Corrosion resistance	Stainless steel	Aerospace	2.6%	
Silicon metal	Improves conductivity, corrosion resistance and hardness	Semiconductors, fibre optic cables, solar cells, sealants, lubricants, cosmetics	Electronics, energy (solar-photovoltaic), chemicals and aluminium	11.9%	US\$0.7 million
Aluminium master alloys/ Compacted alloying products	Improves surface appearance, strength and ductility of aluminium	Aluminium billets, extrusions, sheet metal, foil, electrical cables and beverage cans	Transportation, construction, aerospace and packaging	18.3%	US\$7.6 million
Chromium metal	Improves high temperature, wear and corrosion resistance of alloys	Stainless steel, gas turbines, jet engines, pumps and pipes used in petrochemical refineries	Aerospace, energy and transportation	4.8%	US\$2.7 million
Magnesium extrusions and fabricated products	Corrosion protection, weight reduction	Water heater anodes, photo engraving, construction tools and sporting goods	Durable goods, construction, printing and leisure goods	8.6%	US\$6.1 million
Ferrotitanium	Corrosion resistance and weight reduction	Steel	Aerospace and transportation	6.1%	(US\$1.2 million)
<i>Complex metals products</i>					
Tantalum and niobium oxides	Improves conductivity, resistance to heat and corrosion in nickel and cobalt-based superalloys	Electronic capacitors in laptops, cell phones, hard cutting tools, x-rays and gas turbines	Electronics and construction	3.0%	(US\$0.1 million)
Antimony trioxide	Flame retardant	Cable housings, plastics and textiles	Electronics, building materials and transportation	7.8%	US\$12.0 million
Vanadium chemicals	Catalysts, light absorption and colouring	Glass, steel and foam	Construction, steel, transportation and consumer goods	2.0%	US\$4.7 million
Specialty alloys for titanium and superalloys, coating materials and metals-based powders	Improve strength, wear resistance, and functionality of metals	Jet engines, turbine components and specialty steel	Aerospace, energy, consumer goods and transportation	18.8%	US\$27.3 million
Other products	—	—	—	7.3%	—
Total				100%	

(1) Year ended 31 December 2006.

(2) Gross margin is given for ferrovanadium and ferronickel-molybdenum together as ferronickel-molybdenum is produced as a by-product of the production process of ferrovanadium and costs are not allocated to the individual products.

Niche Specialty Metals

Ferrovanadium and Ferronickel-Molybdenum. The Directors believe that the Company is North America’s largest producer of ferrovanadium in terms of volumes produced and sold, having sold over 1,742 tonnes in 2006. According to a study undertaken by Roskill, over 90% of vanadium consumption globally is by the steel industry. Ferrovanadium, which improves the strength and ductility of steel, is primarily used in steel for the construction and energy industries. The Company’s customers for ferrovanadium are some of the largest steel producers in the United States, including Mittal Steel Company N.V., Nucor Corporation and Steel Dynamics, Inc.

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Ferrovanadium is produced through three basic processes: primary production, co-product production and secondary production. Approximately 80% of the world's ferrovanadium is produced through co-product production from vanadium-bearing steel slag, approximately 10% is produced through primary production from vanadium-bearing iron ore; and the remainder is produced from vanadium-bearing spent refinery catalysts and power plant residues. The Company produces ferrovanadium entirely from secondary sources utilising raw materials supplies from spent refinery catalysts from the Canadian oil sands and power plant residues from power plants in Mexico and Canada that use oils from the Caribbean basin.

The Roskill study estimates that the worldwide consumption of ferrovanadium (as measured by vanadium content in ferrovanadium) was approximately 55,000 tonnes in 2006, a 40% increase since 2001. The growth in demand for ferrovanadium has been fuelled by both the increased worldwide demand for steel and the heightened demand for increased ferrovanadium content per tonne of steel. Roskill estimates that the United States currently consumes an average of 175 pounds of vanadium per tonne of steel produced. In comparison, Roskill estimates China consumed only about 45 to 55 pounds of vanadium per tonne of steel produced in 2005. The Directors expect consumption of ferrovanadium per tonne of steel in China to continue to increase. With China producing approximately 34% of the world's steel in 2006, according to the International Iron and Steel Institute, the Directors believe overall steel production need not increase in order for the ferrovanadium market to continue to expand.

As a result of increasing ferrovanadium demand and decreased production capacity since 2004 as a result of mine closures and depleted mines, ferrovanadium prices are currently above historical averages. The price per pound of ferrovanadium was US\$20.13 as at 22 June 2007, the latest practicable date before the date of this prospectus. At current prices, ferrovanadium represents a relatively small percentage of the overall cost of steel.

The Company produces ferronickel-molybdenum, like ferrovanadium, from spent refinery catalysts and power plant residues. The Company primarily sells ferronickel-molybdenum to producers of stainless steel for use in industries such as aerospace. The average prices per pound of nickel and ferromolybdenum, respectively, were US\$10.98 and US\$24.38 over the year ended 31 December 2006, as compared with US\$20.62 and US\$33.00 as at 30 March 2007. The Company typically sells its ferronickel-molybdenum at a discount to the market prices for the individual metals. The Directors believe that the current favourable market conditions are likely to continue for the foreseeable future.

Aluminium Master Alloys and Compacted Alloying Products. The Directors believe that the Company is the largest global producer by volume of aluminium master alloys and one of the largest producers of compacted alloying products. These products are used as additives by aluminium producers, such as Alcan Inc., Alcoa Inc. and Norsk Hydro ASA, to impart specific characteristics to aluminium, including improved surface quality, strength and ductility, all of which are key properties for the end products in the transportation, packaging and aerospace industries.

The demand for aluminium alloys is dependent on the overall aluminium market, which depends on demand in the transportation, packaging and construction industries. According to Roskill, the aluminium market is expected to increase from approximately 24 million tonnes in 2001 to approximately 42 million tonnes in 2008. The Directors believe that demand for products containing aluminium alloys will continue to be strong in the transportation, packaging and construction industries.

The Company sold nearly 31,800 tonnes of aluminium alloys and compacted alloying products in 2006. The Company sells these products at the LME price of aluminium plus a premium. For example, some of the most common aluminium alloys sold by the Company were priced on 31 March 2007 at premiums of approximately US\$0.75 to US\$1.10 per pound to aluminium, which had an LME price of US\$1.27 per pound at that time.

Silicon Metal. The Company operates its silicon metal business through its subsidiary Timminco, of which it owns 50.3%. The Directors believe that Timminco is one of the two largest independent producers of silicon metal in North America by volumes produced and sold. Producers in the electronics (semi-conductors), chemicals and aluminium industries are the primary consumers of silicon metal. Customers for the Company's silicon metal include Alcan Inc., Momenite Performance Materials Inc. and Wacker Chemie AG.

Silicon metal is also used to produce polysilicon for further processing into solar-photovoltaic cells. The Company has developed a proprietary production process, for which it has a patent pending, that the Directors believe will enable it to produce a cost-effective feedstock for the production of solar wafers. The

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Company has also recently entered into two significant customer contracts to sell high-purity silicon or solar-grade silicon metal. Each contract provides for the customer to purchase a minimum quantity of silicon metal during an initial five-year term. Each customer has the option to increase this quantity as the Company expands its production facilities, so that up to 9,000 tonnes of solar-grade silicon could be supplied pursuant to the two contracts during their initial terms. The Company has recently shipped more than 20 tonnes of solar-grade silicon metal, partly to these customers and partly as samples to other potential customers. The Directors believe that the Company's patent-pending metallurgical process for further refining the chemical-grade silicon metal it produces will enable it to produce the required higher-grade silicon cost-effectively. The Directors believe that the Company will be able to produce this premium-priced material at a lower cost than its competitors and that the Company's total shipments of it will reach an annual rate of 3,600 tonnes in the second quarter of 2008. The Directors expect the Company to expand its existing Bécancour facility at a cost estimated to be approximately C\$20 million (which will be funded out of the proceeds of the Timminco Share offering completed by Timminco in April 2007) in order to meet this anticipated increase in demand.

In addition, silicon metal is used in the production of aluminium alloys. Aluminium alloys containing silicon metal can be found in a variety of motor vehicle components, including cast aluminium wheels, engine pistons and housings. In finished aluminium products, silicon metal increases corrosion resistance, hardness, tensile strength and wear resistance. The Directors anticipate a continued need for lighter vehicles and thus increased use of lighter materials such as aluminium alloys containing silicon metal.

Global demand for silicon metal increased by an average of approximately 7.5% per year from 2002 to an estimated 1.5 million tonnes in 2006, according to Roskill. The Company sold approximately 50,000 tonnes of silicon metal in 2006.

Silicon metal prices have been strengthening since 2005 as a result of supply reductions from plant closures. The supply reductions, combined with the aforementioned increase in demand, have led spot prices to increase to US\$2,050 per tonne as at 22 June 2007, 31% higher than the price on 4 January 2006.

Chromium Metal. The chromium metal market is largely concentrated on the production of ferrochrome, which is typically sold to stainless steel producers. The Company produces high-purity chromium metal, which the Directors believe comprises approximately 30,000 tonnes of the approximately 5.6 million tonne annual chromium metal market. The Company sells chromium metal primarily to producers of nickel-based superalloys for use in the aerospace and energy industries. High-purity chromium metal improves the performance of metals at high temperatures and improves wear and corrosion resistance. Chromium metal prices increased by 23% between 3 January 2007 and 22 June 2007. The Directors expect demand for the Company's high-purity chromium metal to remain strong as long as demand in those industries which rely on high-purity chromium metal continues to remain strong. The Company's customers for high-purity chromium metal include Allegheny Technologies Incorporated, Carpenter Technology Corporation and Precision Castparts Corp. The Company sold approximately 5,200 tonnes of chromium metal in 2006.

Magnesium Extrusions and Fabricated Products. The Company operates its magnesium business through its subsidiary, Timminco, which manufactures value-added magnesium products used in a broad range of specialised applications where magnesium's light-weight, excellent machinability and mechanical properties make it a preferred alternative to aluminium and other materials. The magnesium market is segmented into two broad categories: specialty and commodity. The Company primarily produces specialty magnesium products which represent approximately 10% of the magnesium market. AMG's extruded and fabricated products are marketed to the water heater, construction tool, consumer product, sporting goods and luggage industries. The Company has a significant market share in many of its magnesium product areas, including, the Directors believe, a nearly 70% market share in the supply of magnesium anodes to the North American water heater industry. The Company's magnesium products are also used in the chemicals and pharmaceutical industries. The Company's customers include Kraft Tools Co., Rheem Manufacturing Company and Samsonite Corporation.

Third-Party Products. In addition to the products it manufactures, the Company also markets a limited volume of niche specialty metals products manufactured by third parties as an added service to its customers. These third-party products are offered in order to complement existing niche specialty metals product lines and provide a broader range of products to the Company's customers without requiring the

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Company to incur significant additional overheads. The Company's revenues from such third-party products are derived from three sources:

- 'back-to-back' purchases and sales which minimise price risk to the Company;
- purchases of products for the Company's own account for subsequent resale to customers; and
- agency sales for the account of third parties where the Company receives a commission but does not take title to the products.

Complex Metals Products

Tantalum and Niobium Oxides. The Company is a vertically integrated producer of tantalum and niobium oxides through its ownership of a tantalite mine in Brazil and a chemical plant that it uses to convert tantalum and niobium ores to concentrates and then oxides. The Directors believe that approximately 70% of all tantalum is used in the electronics industry as it is a reliable conductor of electricity and facilitates the production of miniaturised devices. Tantalum also increases wear resistance and is used in tools such as drill bits. Niobium oxides reduce corrosion in cobalt- and nickel-based superalloys used in the aerospace and energy industries. The Company provides tantalum oxides to customers such as Cabot Corporation, H.C. Starck GmbH & Co. KG and ThyssenKrupp AG and niobium oxides and nickel niobium alloys to Allegheny Technologies Incorporated and Carpenter Technology Corporation.

Tantalum prices were at historically low levels between 2000 and 2005, but have since risen.

Antimony Trioxide. The Company is, according to Roskill, the largest European producer of antimony trioxide, a metals-based chemical of which the primary application is as an ingredient in flame retardants. The Company produced approximately 10,800 tonnes of antimony trioxide in 2006. Approximately 90% of the Company's sales of antimony trioxide are for flame retardant applications in plastics used in a variety of industries, including the construction (roofing films, pipes and foamed plastics for insulation and wall and floor coverings), transportation (equipment and fittings for aircraft, ships, motor vehicles and railway carriages) and electronics (cable housings and components for television sets and other appliances and equipment) industries. The Company's customers for antimony trioxide include BASF Aktiengesellschaft, Bayer AG, Nexans S.A. and Pirelli & C. S.p.A. Antimony trioxide's most basic form is powder, which represents approximately 40% of the Company's antimony trioxide sales, and AMG also sells value-added forms such as pastes, pellets and masterbatches.

Vanadium Chemicals. The Company develops, produces and sells vanadium chemicals as well as organic and inorganic vanadium compounds. Vanadium plays an important role in a wide variety of applications such as catalysts, light absorption, colouration, and corrosion protection. End use markets for vanadium chemicals include the plastics, glass, electronics and food industries.

The Directors estimate that the combined annual market volume of normal and high-grade vanadium chemicals and vanadium oxides was more than US\$100 million in 2006. The Company's market share in this diverse segment varies between products, but is estimated by the Directors to be up to 25% for certain products.

Specialty Alloys, Metals-Based Powders and Coating Materials. The Company is a participant in specialised markets globally, such as coating materials for wear resistance, specialty alloys for the titanium and steel industries (vanadium aluminium, molybdenum aluminium and multinary alloys) and other metals-based powders. The Company supplies these products to a large customer base including Carl Zeiss AG, Titanium Metals Corporation and VSMPO-AVISMA Corporation.

The coating materials products primarily centre around the physical vapour deposition process. The coating materials are developed, produced and sold in four main market segments: large area coating, wear resistance, electronics and optics. These products are primarily used as solar absorbers in the electronics industry, as colour layers in the optics industry and as thermal insulation in the glass industry. Examples of products in the coating materials product category include titanium aluminide targets, silver targets, tantalum oxide and vanadium ingots.

The Company is also a leading supplier of specialty alloys to the titanium industry (supplying, for example, vanadium aluminium, molybdenum aluminium and multinary alloys) and the steel and superalloy industries (supplying, for example, nickel-niobium and ferroniobium). On the basis of technological expertise in aluminothermic reduction and powder metallurgy, the Company develops, produces and sells

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a wide range of master alloys primarily for the aerospace (for example, turbine components), energy (for example, tubes for offshore oil and gas drilling and transportation), transportation (for example, car bodies) and consumer goods (for example, climbing equipment) industries. Examples of products include vanadium aluminium, hydro-alloy C5, ferrovanadium, and titanium aluminide. The Directors estimate that the combined annual market volume for specialty alloys for the titanium, superalloys and steel industries is US\$50 to US\$60 million.

The Company is also a significant supplier of a variety of industrial powders. These powders are developed for the chemicals, medical implant and contact materials industries. The Company develops, produces and sells powders for the following applications: powders for magnets (for example, cobalt aluminium), chromium powders for contact materials, aluminium powders for paints and medical implant powders (for example, titanium powders). The Company has established an important role in this market, due to its customer-oriented product development. The Company's customers range from global conglomerates to specialised local companies.

Engineering Systems Unit

The Engineering Systems unit's principal products and services include vacuum furnace systems and operating facilities providing vacuum furnace services for the treatment of sophisticated industrial materials. The Engineering Systems unit designs, engineers and produces vacuum furnace systems for metallurgical applications including remelting, solar silicon melting and crystallisation, vacuum heat treatment and high-pressure gas quenching, primary induction melting, precision casting, turbine blade coating and sintering applications. The unit also designs, engineers and produces vacuum furnace systems for heat treatment applications, including vacuum heat treatment and high-pressure gas quenching systems and sintering furnaces. In addition, the Company provides vacuum case-hardening heat treatment and other services through Own & Operate Facilities which utilise AMG-designed vacuum heat treatment furnaces.

Products in the Engineering Systems unit use advanced vacuum technologies which the Company's customers require in a wide variety of industries, including aerospace, energy (including solar-photovoltaic and nuclear), transportation, electronics, superalloys and specialty steel, for the production of many end products. As at 31 March 2007 the Engineering Systems unit had approximately 100 sales employees and project managers. Given the complexity of the Company's vacuum furnace systems and the need to work in close co-operation with customers' technical staff, many of the unit's sales employees have a technical engineering background. The Company's sales force is supported by selected resellers and agents in certain emerging markets.

In 2006, the Engineering Systems unit sold its products and services to approximately 100 customers including major aerospace companies such as Chromalloy Gas Turbine Corporation, General Electric Company, Rolls-Royce Group plc and Safran SA and leading industrial companies such as Baoshan Iron and Steel Co. Ltd., Bayerische Motoren Werke AG, Renewable Energy Corporation ASA, Siemens AG and ThyssenKrupp AG. The Engineering Systems unit had an order backlog of approximately US\$294.0 million as at 30 April 2007, having risen from US\$48.0 million as at 31 December 2005 to US\$104.3 million as at 31 December 2006 and to US\$204.1 million as at 31 March 2007. The Engineering Systems unit also provides maintenance and repair services and spare parts to its customers. The Engineering Systems unit derived approximately 10% of its 2006 revenues from these services and sales of spare parts. The Company also performs a number of short-time-frame engineering services at customer locations.

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The table below sets forth a summary description of AMG’s principal products in the Engineering Systems unit.

Furnace type	Specific product	Applications	End markets	Percent of total unit revenue ⁽¹⁾
Remelting	Vacuum arc remelting furnaces	Tool steels, titanium ingots and superalloy ingots	Aerospace, titanium, energy, transportation and medical	39.5%
	Electro slag remelting furnaces			
Vacuum heat treatment and high-pressure gas quenching ⁽²⁾	Vacuum case-hardening furnaces	Gears, diesel fuel injectors, engine components and tools	Transportation, aerospace and tooling	22.9%
	Plasma carburising furnaces			
Solar silicon melting and crystallisation	Silicon melting and crystallisation furnaces	Solar wafers	Energy (solar-photovoltaic)	11.5%
Vacuum induction melting	Vacuum induction degassing and pouring furnaces	Ingots and electrodes Steel and rods	Aerospace, transportation and chemical	9.7%
Vacuum precision casting	Precision casting furnaces for equiax casting and directional solidification casting	Turbine blades, golf club heads, medical implants and engine components	Aerospace, leisure, medical and energy	6.2%
Turbine blade coating	Electron beam physical vapour deposition furnaces	Turbine blades	Aerospace and energy	5.2%
Sintering	Vacuum sintering furnaces	Tools, magnets and nuclear fuels	Tooling, metals and energy (nuclear)	5.0%
	High-pressure sintering furnaces			
Total				100%

(1) Year ended 31 December 2006.

(2) Includes service revenues.

Remelting Systems. The Directors believe that the Engineering Systems unit is, in terms of revenue, one of the largest designers, engineers and producers of vacuum remelting furnaces in the world. Advanced vacuum remelting systems such as vacuum arc remelting and electro slag remelting systems are used to improve the purity and refine the structure of melted ingots. Remelted steels, superalloys and titanium alloys are used in a large number of high-integrity applications where cleanliness, homogeneity, and improved fatigue and fracture toughness of the final product are essential properties for the aerospace, energy (including nuclear), and medical industries. The Engineering Systems unit produces vacuum arc remelting furnaces with melt capacity ranging in size up to 30 tonnes. These furnace systems vary in price from US\$600,000 to US\$20 million.

The Directors estimate that in 2006 the worldwide market for remelting furnaces was approximately US\$100 million in aggregate and that the Company had a market share of approximately 55%. The demand for remelting furnaces has been growing, driven by increasing demand for highly refined specialty steel and titanium used in aerospace applications and construction in emerging markets. The Company’s customers include Allegheny Technologies Incorporated, Baoshan Iron and Steel Co. Ltd., Daido Steel Co., Ltd., Siemens AG and ThyssenKrupp AG.

Vacuum Heat Treatment and High-Pressure Gas Quenching Systems. The Directors believe that the Engineering Systems unit is one of the largest designers, engineers and producers of vacuum case-hardening heat treatment furnace systems. Vacuum case-hardening heat treatment is the process whereby a metal workpiece is exposed to a series of timed temperature treatment sequences that change its quality or structure. Vacuum case-hardening heat treatment processes are essential to reduce distortion and increase durability without increasing brittleness for materials that are used in high-stress applications and environments, such as aerospace engines, automotive fuel injectors or high-performance automotive

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gears. The Company produces two types of furnaces: modultherm, multi-unit systems and stand-alone double-chamber systems. These furnace systems vary in price from US\$800,000 to US\$4 million.

The Directors estimate that the worldwide market for vacuum case-hardening heat treatment furnaces is approximately US\$40 million and the Company had a market share of approximately 40% in 2006. The Directors believe that demand for vacuum case-hardening heat treatment furnaces is growing steadily as a result of continued demand for high-performance metal components for high-stress applications and environments. The majority of the Company's vacuum case-hardening heat treatment furnaces are used in the aerospace and transportation industries. The Company's customers for vacuum case-hardening heat treatment furnaces include Bayerische Motoren Werke AG, General Motors Corporation, Getrag AG and Siemens AG.

The Company primarily sells its vacuum heat treatment systems to OEM customers. In addition, the Company pursues a strategy to provide vacuum case-hardening heat treatment services through its three Own & Operate Facilities in Germany and the United States. The Company developed the Own & Operate Facility strategy in the late 1990s to reduce earnings volatility by increasing its service revenue and to access OEM's growing demand for outsourced services to reduce their capital costs. The Company is building a fourth such Own & Operate Facility, which is expected to be operational by the end of 2008 in Mexico, to serve the North American transportation industry. The Company provides services from these facilities under long-term arrangements and is paid on fee-per-part unit basis, which does not require it to take ownership of the metals treated in the furnace systems, thereby minimising working capital requirements for these operations.

Solar Silicon Melting and Crystallisation Systems. The Company designs, engineers and produces advanced silicon melting and multicrystalline furnace systems for the solar-photovoltaic segment of the energy industry. These furnaces were originally developed by the Company in the late 1990s and the Company continues to refine the technology. The silicon melting and crystallisation furnaces are used by solar-photovoltaic producers to melt silicon feedstock and grow multicrystalline solar ingots, which are used to create solar silicon wafers, a key component in the production of solar panels. The Directors believe that multicrystalline solar wafer producers using the Engineering Systems unit's furnaces have achieved industry-leading commercial sunlight-to-electricity conversion ratios. These furnace systems vary in price from US\$800,000 to US\$4 million.

The Directors believe that the worldwide market for silicon melting furnaces was approximately US\$80 million in 2006 and that the Engineering Systems unit had a market share of approximately 25%. The Company's customers include Renewable Energy Corporation ASA and Deutsche Solar AG.

Induction Melting Systems. The Company designs, engineers, and produces vacuum induction melting furnaces used in the refinement, treatment and adjustment of the chemical composition of metals. The vacuum melting process is essential to achieve increased end-user quality demands and decreased energy consumption and raw materials required to make finished products. For example, vacuum induction melting is a key process in the production of special high-purity alloys used in the electronics, medical, precious metal and aerospace industries. The Company produces vacuum induction melting furnaces with a melt capacity of up to 30 tonnes. These furnace systems vary in price from US\$2 million to US\$10 million.

The Directors estimate that the worldwide market for vacuum induction melting furnaces was approximately US\$40 million and the Company captured approximately 40% of that market in 2006. The demand for primary melting furnaces has been growing steadily, driven by demand for electronics, precious metals and aerospace products. The Company's customers include Baoshan Iron and Steel Co. Ltd., Böhler Uddeholm AG, Sumitomo Electric Industries, Ltd. and ThyssenKrupp AG.

Vacuum Precision Casting Systems. The Company designs, engineers and produces vacuum precision casting furnaces primarily used to cast nickel- and titanium-based superalloys for turbine blades and vanes for the aerospace jet engine and gas turbine industries. The precision casting process involves induction melting and directionally, or equiaxed, casting into a mould. In addition to aerospace and energy applications, the vacuum precision casting process is also used for the production of titanium golf club heads, automotive engine parts, medical implants and chemicals industry components. The Engineering Systems unit produces two types of precision casting furnaces: (i) equiax, or uncontrolled casting; and (ii) directional solidification casting. These furnace systems vary in price from US\$1 million to US\$4 million. The Directors believe AMG supplied 40% of the market for vacuum precision casting furnaces in 2006.

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Turbine Blade Coating Systems. The Company designs, engineers and produces electron beam physical vapour deposition furnaces for manufacturers of aerospace engines and gas turbines. The electron beam physical vapour deposition process utilises a focused, high-powered electron beam, which melts and evaporates metals and ceramics, depositing them onto specific areas of turbine blades. These systems are used to apply a ceramic coating which serves as a thermal barrier. These coatings enable gas and jet engine turbines to operate at higher operating temperatures, which increases efficiency. This proprietary technology offers multiple loading stations, enabling customers to coat several turbine blades simultaneously. The market generally averages one furnace delivery per year at a price between US\$10 million and US\$25 million.

The demand for electron beam physical vapour deposition furnaces is driven by the needs of the major aerospace engine manufacturers such as General Electric Company, Honeywell Inc., Rolls Royce Group plc and Safran SA and Chromalloy Gas Turbine Corporation and other gas turbine manufacturers for the energy industry. Although the number of customers for this market is limited, the overall demand has been increasing as global demand for new commercial and military aircraft engines and repair and overhaul of existing gas and jet engines has increased.

Sintering Systems. The Company designs, engineers and produces high-pressure vacuum sintering furnace systems. Sintering is the thermal treatment of a powder or compact at a temperature below the melting point of the main constituent, for the purpose of increasing its strength by bonding together of the particles. AMG’s vacuum sintering processes are essential for the production of hard metal tools used in heavy construction and mining and of rare earth magnets used in the electronic components of motor vehicles such as speakers, automatic windows and ignitions. The market for high-pressure vacuum sintering furnaces is highly fragmented and the Directors estimate that the worldwide market for those systems is approximately US\$40 million per annum, and that AMG has a market share of approximately 15%.

Facilities

Advanced Materials Unit

The Company operates globally with production facilities in Germany, the United Kingdom, France, the United States, Canada, Mexico, Brazil and Australia. The Company’s manufacturing processes involve melting, refining, casting, crushing, sizing, blending and packaging operations, which vary from product to product.

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The table below sets forth the location and approximate size of the Advanced Material unit’s production facilities and the key products manufactured at each facility as at 31 March 2007. The Company owns all of the production facilities listed below, unless otherwise indicated.

Location	Size (m²)	Products/Use
Aurora, Colorado, United States ⁽¹⁾ .	10,661	Magnesium extrusions and fabricated products
Baulkham Hills, Australia ⁽¹⁾	1,274	Magnesium extrusions and fabricated products
Bécancour, Quebec, Canada	242,811	Silicon metal
Cambridge, Ohio, United States . . .	1,057,452	Ferrovanadium, vanadium chemicals, ferronickel-molybdenum
Chauny, France	32,157	Antimony trioxide
Haley, Ontario, Canada	27,127	Magnesium extrusions and fabricated products
Holyhead, United Kingdom	32,683	Aluminium powder
Laval, France	371,065	Antimony trioxide
Minworth, United Kingdom ⁽¹⁾	1,486	Aluminium powder
Nazareno, Brazil	1,865,801	Tantalite mine
Newfield, New Jersey, United States	273,972	Non-operational
Nuevo Laredo, Mexico ⁽¹⁾	3,200	Magnesium extrusions and fabricated products
Nuremberg, Germany	85,264	Vanadium chemicals, specialty alloys and other specialty metals-based powders
Rotherham, United Kingdom	213,399	Aluminium master alloys and compacted alloying products, chromium metal and ferrotitanium
Sao Joao del Rei, Brazil	364,217	Aluminium master alloys and compacted alloying products, niobium oxide, tantalum oxide

(1) Leased properties

Niche Specialty Metals

Ferrovanadium and Ferronickel-Molybdenum. The Company manufactures ferrovanadium and ferronickel-molybdenum at its facility in Cambridge, Ohio, United States. It produces them from vanadium-bearing spent refinery catalysts purchased from refineries in the Canadian oil sands and ashes and residues purchased from power plants in Mexico and Canada which burn fuel oil from the Caribbean basin. These raw materials also contain nickel and molybdenum, which the Company also extracts and sells. The Company roasts spent refinery catalysts and melts them together with power plant residues and ashes to produce ferrovanadium and ferronickel-molybdenum. Reductants are added in the melting process to refine the chemistry of the production batch. The batch is poured into casting moulds to form ingots, which are cooled and then crushed, sized, blended and packaged. The Company has capacity to produce approximately 4.0 million pounds of ferrovanadium per annum, measured by vanadium content, and produced near to its capacity in 2006.

The Company obtains a majority of the spent refinery catalysts and power plant residues used at its Cambridge, Ohio, United States facility, from a limited number of sources. The Company has multi-year contracts with two of its suppliers of these raw materials, with different pricing mechanisms. One contract is for a fixed price for the term; the other requires the supplier to pay the Company a processing fee and the Company to pay the supplier a percentage of the sales price the Company receives and the market price for the vanadium and nickel and molybdenum content of the raw materials. These contracts expire in 2008, but the Directors intend to enter into replacement long-term contracts before their expiry.

The Company intends to expand its ferrovanadium and ferronickel-molybdenum production in line with the expected oil industry expansion in the Canadian oil sands. The Directors believe that with successful execution of the Company’s operation plans it can double its production of ferrovanadium utilising the increased supply of spent catalysts that are expected to be available from expansion by oil production companies in the Canadian oil sands.

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Aluminium Master Alloys and Compacted Alloying Products. The Company produces aluminium master alloys and compacted alloying products at its facilities in Rotherham, United Kingdom, and Sao Joao del Rei, Brazil. In general, the manufacture of aluminium master alloys involves melting aluminium and other additives to impart the alloys with certain properties. The master alloys are continually cast and rolled in solid rod form for delivery to the customer. The Company also manufactures compacted alloying products (briquettes and tablets), which involves the grinding and blending of raw materials, the compression of these materials into a compacted form and packaging for delivery to the customer.

The Company's aluminium processing plants in the United Kingdom and Brazil buy approximately 35,000 tonnes of primary aluminium per year from producers worldwide. In the United Kingdom, the Company typically enters into annual contracts with aluminium suppliers that obligate the suppliers to deliver a minimum quantity of aluminium. At the facility in Brazil, the Company purchases aluminium in the Brazilian market from a variety of suppliers, on the basis of the Company's monthly production requirements. The purchase price for aluminium under the Company's contracts is dependent on the LME's price of aluminium.

Important alloying chemicals for the Company's aluminium master alloys and compacted products include other raw materials such as strontium, boron, titanium, manganese and chromium powder, which are purchased as required from producers or traders.

Silicon Metal. The Company produces silicon metal at Timminco's Bécancour, Quebec, Canada facility. The Bécancour facility, which commenced operations in 1976, is the newest greenfield facility for the production of silicon metal in North America. The Directors expect the Company to expand the existing facility at an estimated cost of approximately C\$20 million (which will be funded out of the proceeds of the Timminco Share offering completed by Timminco in April 2007) in order to meet anticipated increases in demand for solar-grade silicon metal by increasing its production capacity for it from approximately 300 tonnes per year to approximately 3,600 tonnes per year.

Silicon metal is manufactured by smelting quartz with coal and woodchips. The computer-controlled mixture is fed into an electric arc furnace by automatic conveyors. The molten silicon metal is periodically tapped out of the furnaces into ladles, where it is refined by injecting oxygen, other gas mixtures or other ingredients to meet specific customer requirements. The resulting by-products are silica fumes and dross. The Company sells the silica fumes to the concrete industry and the dross to the steel industry. The commercialisation of these by-products minimises waste and produces additional income streams to the Company. The Company currently has the capacity to produce approximately 50,000 tonnes of silicon metal per year and it produced near to its capacity in 2006. The Company leases a mine near Bécancour, Quebec, Canada which, on the basis of production levels in 2006, provides this facility with a secure feedstock for approximately 50% of its quartz requirements.

Magnesium Extrusions and Fabricated Products. The Company produces magnesium extrusions and fabricated products at the facilities of Timminco, which is partially owned through AMG's 50.3% shareholding. At its Haley, Ontario, Canada, facility, the Company upgrades, purifies and converts magnesium ingots into extrusion billets and rolling slabs. The ingots are purchased primarily from suppliers in China at market prices. The billets are then sent to the Company's facility in Aurora Colorado, United States, where they are extruded. Additionally, the Aurora facility is equipped with extensive fabrication equipment. The Company's Nuevo Laredo, Mexico, and Baulkham Hills, Australia, facilities receive extruded magnesium from the Aurora facility for the fabrication and assembly of anodes for manufacturers of water heaters. The Company has three extrusion presses ranging in size from 450 to 3,800 tonnes.

Complex Metals Products

Tantalum and Niobium Oxides. The Company produces tantalum and niobium oxides at its facility in Sao Joao del Rei, Brazil. The raw materials for the Company's tantalum and niobium oxide products are sourced primarily from its own tantalite mine in Nazareno, Brazil. A recent geological survey by Fernando R.M. Pires shows the mine is, on the basis of the Company's current annual production levels, expected to supply the Company's requirements for approximately 24 years. The Company depends on third parties for certain other raw material supplies. After the tantalite ore is mined and concentrated it is transported to the Company's chemical plant in Sao Joao del Rei, Brazil. The production of tantalum and niobium oxides involves separating the tantalum from niobium by mixing the ore, which contains both tantalum and niobium, with acids at high temperatures. The heating and the acid mixture creates a slurry, which is

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filtered via solvent extraction to produce a highly purified tantalum or niobium solution. The tantalum and niobium, once in separate solutions, are then converted into oxides.

Antimony Trioxide. The Company produces antimony trioxide at its facilities in Chauny and Laval, France. The Company purchases its main raw material, antimony metal, primarily from suppliers in China at market prices. Antimony trioxide is obtained from the oxidation of antimony metal in a furnace. The resulting powder is either sold or further processed to produce antimony trioxide in specialty forms such as pastes, pellets and masterbatches. Antimony trioxide in powder form has been classified as a possible carcinogen by the European Commission, as have masterbatches and other non-powder forms containing more than 0.1% of antimony trioxide. See “Business—Environmental and Other Regulatory Matters” on page 85 of this prospectus and “Risk Factors” on page 12 of this prospectus.

Vanadium Chemicals. At its Nuremberg, Germany, facility and to a lesser extent at its Cambridge, Ohio, United States, facility, the Company produces high-grade vanadium chemical products by processing vanadium-bearing residues. The Company purchases power plant residues from an Italian supplier as well as Chinese suppliers for its raw materials at its Nuremberg, Germany, facility. It utilises both internal processes and contracts with industrial fee-per-part, or tolling, processors to produce high-quality vanadium chemicals.

Coating Materials, Specialty Alloys for Titanium and Superalloys and Metals-Based Powders. The Company produces coating materials, specialty alloys for titanium and superalloys and metals-based powders at its facility in Nuremberg, Germany. It also produces aluminium powders at its facilities in Holyhead and Minworth, United Kingdom.

The Company uses several processes such as hydrating, compaction and leaching to produce a number of coating materials. These technologies are proprietary due to the high level of management control of the batch sizes, special production formulas and exacting specifications of the production process. Approximately half of these processes are performed by the Company and the balance is subcontracted.

The Company develops and produces a wide range of master alloys utilising internally developed technological expertise in aluminothermic reduction, vacuum melting and powder metallurgy. These reactive and refractory metals are produced with unique properties such as high purity and intermetallic phases such as aluminide.

The Company produces its metals-based powders with proprietary and highly controlled processes using such technologies as milling, sintering, bindering and cold isostatic pressing. Aluminium powders are produced using an atomisation process. In this process, molten aluminium is forced through a nozzle at moderate pressure. An inert gas or air is introduced to the molten aluminium just before it exits the process. As the molten aluminium exits the process it solidifies as a powder.

Engineering Systems Unit

The Company operates one furnace production facility in Hanau, Germany. The Company also has three Own & Operate Facilities, one of which is in Germany and two of which are in the United States.

The table below sets forth the location and approximate size of the Engineering Systems unit’s production and Own & Operate Facilities and key products and services produced at each facility. AMG leases the facilities in Hanau, Germany, and Port Huron, Michigan, United States, and owns those in Limbach-Oberfrohna, Germany and Columbia, South Carolina, United States.

Location	Size (m²)	Systems/Use
Coahuila, Mexico	8,837	Own & Operate Facility for vacuum heat treatment (under construction)
Columbia, South Carolina, United States . .	3,006	Own & Operate Facility for vacuum heat treatment of fuel injector parts, gears and aerospace components
Hanau, Germany ⁽¹⁾	14,166	Vacuum and remelting, vacuum induction melting, electron beam melting, precision casting, vacuum heat treatment, sintering furnaces



Location	Size (m²)	Systems/Use
Limbach-Oberfrohna, Germany	8,367	Own & Operate Facility for vacuum heat treatment of fuel injector parts
Port Huron, Michigan, United States ⁽¹⁾ . . .	5,419	Own & Operate Facility for vacuum heat treatment of gears

(1) Leased properties

Vacuum Furnace Production Facility. AMG engineers, designs and produces its vacuum furnace systems at its Hanau, Germany, facility. The facility consists of office space and light industrial buildings. Whilst AMG outsources the majority of the manufacturing of its furnace system components to three primary suppliers, it manufactures certain critical metal components, including induction coils.

The Engineering Systems unit works closely with potential customers to provide them with the most appropriate solution for their needs. AMG engineers typically meet with customers to assess the production issue they are attempting to resolve and propose the optimal system for their needs. These solutions can range from standardised products to customised solutions for individual customer requirements. AMG offers a wide range of functions, capabilities and capacities within each furnace type. The primary differences between each furnace include size, alternative loading and disbursement methods, cycle time and certain electronic features.

Own & Operate Facilities. AMG currently has three Own & Operate Facilities in Limbach-Oberfrohna, Germany; Port Huron, Michigan, United States; and Columbia, South Carolina, United States. Through these facilities, AMG provides vacuum case-hardening heat treatment and high-pressure gas quenching services to the transportation, aerospace and tooling industries in the European and North American markets. AMG owns and operates internally produced equipment including ten double-chamber vacuum heat treatment systems and ten modultherm systems at these facilities. In addition to furnaces it has designed and produced itself, AMG also owns and operates third-party tempering, cleaning and laboratory equipment used to provide contract services to its customers. These facilities operate under long-term contracts and spot market contracts with customers. Currently, approximately 75% of the capacity of these facilities is used to provide services under long-term contracts with such customers as General Motors Corporation and Siemens AG. The Company is able to provide services to other customers with any remaining capacity.

Employees

As at 31 March 2007, the Company employed approximately 1,785 people worldwide, of whom approximately 33% were represented by trade unions. The Company’s relationships with its employees’ trade unions are managed at the local level and, other than one strike in 2004 at its facility in Cambridge, Ohio, United States, the Company has not experienced significant work stoppages. The Company has recently renewed a three-year contract with employees at its Cambridge facility, which is the second agreement negotiated with their trade union since the strike in 2004. The relationships with trade unions are now considered by the Directors to be satisfactory. None of the Company’s major agreements covering its employees expire before 1 January 2008.

Competition

The Directors believe that AMG is the only company that combines metallurgical engineering technology design and production with a diverse array of niche specialty and complex metals products.

Advanced Materials Unit

The Company competes in a number of segments within the advanced materials industry. In general, the competition and price trends for the Company’s products are considered global, whilst in certain cases regional trends persist. Competition is primarily based on price, quality and timely delivery. Although the Company faces competition in each of its markets, the Directors do not believe that any single business or company competes in all of its products or markets.



Niche Specialty Metals

Ferrovandium. The Company’s ferrovandium customers are almost entirely in North America because of the geographic location of the Company’s production facility. According to Roskill, North American ferrovandium producers only supply approximately 50% of the ferrovandium requirements of the United States, owing to capacity constraints. The Company’s competitors with North American production facilities include Gulf Chemical and Metallurgical Corporation (part of Eramet S.A.) and Strategic Minerals Corporation (part of Evraz Group S.A.). Ferrovandium is also exported to North America by OAO Vanadium Tula, Triebacher Industries AG, Xstrata AG and certain other producers. Customers who buy the Company’s ferrovandium have in the past used substitute products, such as niobium, although such products have different properties and cannot be substituted for ferrovandium on an equivalent basis.

Silicon Metal. The Company competes primarily on the basis of price, product quality and service. In the markets for silicon metal, the Company competes with producers from Europe, the United States and Brazil, including Elkem ASA, Fesil ASA, Globe Specialty Metals, Inc., Simcala, Inc., Ferroatlantica S.L. and Companhia Brasileira Carbureto de Calcio.

Aluminium Master Alloys and Compacted Alloying Products. Competition in the markets for aluminium master alloys and compacted alloying products is global, because of the relatively small number of master alloy and alloying tablet manufacturers and the worldwide operations of producers in the aluminium industry. In most markets, the Company faces competition to varying degrees from KBM Affilips B.V., KBAlloys, Inc. (and its UK subsidiary, Anglo Blackwells, Ltd.), Aleastur (Asturiana de Aleaciones, S.A.), Eramet S.A. and Hoesch-Metallurgie GmbH. Competition from low-cost producers has in the past pushed prices down and could do so again in the future.

Magnesium Extrusions. The Directors believe that the Company is, by volume, the largest producer in the world of extruded and fabricated magnesium products, the bulk of which it sells in North America. The Directors believe there are approximately ten extruders of magnesium in the world, including more than five in China, which the Directors believe are the Company’s most significant competitors. The Directors believe that these competitors are considerably smaller than the Company and focus on a limited range of products sold to specific geographic areas of the world. However, competition from low-cost producers has in the past pushed prices down and could do so again in the future. The Company also faces additional competition from other light metal producers, primarily aluminium fabricators.

Chromium Metal. The Company competes primarily on the basis of price and product quality. In the chromium metal market the Company competes globally with Delachaux S.A. and certain Chinese and Russian producers.

Complex Metals Products

Antimony Trioxide. The Company competes primarily on a regional basis on price and product quality and range of product offerings (powders, pastes, pellets and masterbatches). The Company’s largest European competitors are Campine S.A. and the Penox Group. Other competition comes from Mexican, Belgian and Chinese producers, although Chinese producers currently mainly produce standard antimony trioxide in powder form.

Tantalum and Niobium Oxides. There are a limited number of significant producers of tantalum concentrate and oxides in the world. The Directors believe that the Company benefits from its low-cost and relatively stable mining operations. The largest producer of tantalum ore is Sons of Gwalia Ltd., in Australia, which the Directors estimate produces approximately 30% of the world’s tantalum on an annual basis. For niobium oxides, the Directors estimate that one company, Companhia Brasileira de Metalurgia e Mineraçao in Brazil, produces approximately 80% of the world’s niobium on an annual basis.

Specialty Alloys, Metals-Based Powders and Coating Materials. The Company competes globally on the basis of price and its ability to deliver performance-improving materials. The Directors believe that the Company is one of few suppliers certified to provide certain products, including some high-performance aerospace and energy materials, to certain customers. The Company’s competitors vary depending on the specific product, and the Directors believe that no single competitor produces all of the products the Company produces. The most significant competitors include Reading Alloys, Inc. and H.C. Starck GmbH & Co. KG for specialty alloys for titanium and superalloys, Heraeus Quarzglas GmbH & Co KG,





Plansee Holding Aktiengesellschaft, Sulzer Ltd and Umicore S.A. for coating materials and Shinko Electric Industries Co., Ltd. for metals-based powders.

Engineering Systems Unit

The Directors believe that the Company is the only company that combines vacuum metallurgy and vacuum heat treatment furnaces in its product offering. The Engineering Systems unit competes globally with a small number of other producers of furnace systems on the basis of price, technical specification and timing of delivery. The vacuum furnace systems sold by the Engineering Systems unit tend to be large capital equipment products that are sold in small quantities but on a value-added basis. The competitors tend to be small, specialised producers of specific furnace systems and include Consarc Corporation, ECM S.A., Inteco Special Melting Technologies GmbH and Metall Technologie Holding GmbH. Competition with the service business of the Own & Operate Facilities is based primarily on technical specifications and price. The Company's Own & Operate Facility business competes against Bodycote plc, a large number of small commercial heat treaters and OEMs' internal production capabilities.

Legal and Arbitration Proceedings

The Company is involved in a number of legal proceedings and disputes relating to its operations. The legal and financial liability in respect of all legal proceedings in which the Company (which term includes the Company's subsidiaries throughout this section) is involved at any given time cannot be estimated with any certainty. The Directors believe that none of the proceedings may have or have in the 12 months before the date of this prospectus had a significant effect on the Company or the Company's financial position or profitability. In the ordinary course of business, the Company may become involved in litigation arising from claims against the Company or by the Company against others.

The Directors are not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) that may have or have in the 12 months before the date of this prospectus had a significant effect on the Company or the Company's financial position or profitability.

Environmental and Other Regulatory Matters

General Overview

The Company's production facilities in Germany, the United Kingdom, France, the United States, Canada, Mexico, Brazil and Australia are extensively regulated at both the national and local levels. Federal, national, regional, state and local authorities in the EU and North America regulate a variety of matters, including employee health and safety; permitting and licensing requirements; environmental impact assessment, planning and development; and environmental compliance (including, for example, compliance with the regulatory regimes governing waste and wastewater treatment and disposal; waste transportation; emissions and discharges; protection of species and habitats; decommissioning, reclamation and restoration of properties used for mining or other activities; surface subsidence from underground mining and the effects that mining and other activities have on surface and/or groundwater quality and availability).

Activities and operations involved in the production of niche specialty metals and complex metals products generate hazardous and non-hazardous wastes, effluent and emissions (including air and water pollutants), require waste transportation and treatment, and have other environmental impacts which require various environment-related permits and approvals to be held or received. Licences may also be required for the abstraction of the relevant natural resources and, in certain situations and at certain locations, claims may also be brought by public trustees for damage to natural resources. Such permits and licences are subject, in certain situations or on the occurrence of certain events, to modification or addition of conditions (including monitoring, upgrading, improvement, decommissioning and aftercare requirements), or revocation by issuing authorities. The carrying out of such activities and operations is also subject to various restrictions and other requirements under environmental, health and safety laws. Violations of health and safety laws relating to one of the Company's facilities, or a failure to comply with the instructions of relevant health and safety authorities, may result in the temporary or permanent shutdown of one of the Company's facilities, as well as the imposition of fines, penalties or corrective procedures.



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A summary of the principal environmental issues affecting the Company's facilities is set forth in the following section. The Directors are not aware of any material environmental issues affecting the Company's facilities that are not discussed there. However, the Company has other operating facilities, including in Australia and Mexico, where environmental assessments have not been undertaken and which are therefore not described below. There is a potential risk that the Company could be held liable for environmental issues relating to its activities, or those of its predecessors, at those sites and its other sites where assessments have been made but may not have uncovered all relevant environmental liabilities.

The Company may also be subject to export control arrangements because it produces a number of products which could be used in the manufacture of weapons, delivery systems (such as aerospace engines) and nuclear reactors. The export of some of these products, such as vacuum furnaces, is controlled by arrangements imposed by international bodies such as the United Nations and the EU and by the laws of individual countries. Export control arrangements generally prohibit the export of products which could be employed in the manufacture of weapons unless authorised by a licence. This limits the potential markets to which the Company can supply such products and imposes regulatory costs and delay associated with the licence applications in relation to certain markets. In the past certain specific licence applications made by the Company have been refused and it is possible that future applications could also be refused. The Directors believe that the Company has always complied with the relevant requirements, but there can be no assurance that it has not inadvertently breached them, in which case it could be exposed to civil or criminal sanctions, damage to its reputation and increased difficulty in securing appropriate export licences in future. Extensions of the scope of such controls could further limit the sale of the Company's products or the markets which are open to the Company.

Moreover, antimony trioxide in powder form has been classified by the European Commission as a possible carcinogen, as have masterbatches and other non-powder forms containing more than 0.1% of antimony trioxide. The risks presented by antimony trioxide to human health and the environment are undergoing extensive further assessment by the European Commission, which may affect its current classification. An unfavourable conclusion of the antimony trioxide assessment or any potential litigation arising from the Company's products, whether in connection with the assessment or not, could cause the Company to incur mandatory costs.

Specific Environmental Matters

Germany

The Company's facility in Nuremberg, Germany, has been in use for industrial production since 1870. As a consequence, the Company faces certain environmental clean-up issues, largely relating to treatment of soil and groundwater. No comprehensive environmental investigation of the Nuremberg facility has been carried out and previous environmental site investigations have been limited in nature. Therefore the extent of the potential environmental liabilities, if any, arising from site activities cannot be accurately determined and there can be no assurance that the costs of meeting such liabilities in the future will not be material to the Company or adversely affect its operations.

In co-operation with the Nuremberg water management agency (*Wasserwirtschaftsamt der Stadt Nürnberg*) and the Nuremberg environmental agency (*Umweltamt der Stadt Nürnberg*), the facility's groundwater has been monitored since 1989. In 2002, a soil examination was carried out in accordance with the German Federal Soil Protection Act and Ordinance. Soil and groundwater in large areas of the facility have increased concentrations of heavy metals, arsenic, sulphate, fluoride, ammonia, polyaromatic hydrocarbons and chlorinated hydrocarbons. The authorities believe that the Company should conduct a comprehensive review of historic operations at the facility, prepare a risk plan and propose a remediation plan to be undertaken with respect to groundwater contamination. Moreover, the sewer system at the Nuremberg facility is currently being refurbished in order to avoid leakage and thereby to reduce migration of such pollutants into groundwater. The authorities have not yet imposed any requirement for remediation but if the planned reduction in contamination of the groundwater is not accomplished by refurbishment of the sewer system, treatment of the groundwater may be required to avoid contamination beyond the site boundaries. It has not been determined whether the groundwater contamination at this site has migrated off site, although government authorities believe that the ammonia groundwater contamination may have migrated to an adjacent site. If migration of such groundwater contamination has occurred, it could increase the remediation costs and the Company could also be required to clean up neighbouring property affected by such contamination. In addition, the Company could be exposed to claims for damage to property and personal injury allegedly resulting from such migration.

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In addition, the Company's facility in Hanau, Germany, has been determined by the Hanau construction supervision and environmental agency (*Bauaufsichts- und Umweltamt der Stadt Hanau*) and the Hessen state environmental and geological agency (*Hessisches Landesamt für Umwelt und Geologie*) to be a potentially contaminated area under the German Federal Soil Protection Act. This means that the Company may be required by the government to conduct an investigation to assess whether the facility is actually contaminated. If contamination is detected at the facility, the government could require the Company to undertake preventive and remediation measures. In accordance with German soil protection law, the Company would most likely have to bear the costs for such measures.

United Kingdom

LSM has historically carried out waste disposal activities, including the landfill of radioactive and other hazardous wastes, at its production facility at Rotherham, United Kingdom. This facility has been in operation for over 50 years and there is a history of previous industrial activity. Environmental investigations at the site have revealed relatively low concentrations of metals, organic and inorganic compounds, and significant hydrocarbon contamination, in the soils beneath the site. The report of a recent environmental assessment carried out by third-party consultants states that it is possible that such contamination may pose a significant risk to groundwater or surface water and that further investigation and monitoring of water impacts could involve expenditure estimated at US\$180,000. No comprehensive environmental investigation of the site has been carried out and previous environmental site investigations have been limited in nature. Therefore the extent of the potential liabilities, if any, arising from contamination, historic waste disposal and other activities cannot be accurately determined and there can be no assurance that the costs of meeting such liabilities in the future will not be material to the Company or adversely affect its operations.

The aforementioned environmental assessment report also states that the Rotherham site may be subject to certain regulations on accidents and hazardous substances with which the site does not currently comply. The report estimates that the potential costs of compliance with such regulations and additional compliance costs range from US\$460,000 to over US\$2 million over a five-year period.

France

In France the Company is subject to increasingly strict and constantly changing environmental, health and safety regulations and laws. These laws and regulations impose strict environmental protection standards, especially for atmospheric emissions, releases of wastewater, and the use, handling, storage and elimination of raw materials or waste, asbestos, and the environmental remediation of industrial sites. French environmental law contains a clean-up obligation when a facility is shut down. The last operator of the facility is liable in the first instance for the clean-up of pollution and restoration of the site to protect the environment and public health and to enable safe future use of the site. France has a policy of systematic registration and treatment of polluted sites, under which operators of prescribed facilities are obliged to carry out analyses of and, if necessary, clean up those facilities. The Company's factory at Laval is on this list. The government may also require the buyer of an industrial facility to conduct an investigation of potential contamination and to remediate any such contamination. This requirement could apply to the Company's acquisition of the factory at Laval. However, the government has not issued any such investigation or clean-up order to the Company with respect to either facility. No comprehensive environmental investigation of the Company's two facilities in France has been carried out and previous environmental site investigations have been limited in nature. Therefore the extent of the potential environmental liabilities, if any, arising from site activities or the cost of meeting the clean-up obligations when the facilities are shut down cannot be accurately determined and there can be no assurance that the costs of meeting such liabilities in the future will not be material to the Company or adversely affect its operations. The Company's two facilities in France are regulated by the competent French authorities, the local Prefect and the Regional Directorate of Industry, Research and the Environment (*Direction Régionale de l'Industrie, de la Recherche et de l'Environnement*).

The Company could also be liable for contamination at the factories while they are in operation, particularly if the site presents a threat to the surrounding population, workers in the plant or the environment, and the competent authorities could require clean-up of such contamination. There could also be potential additional clean-up expense when the plant is closed. The Company would most likely have to bear the costs for such measures.

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The Company's factory at Laval, France, has been operated since 1898. The facility has been used to manufacture products from antimony since 1908. There is also a former mine at the facility which has not been used since 1934. The site's previous owner was required by an order of 18 January 2005 to secure and monitor this former mine and the Company also has obligations to provide information on the condition and use of the site of the former mine and has been ordered to register the orders at the mortgage office. Between 1999 and 2001, a previous owner constructed a containment system for a slag pile (measuring approximately 100,000m³ in volume with a surface area of approximately 10,000m²) which contains antimony scoria, iron, arsenic, lead and zinc. The Company's operating permit requires it to monitor wastewater associated with the slag pile and groundwater. According to an environmental report in May 2007 the Company has never sent to the authorities the results of the groundwater quality monitoring. If the results of monitoring exceed certain levels, the Company could be required by the government to investigate and remediate such contamination. The area of the slag pile is also subject to a land use restriction which prohibits the Company from engaging in any activities in that area and requires the Company to inform any future buyer of the site of the restriction.

A June 2007 environmental report on the Company's facility at Chauny, France, found significant non-compliance with regulations (in particular in respect of air emissions, storage of waste, treatment of wastewater and the dismantling of classified installations). The government has also issued the Company an order requiring the correction of air emission violations. The Company has not yet undertaken correction of any of these violations. The estimated cost of curing these violations is EUR 334,499, exclusive of any fines or penalties which the government may seek as a result of such violations. In addition, the environmental report revealed the presence of soil and groundwater contamination which would indicate the need for further investigation of the nature and extent of such contamination. The estimated cost of remediating such contamination is approximately EUR 621,616, but this amount could change based on the results of such investigation.

United States

The Company has, on occasion, paid fines or penalties for exceeding emission limitations in its permits or for other non-compliance with applicable regulations. The Company is currently faced with a number of environmental issues relating to environmental clean-up requirements, largely resulting from historical solid and hazardous waste handling and disposal practices at its facilities. No comprehensive environmental investigation of each of the Company's facilities in the United States has been carried out to determine whether all potential liabilities or clean-up requirements for historical hazardous substances or waste handling and disposal practices have been identified. Therefore the extent of the potential environmental liabilities, if any, arising from site activities or the cost of meeting the clean-up obligations when the facilities are shut down cannot be accurately determined and there can be no assurance that the costs of meeting such liabilities in the future will not be material to the Company or adversely affect its operations.

Cambridge, Ohio

Metallurg is addressing certain environmental conditions at the Company's plant in Cambridge, Ohio, United States, pursuant to a 1997 judicial consent order entered into by Metallurg's subsidiary Shieldalloy Metallurgical Corporation ("SMC") with the State of Ohio and Cyprus Foote Mineral Company, the former owner of the Cambridge site, in which the latter and SMC agreed to conduct various remediation and decommissioning activities at the site, for which SMC remains obligated. Remediation of the Cambridge site was initially subject to the jurisdiction of the NRC with respect to the decommissioning of two on-site slag piles that contain low-level radioactive materials. However, the NRC delegated its regulatory authority over the site to the Ohio Department of Health ("ODH") in August 1999 and that body, in conjunction with the Ohio Environmental Protection Agency (the "OEPA"), maintains regulatory authority. SMC finalised remediation plans with respect to these areas with the OEPA and ODH during 2003 and commenced work in accordance with those plans. Significant remediation activities involving the removal of contaminated sediments, the capping of both slag piles and restoration and creation of wetland habitats occurred between 2004 and 2006. As at 1 June 2007, the estimated costs for completing the remediation activities required by the 1997 judicial consent order are US\$500,000. The consent order includes a clause whereby the State may order additional investigation and remediation of this site. The Directors expect SMC to spend substantially all the amount reserved for outstanding liabilities over the next four years, with substantially all future expenditures to be paid out of a trust fund and an annuity which have a combined current value of US\$2.4 million. The NRC may require radiological waste to be

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managed for up to 1,000 years. The Company has a 1,000-year operations and maintenance plan for the two slag piles at the Cambridge site, which is being overseen by the ODH pursuant to the delegation described above. Based on the estimated cost of meeting this obligation, the Company has established a reserve of US\$2.7 million to fund this obligation. Groundwater at this site may be contaminated with vanadium. None of the preceding cost figures includes the cost of investigating and (if required) remediating such vanadium contamination.

Newfield, New Jersey

SMC's Newfield, New Jersey, United States, site formerly housed a specialty plant where chromium alloy and other materials were produced. Past disposal practices included the release of process wastewater directly to an unlined lagoon, causing groundwater contamination. This resulted in extensive chromium contamination in an area that is dependent upon groundwater for drinking supplies. In 1970, SMC replaced the unlined lagoon with a series of lined surface reservoirs to treat the chromium-contaminated wastewater. In 1979, SMC constructed a plant for the treatment of chromium-contaminated groundwater. Since 1979, the plant has treated contaminated groundwater before its discharge into a tributary of a local river. In 1984, the site was included by the USEPA on the United States National Priorities List, requiring its clean-up as a "Superfund" site. Also in 1984, SMC and the New Jersey Department of Environmental Protection ("NJDEP") entered into an Administrative Consent Order ("ACO") requiring SMC to prepare a study of the site's groundwater contamination and to develop systems to address the groundwater contamination plume. During this study, in addition to chromium, volatile organic compound contamination was detected in groundwater underneath and off-site of the Newfield facility. In 1986, the NJDEP directed SMC to improve its groundwater decontamination system by modifying and upgrading it and expanding the groundwater monitoring programme. In 1988, the NJDEP and SMC signed a second ACO, which required SMC to implement an upgraded groundwater pump-and-treat system, to perform a site-wide study, and to provide for investigation and remediation of nine surface reservoirs. The initial pump-and-treat system was designed to pump and treat approximately 300 litres of contaminated groundwater per minute. In 1989, SMC built a new ion-exchange treatment facility designed to pump and treat approximately 1,500 litres of contaminated groundwater per minute. However, technical problems with the ion exchanger prevented the facility from operating at that capacity. In 1992, SMC installed an electrochemical treatment unit, which is effectively treating the groundwater contamination.

In September 1996, the USEPA, in consultation with the NJDEP, issued a Superfund Record of Decision which required modification of the existing groundwater remediation system to provide for the complete capture and treatment of groundwater contamination, the installation of an air stripper to remove volatile organic compounds, and the incorporation of the electrochemical unit into the remedy to remove metals. These requirements were subsequently implemented by SMC. Furthermore, local residences with private wells for drinking water have been connected to the municipal water supply. The September 1996 Record of Decision also required delineation of the full extent of chromium and volatile organic compound contamination in various environmental media. The delineation work is currently being conducted as part of remedial design activities being addressed in a third ACO, dated February 2006, between SMC and the NJDEP, as described further below.

In April 1996, under NJDEP oversight, SMC also performed a study to determine the extent of soil and sediment contamination at the site. Specifically, SMC prepared a draft feasibility study to address the soil, sediment and surface water contamination at the site. Several alternatives for addressing the soil, sediment and surface water contamination were presented in the study. However, the feasibility study was not acceptable to the USEPA and NJDEP and, as part of the February 2006 ACO, SMC is currently collecting additional data to define fully areas of the site where the soil is contaminated with a mixture of contaminants and to further characterise soil, sediment and surface water contamination. Following the completion of this work, a supplemental feasibility study will need to be prepared to address this contamination.

In March 1997, in resolution of their consolidated Chapter 11 bankruptcies under US bankruptcy law, SMC and Metallurg entered into a settlement agreement with the USEPA and the NJDEP. This settlement resolved all of the USEPA's and NJDEP's claims for prepetition (i.e., before 2 September 1993) and postpetition (i.e., on and after 2 September 1993) clean-up costs as to SMC pertaining to the Newfield Site. The governments' post-confirmation environmental claims were not settled or released as to SMC, but this exception applied only to SMC. The United States and NJDEP expressly consented in this settlement agreement to granting Metallurg a full discharge from liability pursuant to Section 1141(d) of the Bankruptcy Code but not to SMC. The March 1997 settlement agreement also required closure of the

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wastewater lagoons, the decontamination of groundwater, soil remediation, surface water and sediment clean-up, wetlands restoration and related operation and maintenance activities, all to be completed by SMC. In 1998, SMC removed and disposed of the contaminated chromium sludge from the lined surface impoundments. The wastewater lagoon closure and a number of other tasks have been completed and, as at 31 March 2007, SMC's two remaining primary obligations in respect of the Newfield site were the decontamination of the groundwater and the decommissioning of a low-level radioactive slag pile, to be discussed further below.

In January 2006, SMC entered into a fixed-price remediation contract with TRC, whereby TRC assumed primary responsibility for all non-radiological environmental clean-up liability at the Newfield facility, with certain exceptions for the contaminant perchlorate, as well as natural resources damages (if any), except to the extent caused by the acts or omissions of TRC and except that TRC also assumed liability to implement, operate and maintain the natural resource restoration plan at the site. This agreement was approved by the NJDEP in the February 2006 ACO and received final approval by the USEPA in March 2006. Under the terms of this agreement, SMC is required to make payments totalling US\$16.9 million over a two-year period, with US\$14.8 million of that amount paid on 12 April 2006 when the agreement became effective and the remainder due in 2007 and 2008.

Perchlorate has been detected in the groundwater at the Newfield facility since 2004. The February 2006 ACO requires the Company to conduct an investigation into the extent of perchlorate contamination and to address any such contamination in a feasibility study, remedial design and remedial action report. This investigation has not been completed. Although the February 2006 ACO required SMC to establish a trust of US\$0.6 million for this investigation, this figure does not necessarily represent the cost of the investigation, nor does it include the cost of any remediation. Depending on the results of the investigation, the NJDEP may require remediation of perchlorate, which could result in the Company incurring additional costs for such remediation. As noted above, this aspect of the obligations delineated in the February 2006 ACO is not included in the fixed-price remediation contract with TRC.

The operations SMC previously conducted at the Newfield site also involved the processing of an ore containing naturally-occurring uranium and thorium. This process created a slag pile on the site containing low-level radioactive waste materials. SMC's responsibilities to address the radioactive waste materials at the site are under the regulatory jurisdiction of the NRC. After SMC ceased processing this ore in 1998, it notified the NRC, as required under its radioactive materials licence, and drew up a decommissioning plan. The initial decommissioning plan for the slag pile was filed with the NRC in August 2002. This plan called for regrading and capping of the slag pile and adopting "institutional controls" to ensure that the slag pile would not be disturbed through future use of the site. In early 2003, the NRC determined that this submission was not sufficient for technical review and stated that SMC had not demonstrated that its plan to transfer long-term control to the state or local government was feasible. In addition, the NRC required SMC to solicit public input through periodic meetings with an advisory board before resubmitting the decommissioning plan.

Subsequently, the NRC suggested that SMC evaluate altering its approach to target issuance of a new type of NRC licence, called a Long-Term Control licence. Under this licence, SMC would retain primary responsibility for implementation of the decommissioning plan and for maintenance of any controls, such as cover material or access limitations, necessary to protect public health and safety, whilst the NRC would retain oversight and enforcement responsibility, including licence renewal reviews every five years. In October 2005, SMC submitted a revised decommissioning plan, supplemented in June 2006, (again proposing regrading and capping of the slag pile) and this revision was accepted for technical and safety review by the NRC in November 2006. In connection with the NRC's technical and safety review of SMC's decommissioning plan, an environmental impact statement pursuant to the US National Environmental Policy Act will be prepared by the NRC, and will include an examination of alternatives to the proposed decommissioning plan which must be considered. The costs of the NRC technical and environmental review of SMC's decommissioning plan (including the environmental impact statement) are chargeable to SMC. The amount of these charges will depend on the extent of the review.

The primary alternative to the proposed decommissioning plan for the Newfield facility would be excavation and off-site disposal of the contents of the slag pile. On the basis of the preliminary evaluations completed to date, the Directors believe that the off-site disposal alternatives could cost up to US\$63 million (compared with US\$9 million for the regrading and capping proposed in the decommissioning plan) and would cause greater environmental damage owing to the various activities associated with the removal of the pile and the proposed transportation of the slag to Utah, United States.

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The NRC's review of the decommissioning plan entails both internal reviews by the agency staff and potential formal public hearings.

Other parties, including government officials from the State of New Jersey, have expressed opposition to and have challenged the adequacy of SMC's decommissioning plan. Several entities, including the NJDEP, local government and private citizens petitioned the NRC to intervene in opposition to the decommissioning plan. The NJDEP's petition alleges, among other things, that the radioactive materials at the Newfield site have caused or will cause radioactive contamination of the groundwater; the Company disputes this allegation. Only the NJDEP's petition has been granted and a hearing on it is pending. If the opposition to the proposed decommissioning plan is successful, the estimated costs of decommissioning the Newfield facility under its NRC licence could increase significantly, up to the US\$63 million estimated cost of the off-site disposal alternatives.

In July 2005, the Company received a letter from the NJDEP asserting that SMC was required to obtain a licence under the NJDEP's radioactive materials regulations. The Directors believe that the slag is regulated by the NRC and therefore objected to the State's assertion of jurisdiction. The State has not renewed that assertion.

At 31 March 2007, liabilities, net of the trust fund, of US\$4.9 million were outstanding for the estimated future costs associated with the decommissioning of NRC-regulated materials at the Newfield site. A trust fund valued at approximately US\$2.1 million has been established with the NRC as beneficiary and a US\$4.25 million letter of credit has been established in favour of the NJDEP, the NRC, the USEPA and the United States Department of Interior. The Directors expect SMC to spend the amount reserved over the next six to eight years, subject to the NRC's approval of the proposed decommissioning plan.

There can be no assurance that the Company will not incur additional expenses related to the environmental conditions at the Cambridge and Newfield sites for one or more of the following reasons: the sites have not been completely investigated to determine whether additional environmental conditions resulting from historic practices could result in potential liability or require remediation; investigations of the extent of contamination which are being required by the government have not been completed; current estimated costs for investigation and remediation could change; regulatory agencies could require additional or more expensive investigation, remediation and oversight or regulatory agencies could bring cost recovery claims for governmental investigation and remediation costs (in either case including claims for natural resource damages); third parties could assert claims for injury or damage allegedly resulting from contamination at or migrating from the sites; and TRC could default under its fixed-price remediation contract, leaving the Company responsible for the costs of any such contract work not performed or covered by insurance. Additionally, other environmental issues and claims unrelated to the specific environmental conditions at the sites could arise, including claims that the Company has liability for environmental clean-up costs elsewhere based on charges that it was a generator of materials disposed of at other locations. From time to time the Company receives information requests or claims of liability with respect to alleged such disposal at other locations, but the Company does not believe that any such claims currently pending or threatened are material.

Canada

In accordance with applicable local law, the Company filed a mines closure plan with the Ontario Ministry of Northern Development and Mines (the "OMNDM") with respect to its Haley, Ontario, Canada, facility (to cover the eventuality that this facility should be closed), together with appropriate financial assurance covering its obligations pursuant to the plan. In the event that the mine is closed, the Company would be required to perform the work outlined in the closure plan. The Company was required to provide financial assurance covering the costs of active closure of C\$1.7 million through an initial payment of C\$336,540 and payments of C\$269,232 per year over a period of four years (the Company has paid the initial payment and the first two years' payments). The schedule for mine closure consists of 45 years of progressive rehabilitation followed by five years of active closure and a ten-year post-closure period. The closure plan and supporting financial assurance reflect only anticipated active closure costs and do not reflect the cost of all future expenditures that might be required for long-term monitoring. In the event that the actual closure costs exceed the amount of the financial assurance, the Company would be responsible for such excess costs.

Further, testing performed by the Ministry of the Environment (Ontario) found allegedly toxic levels of contaminants in fish in the water body receiving discharges from the Haley facility. Treating of effluent from the facility's discharge point into this water body resulted in some seasonal exceedences of permitted

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discharge limits. At the request of the Ministry, the Company improved its treatment of effluent discharges from the facility. Subsequent to these improvements, monthly monitoring of the facility's discharges demonstrated compliance with the permitted effluent limits for 12 consecutive months. However, the possibility of environmental impacts from these operations remains a potential risk and additional upgrades to the treatment of these effluents could be required.

A Certificate of Authorization for the Management of Residual Non-Hazardous Inorganic Materials was obtained from the Ministry of the Environment (Quebec) in 2002 with respect to the Company's former operating facility at Beauharnois, Quebec, Canada. This certificate requires the Company to investigate the site to identify potential environmental issues, to conduct soil and water sampling if warranted, and to propose a restoration plan, including remediation of contamination, if appropriate. The Company has prepared such a restoration plan, which has been approved by the Ministry of the Environment (Quebec). Between 1950 and 1989, Timminco produced silicone and magnesium alloy products by fusion of raw materials. The land on which this was done was filled (in some cases backfilled) by inorganic residues and raw materials. About 100,000 cubic metres were stocked in piles, and about 150,000 cubic metres were used at the surface as backfill, creating a layer approximately one metre thick across one third of the site. During the rehabilitation efforts, some of the backfill areas were or are being removed and placed into stockpiles, and the stockpiles were or are being shaped, sloped, planted with vegetation and managed. Pursuant to the restoration plan, the plant installations were demolished. The restoration plan also included soil and groundwater investigation, closure of ponds, elimination of dry residual materials present on the site, removal of backfill and stockpiles, shaping, covering and sowing to control drainage slopes for existing material piles. The restoration plan requires an annual environmental follow-up programme for groundwater to measure the impact of the work commencing in the tenth year after the work began. The cost to complete the work has been estimated at approximately C\$1.7 million spread over the 10-year period covered by the plan. This cost estimate does not include the cost of groundwater monitoring required after the completion of the 10-year restoration plan or the cost of any additional clean-up that may be shown to be required by such monitoring.

The Company received a Provisional Certificate of Approval from the Ministry of the Environment (Ontario) to cover over a contaminated soil pile located at the Company's former adhesives facility at North York, Ontario, Canada, and authorisation for other treatment of soil and groundwater. During the mid-1990s a groundwater pump-and-treat system was constructed and continues to be operated on a portion of the site. Financial assurance to operate this system pursuant to the Certificate of Approval was initially set at C\$230,000 and has subsequently been revised downward. In 2003 the Ministry of the Environment (Ontario) expressed renewed interest in this site, including in respect of the effectiveness of the current groundwater treatment system, the extent of the plume and the status of financial assurance at the site. A hydrogeologic investigation conducted in February 2005 identified environmental risks associated with potential source areas at the site arising out of historical operations which had not been addressed by prior remedial activities. Contaminated ground water may have migrated off the site via a permeable soil layer. However, groundwater contamination has not been fully delineated nor have source areas and exposure pathways been fully identified. The results of this investigation have been provided to the Ministry of the Environment (Ontario), which has not yet responded as to whether such investigation is complete or requires any remediation in addition to the pump-and-treat system currently operating. There is an additional deepwater aquifer at this site which is not being treated by the pump-and-treat system and which has not been included in any environmental investigations.

For facilities at which Canadian law requires the investigation and remediation of potential environmental matters (at the time of closure of the facilities), the Canadian government must approve the remediation or closure plan. However, when financial assurance for such closure is required, the government does not evaluate the adequacy of the cost estimate for such financial assurance. Completion of such closure to the government's satisfaction does not immunise the Company from potential third-party claims asserting liability for injury or damage allegedly resulting from contamination at or migrating from such facilities. The Company may be required to close other existing or former facilities in Canada.

The Company's Bécancour facility is a silicon metal and ferrosilicon foundry. Silica fume historically disposed of at or near the foundry site is being recovered for sale to third parties. Although the disposal areas are monitored for certain constituents in groundwater, there is some potential for unknown contamination from historic disposal of silica fume and other materials.

A property formerly operated by Timminco at Westmeath, Ontario, Canada, was sold in February 2007 to a buyer which had the ability to conduct Phase I and Phase II environmental due

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diligence and which accepted the property for purchase in its existing condition without requiring environmental indemnities from the Company. The Directors do not know whether the buyer conducted such due diligence or the results of any such due diligence. Under Canadian law the Company, as the former owner and operator of the site, retains liability for third-party claims based on off-site contamination caused by historical industrial use.

Brazil

The Company's chemical production process generates insoluble solid fluoride waste resulting from leaching procedures. This waste is classified as a Class 1 hazardous waste due to its acidity and the presence of certain low-level radioactive elements.

The *Fundação Estadual de Meio Ambiente* ("FEAM")—the Brazilian environmental protection agency—authorised the Company to store this waste at the Sao Joao del Rei facility on a temporary basis. The Company and FEAM are negotiating the final off-site disposal of this waste. The Directors believe that the Company will be allowed a three-year period of time in which to dispose of this waste which would start from the date that the negotiated agreement for Class 1 off-site disposal is signed. The Company is exploring various options to dispose of this waste including selling it to third parties to be converted into raw material, converting it into Class 2 waste (which poses less of a threat to the environment due to less acidity) and then disposing of it at an off-site disposal site, or off-site disposal without such conversion. The conversion of Class 1 waste into Class 2 waste, if feasible, would reduce the costs of off-site disposal.

Since August 2003 the Company has converted newly generated Class 1 waste into Class 2 waste by using an existing treatment facility at Sao Joao del Rei which neutralises the acid in the Class 1 waste. However, even the resulting Class 2 waste product would still need to be subject to special disposal requirements due to the fact that it would remain subject to some water leaching. The Class 2 waste generated by current facility operations is disposed of off-site at a disposal facility capable of preventing water leachate from entering the environment.

If the conversion of the existing stockpile of Class 1 waste to Class 2 waste at the Company's facility is feasible (which depends on its treatment facility capacity) and approved by FEAM, the Company estimates that the cost of disposing of that stockpile in this fashion would be US\$0.5 million. The Company is pursuing this approach as the lowest cost option. As a result, if this option is not feasible and approved, the cost of off-site disposal without such conversion would be US\$1.0 million.

CIF has three administrative proceedings registered before the FEAM, which result from alleged non-compliance with applicable operating or installation permits or other legal requirements. These alleged violations are being vigorously defended but final decisions (or appeals) have not been reached and the Company faces the possibility of penalties being imposed. Two of these alleged violations involve failure to restore a former mining area. The Company transferred this mining area to a third party pursuant to a contract whereby the third party agreed to be responsible for such restoration. As a result the Company believes that it is not responsible for such restoration. However, the public prosecutor is entitled as a matter of law to bring a civil action against the Company for such restoration and reimbursement of losses caused by the Company's actions and may do so even if the Company succeeds in the administrative proceeding on this matter. The Company could be held liable in such civil action regardless of the contract with the third party. The Company believes that it has cured the third of these alleged violations but has not received any agreement from the FEAM that such cure is complete. The Company has not estimated the cost of compliance or the amount of its potential liability in the event that any of these proceedings result in an adverse decision and there can be no assurance that such costs or liability will not be material.

A Phase I environmental assessment of the Company's tantalite mine in Nazareno in early 2007 identified an oil leak from equipment, which has since been resolved by eliminating the use of the oil. Although the assessment concluded that the leak could have affected soil or groundwater, the Directors believe that the risk to the environment was limited by the small amount of oil that leaked and the fact that the equipment was seated on an impermeable structure. Consequently, the Company has not conducted any investigation of the potential effect on soil and groundwater.

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MANAGEMENT AND CORPORATE GOVERNANCE

General

Set out below is a summary of relevant information concerning the Company’s Management Board and Supervisory Board and a summary of relevant provisions of the Articles of Association. As it is a summary, it does not contain all of the information that is in the Articles of Association and is qualified in its entirety by reference to the full text of the Articles of Association, the Dutch original and English translation of which are incorporated in this prospectus by reference and may be found at www.amg-nv.com. To the extent that there are any inconsistencies between the Dutch and English versions of the Articles of Association, the Dutch text prevails.

Management Structure

The Company has a voluntary two-tier board structure consisting of a Management Board (*Directie*) and a Supervisory Board (*Raad van Commissarissen*).

Management Board

Powers, Composition and Functioning

At the Company’s incorporation, Dr. Heinz Schimmelbusch and Mr. Arthur Spector were appointed as members of the Management Board. Mr. William Levy, Mr. Eric Jackson and Dr. Reinhard Walter were appointed to the Management Board with effect from 1 April 2007. Ms. Amy Ard was also appointed as an interim member of the Management Board with effect from 1 April 2007 and resigned on 24 April 2007.

The Management Board is responsible for the Company’s day-to-day management. The Management Board is required to keep the Supervisory Board informed, consult with the Supervisory Board on important matters and submit certain important decisions to the Supervisory Board for its approval, as described below. See “Management and Corporate Governance—Supervisory Board” on page 97 of this prospectus.

The Management Board may perform all acts necessary or useful for achieving the Company’s corporate purpose subject to the restrictions set by law and the Articles of Association. The Management Board as a whole is authorised to bind the Company to third parties, as are two members of the Management Board acting jointly, as well as the chairman of the Management Board acting individually. In any transaction or legal proceedings between the Company and a member of the Management Board acting in his personal capacity, the Company must be represented by two other members of the Management Board acting jointly or by a member of the Supervisory Board designated by the Supervisory Board.

The Articles of Association provide that the number of members of the Management Board shall be determined by the Supervisory Board. The members of the Management Board are appointed by the General Meeting. The General Meeting appoints from a nomination of at least the number of persons prescribed by Dutch law (currently two) made by the Supervisory Board. The nomination is binding, meaning that the General Meeting may only appoint one of the nominated persons, unless the General Meeting rejects the nomination by an absolute majority (more than 50% of the votes cast) representing at least one third of the issued share capital. If the Supervisory Board has not made a nomination, the appointment of the members of the Management Board is at the full discretion of the General Meeting.

Each member of the Management Board is appointed for a maximum term of four years, provided that unless such member retires earlier, his term shall expire on the date following the closing of the annual General Meeting that will be held in the year in which his term expires. The Supervisory Board may adopt a rotation schedule for the members of the Management Board. A retiring member of the Management Board can be reappointed for a term of not more than four years at a time. The Supervisory Board must appoint one of the members of the Management Board as chairman of the Management Board, who may use the title of “Chief Executive Officer”. The General Meeting and the Supervisory Board may suspend a member of the Management Board at any time. A resolution of the General Meeting to suspend or dismiss a member of the Management Board requires an absolute majority (more than 50% of the votes cast), representing at least one third of the issued share capital, unless the Supervisory Board has proposed the suspension or dismissal to the General Meeting, in which case an absolute majority is required but without any quorum requirement.

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If one or more members of the Management Board are prevented from acting or fail to act, the remaining members of the Management Board or the only remaining member of the Management Board will be temporarily entrusted with the management of the Company. The Supervisory Board may also provide for temporary replacements or elect to delegate the management to one or more of its members. The powers of the Management Board will not be affected if the number of members of the Management Board falls below the number of members set by the Supervisory Board.

The Management Board may adopt by-laws concerning, amongst other things, the decision-making process within the Management Board and the division of responsibilities among its members. The adoption and amendment of such rules requires the approval of the Supervisory Board. A meeting of the Management Board may be convened at any time at the request of a member of the Management Board. At meetings of the Management Board, each member may cast one vote. The Management Board passes resolutions by an absolute majority (more than 50%) of the votes cast. When a member of the Management Board has a conflict of interest with respect to a matter to be resolved by the Management Board, that member is not entitled to vote on that matter.

The Articles of Association require resolutions of the Management Board to be approved by the Supervisory Board for, amongst other things, the following matters:

- the issue, acquisition or disposal of Shares by the Company;
- the exclusion or restriction of any pre-emption rights upon the issue of Shares;
- the acceptance of a contribution in kind in respect of newly issued Shares;
- the entry into or termination of a long-term co-operation between the Company or a subsidiary and another legal entity or company (*vennootschap*), if such co-operation or termination is of considerable significance to the Company;
- any participation by the Company or a subsidiary in the capital of another legal entity or company valued at EUR 30,000,000 or more, or the equivalent in another currency, or another amount determined by the Supervisory Board and a significant increase or reduction of such participation;
- entry into credit agreements and other loan agreements by the Company or a subsidiary for a term of more than one year, except: (i) drawdown or payments under existing credit agreements; and (ii) as part of and within the limits of a financing plan approved by the Supervisory Board;
- investments by the Company or a subsidiary involving an amount equal to EUR 30,000,000 or more, or the equivalent in another currency, or another amount determined by the Supervisory Board;
- a proposal to amend the Articles of Association;
- a proposal to dissolve (*ontbinden*) the Company;
- a proposal to conclude a legal merger (*juridische fusie*) or a demerger (*splitsing*), involving the Company;
- co-operation in the issue of depositary receipts for Shares;
- wholly or partly reserving the Company's profits made in a financial year;
- a proposal to the General Meeting to decide about reserves of the Company; and
- the distribution of an interim dividend by the Company.

In addition, the Supervisory Board has the authority to submit specific resolutions of the Management Board to the approval of the Supervisory Board.

Pursuant to the Dutch Civil Code and the Articles of Association, decisions of the Management Board involving a significant change in the Company's identity or nature are subject to the approval of the General Meeting and the Supervisory Board. Such changes include:

- the transfer of all or substantially all of the Company's business to a third party;
- the entry into or termination of a long-term co-operation of the Company or subsidiary with another legal entity or company, or the Company becoming or ceasing to be a fully liable partner in a limited or general partnership, if such co-operation or participation or the termination thereof is of considerable significance to the Company; and

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- the acquisition or disposal, by the Company or subsidiary, of a participating interest in the capital of a company valued at one third or more of the Company’s assets according to its balance sheet with the explanatory notes thereto or, if the Company has prepared a consolidated balance sheet, according to the consolidated balance sheet with the explanatory notes thereto, included in the last adopted annual accounts of the Company.

Under the Dutch Civil Code the absence of any requisite approval by the Supervisory Board or the General Meeting of Management Board resolutions does not in principle affect the authority of the Management Board or the members of the Management Board to represent the Company.

Members of the Management Board

The table below sets forth information with respect to each of the members of the Management Board, their respective ages and their positions in the Company as at the date of this prospectus.

Name	Age	Position	End of term
Dr. Heinz Schimmelbusch	62	Chairman	2011
Mr. Arthur R. Spector	66	Deputy chairman	2011
Mr. William J. Levy	47	Chief financial officer	2009
Mr. Eric E. Jackson	55	Member	2009
Dr. Reinhard Walter	55	Member	2009

Dr. Heinz Schimmelbusch was appointed chairman of the Management Board on 21 November 2006, the date of incorporation of the Company. In November 2002 he was appointed chief executive officer of Metallurg and since 1998 he has served as chairman of the board of Metallurg and Metallurg Holdings. Presently, Dr. Schimmelbusch also serves as non-executive chairman of the board of various companies including Allied Resource Corporation, Wayne, Pennsylvania, United States, and PFW Aerospace, Speyer, Germany, and is a member of the board of directors of Norilsk, Moscow, Russia. Dr. Schimmelbusch is also a member of the executive committee of the general partner, and a founder, of Safeguard. In the past, Dr. Schimmelbusch served as chairman of Metallgesellschaft AG from 1989 until 1993. His directorships have included Allianz Versicherung AG, Mobil Oil AG, Teck Cominco Limited, and Methanex Corporation. Dr. Schimmelbusch received his graduate degree (with distinction) and his doctorate (*magna cum laude*) from the University of Tübingen, Germany.

Mr. Arthur R. Spector was appointed deputy chairman of the Management Board on 21 November 2006, the date of incorporation of the Company. In November 2002 he was appointed vice-chairman of the board of Metallurg and since July 1998, he served as a director of Metallurg and Metallurg Holdings. Mr. Spector is also a member of the executive committee of the general partner and of the management company, and a founder, of Safeguard. From January 1997 to March 1998, Mr. Spector served as managing director of TL Ventures LLC, a venture capital company. Mr. Spector has significant experience as a director, having served as chairman and chief executive officer for a number of public companies. Mr. Spector received a BS degree (with honours) in economics from the Wharton School at the University of Pennsylvania and a JD (*magna cum laude*) from the University of Pennsylvania Law School, United States.

Mr. William J. Levy was appointed chief financial officer and member of the Management Board on 1 April 2007. In November 2005, Mr. Levy was appointed vice-president and chief financial officer of Metallurg Holdings. Mr. Levy was previously employed by PQ Corporation, a leading global chemicals and engineered glass materials company, and acted as director of finance and treasurer; he was appointed vice-president and chief financial officer of PQ Corporation in 2002. From 1984 to 1996, Mr. Levy held various senior positions in finance and marketing with Imperial Chemical Industries plc in the United Kingdom and the United States. In 1984 Mr. Levy qualified as a certified public accountant with PricewaterhouseCoopers LLP, Pennsylvania, United States. Mr. Levy received a BS degree in accountancy (*magna cum laude*) from Villanova University, United States.

Mr. Eric E. Jackson was appointed president of the Advanced Materials unit and member of the Management Board on 1 April 2007. In November 2002 he was appointed chief operating officer of Metallurg and also serves as a director for certain subsidiaries of Metallurg. Mr. Jackson has been senior vice-president of Metallurg since 1998 and has previously acted as director at Phibro, a division of Salomon, Inc, and as vice-president at Louis Dreyfus Corporation. In addition, from 1979 to 1989

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Mr. Jackson acted in various roles for Cargill Incorporated in Canada and the United States. Mr. Jackson received a BS degree in economics and an MBA, both from the University of Saskatchewan, Canada.

Dr. Reinhard Walter was appointed president of the Engineering Systems unit and member of the Management Board on 1 April 2007. He has served on the management board of directors of ALD since December 2001 and has served as chairman of the management board of ALD since September 2004. From 1997 to 2001, Dr. Walter acted as chief financial officer and deputy chairman of VBH Holding AG, Stuttgart, Germany, an international trading company listed on the Frankfurt and Stuttgart stock exchanges. He became a member of the executive board of directors in Berzelius Umwelt-Service AG, a recycler of industrial residues in Germany and various other countries. From March 2005 until March 2006 Dr. Walter was a managing director of PFW Aerospace, Speyer, Germany and from 1983 to 1988 he was managing director of Uraphos Chemie GmbH, a company operating engineering and recycling services for industrial waste, such as secondary aluminium. Dr. Walter received a business administration degree and a doctorate in economics from the University of Saarbrücken, Germany.

Further Information on the Management Board as a Whole

At the date of this prospectus, no member of the Management Board has in the previous five years: (i) been convicted of any offences relating to fraud; (ii) been associated with any bankruptcy, receivership or liquidation of any entity at a time when he was acting as a member of the administrative, management or supervisory bodies, or as a senior manager, of the entity; (iii) been subject to any official public sanction by any statutory or regulatory authority (including any designated professional body); or (iv) been the subject of any official public incrimination or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company. Except as disclosed in “Management and Corporate Governance—Members of the Management Board” on page 96 of this prospectus, “The Selling Shareholders—Information about Safeguard” on page 115 of this prospectus and “Related Party Transactions—Specific Related Party Transactions” on page 116 of this prospectus, no member of the Management Board has a conflict of interest (actual or potential) between his private interests and his duties to the Company.

No member of the Management Board holds a supervisory or non-executive position in a listed company or carries on principal activities outside the Company which are significant with respect to the Company, except as otherwise disclosed in this prospectus.

Supervisory Board

Powers, Composition and Functioning

The Supervisory Board does not engage in the Company’s management, but oversees the policies pursued by the Management Board and the general course of the business. It also provides advice to the Management Board. In performing its duties, the Supervisory Board is required to act in the interests of the Company and the business as a whole. The members of the Supervisory Board are generally not authorised to represent the Company in dealing with third parties.

The Articles of Association provide that the number of members of the Supervisory Board will be determined by the General Meeting, but will consist of a minimum of three members. The powers of the Supervisory Board will not be affected if the number of members of the Supervisory Board in office falls below the number determined by the General Meeting.

The General Meeting appoints the members of the Supervisory Board from a nomination of at least the number of persons prescribed by Dutch law (currently two) made by the Supervisory Board. The nomination is binding, meaning that the General Meeting may only appoint one of the nominated persons, unless the General Meeting rejects the nomination with an absolute majority (more than 50% of the votes cast) representing at least one third of the issued share capital. If the Supervisory Board has not made a nomination, the appointment of the members of the Management Board is the full discretion of the General Meeting.

The Supervisory Board may establish one or more committees from among its members. If the Supervisory Board consists of more than four members, it must have an audit committee, a remuneration committee and a selection and appointment committee. The Supervisory Board and in particular its audit committee will be responsible for, amongst other things, considering matters relating to financial controls and reporting, internal and external audits, the scope and results of audits and the independence and objectivity of auditors. It will monitor and review the Company’s audit function and, with the involvement

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of the independent auditor, will focus on compliance with applicable legal and regulatory requirements and accounting standards. The Supervisory Board and in particular its remuneration committee will be responsible for establishing and reviewing material aspects of the Company’s policy on compensation of members of the Management Board. This responsibility includes, but is not limited to, the preparation of: (i) a remuneration policy to be adopted by the General Meeting; and (ii) a proposal concerning the individual remuneration of the members of the Management Board to be determined by the Supervisory Board.

Each member of the Supervisory Board is appointed for a maximum period of four years, provided that unless such member retires earlier, his term will expire on the day following the closing of the annual General Meeting that will be held in the year in which his term expires. Members of the Supervisory Board must retire periodically in accordance with the rotation schedule adopted by the Supervisory Board. A retiring member of the Supervisory Board can be reappointed immediately for a term of not more than four years at a time. Unless the General Meeting decides otherwise in a particular case, a member of the Supervisory Board cannot be reappointed for more than three terms of four years. The Supervisory Board prepares a profile for its size and composition, taking into consideration the nature of the business, its activities and the desired expertise and background of the Supervisory Board members. The Supervisory Board will appoint a chairman from its members. The Supervisory Board must appoint a secretary from among its members or from outside.

The General Meeting appoints and may, at any time, suspend or remove members of the Supervisory Board. A resolution of the General Meeting to suspend or remove members of the Supervisory Board requires an absolute majority (more than 50% of the votes cast) representing at least one third of the issued share capital, unless the Supervisory Board has proposed the suspension or dismissal, in which case an absolute majority is required, without any quorum requirement.

The Supervisory Board may adopt by-laws containing rules governing its division of tasks, organisation and decision-making. These by-laws also contain the rules of the audit committee, the remuneration and the selection and appointment committee.

In accordance with the Articles of Association, a meeting of the Supervisory Board may be convened at any time if a member of the Supervisory Board deems it necessary. At least once annually, the Supervisory Board must meet independently of the Management Board to discuss issues relating to its own functioning, composition and size and the powers, composition, and functioning of the Management Board. In addition to these formal meetings, the members of the Supervisory Board must maintain regular informal contact and meet when necessary either in person or by teleconference.

Resolutions of the Supervisory Board are passed by an absolute majority (more than 50%) of the votes cast. In the event of a tied vote, the resolution is not passed, but if there are more than two members of the Supervisory Board present in the meeting the chairman of the Supervisory Board has a casting vote. When a member of the Supervisory Board has a conflict of interest with respect to a matter to be voted on by the Supervisory Board, he is not entitled to vote on that matter.

Members of the Supervisory Board

The table below sets forth information with respect to each of the Supervisory Board members and their respective ages and positions at the Company as at the date of this prospectus.

Name	Age	Position	End of term	Committee membership
Mr. Pedro Pablo Kuczynski	68	Chairman	2011	Remuneration
Mr. Jack L. Messman	67	Deputy chairman	2009	Audit, remuneration (chairman)
Dr. Andrei Bougrov	54	Director	2008	Remuneration
General Wesley Clark	62	Director	2009	Selection and appointment
Mr. Norbert Quinkert	64	Director	2010	Selection and appointment (chairman)
Mr. Guy de Selliers	55	Director	2010	Audit (chairman)

Mr. Pedro Pablo Kuczynski was appointed as chairman of the Supervisory Board with effect from 6 June 2007. Mr. Kuczynski was Prime Minister of Peru in 2005 and 2006 and before that was Peru’s Minister of Economy and Finance from 2001 to 2002 and from 2004 to 2005. He was Peru’s Minister of Energy and Mines from 1980 to 1982 and Deputy Director General of the Peruvian Reserve Bank in the late 1960s. Mr. Kuczynski was chief executive officer in the private equity firm he founded in 1992 after

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spending ten years as chairman of First Boston International (today Credit Suisse) in New York. Since January 2007, he has been senior advisor to the Rohatyn Group, a fund specialising in emerging markets. Mr. Kuczynski began his career at the World Bank in 1961 and in the 1970s was head of its Policy Planning Division, chief economist for Latin America and chief economist of the International Finance Corporation. Mr. Kuczynski received BA and MA degrees in philosophy, politics and economics from the University of Oxford, Oxford, United Kingdom (where he held an open scholarship) and an MPA degree from the Woodrow Wilson School for Public and International Affairs, Princeton University, New Jersey, United States.

Mr. Jack L. Messman was appointed deputy chairman of the Supervisory Board with effect from 6 June 2007. Mr. Messman recently retired from Novell, Inc., an infrastructure software company that provides products that manage identity, resources and security. He was appointed chairman and chief executive officer of Novell, Inc. upon the merger of that company and Cambridge Technology Partners in June 2001. Prior to joining Novell, Inc., Mr. Messman served as president and chief executive officer of Cambridge Technology Partners from August 1999 and has held numerous other directorships and executive positions, including having acted as a director of Union Pacific Corporation, Union Pacific Resources Company, Warner Amex Cable Communications, Inc. and MTV Networks, Inc. He is currently a member of the board of directors of Safeguard Scientifics Inc., a NYSE-listed venture capital firm, Radio Shack Corporation and Timminco. Mr. Messman received a BS degree in chemical engineering from the University of Delaware, United States and received his MBA (*cum laude*) in 1968 from the Harvard School of Business Administration, Massachusetts, United States.

Dr. Andrei Bougrov was appointed as a Supervisory Board member with effect from 6 June 2007. Dr Bougrov was an adviser to the European Bank for Reconstruction and Development in the United Kingdom from 1991 to 1993 and an adviser to the Directorate for International Economic Organisations in the Ministry for Foreign Affairs of the Soviet Union from 1979 to 1982. Between 1993 and 2002 he was a member of the boards of numerous financial organisations including the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation. Dr. Bougrov's corporate experience includes serving as a director on the board of numerous Russian joint stock companies and he is currently a director for I/ST Equity Partners, LLC, USA and Norilsk based in Moscow, Russia. Dr. Bougrov received both an MA in international economics with first class honours and a university scholarship for distinction and a PhD in international economics from the Moscow State Institute for International Relations, Russia.

General Wesley Clark was appointed as a Supervisory Board member with effect from 6 June 2007. During 34 years of service in the United States Army, General Clark rose to the rank of four-star general and served as NATO's Supreme Allied Commander, Europe from 1997 to 2000. After his retirement from the US Army in 2000, General Clark became an investment banker, author, commentator, and businessman. In September 2003 he was a Democratic candidate for President of the United States, where his campaign won the Democratic primary for the State of Oklahoma before he returned to the private sector in February 2004. General Clark's awards and honours include the Presidential Medal of Freedom, the State Department Distinguished Service Award, the US Department of Defense Distinguished Service Medal, the US Army Distinguished Service Medal, the Silver Star, the Bronze Star, the Purple Heart and honorary knighthoods from the British and Dutch governments. In 1966, he graduated from the United States Military Academy at West Point, New York, United States and was awarded a Rhodes Scholarship to the University of Oxford, United Kingdom, where he received a masters degree in Politics, Philosophy and Economics.

Mr. Norbert Quinkert was appointed as a Supervisory Board member with effect from 6 June 2007. In 1988, Mr. Quinkert became vice-president of Central European operations for GE Medical Systems Central Europe and then president of General Electric Deutschland, which oversaw the various GE businesses in Germany, Austria and Switzerland. In 1994, Mr. Quinkert became chairman of Motorola GmbH and was responsible for operations in Germany, Austria, the Netherlands and Switzerland. He is currently a member of the supervisory board of PFW Aerospace and Motorola GmbH and a co-founder of Quinkert Herbold Fischer Executive Search GmbH, all of which are based in Germany. Mr. Quinkert is also a member of the advisory council of Dresdner Kleinwort Benson, Frankfurt and the Graduate School of Business Administration, based in Zurich, Switzerland.

Mr. Guy de Selliers was appointed as a Supervisory Board member with effect from 6 June 2007. Mr. De Selliers started his career in 1977 at the World Bank, with responsibility for metals and mining projects. He then spent eight years with Lehman Brothers, some of which were as Senior Vice President,

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International Investment Banking, where he was involved in government advisory work, international project finance and the North American mining industry. In 1990 he was one of the first members of the transition team responsible for creating the European Bank for Reconstruction and Development, becoming vice-chairman of its credit committee and a member of its executive committee. He was chief executive of MC-BBL Eastern Holdings, an investment banking group with activities throughout Eastern and Central Europe, from 1997 until its sale, when he joined Robert Fleming and Co. Limited as board member and Chairman, Eastern Europe. He has acted as advisor to the European Commission on a number of issues. He is chairman of HB Advisers Limited, a corporate finance advisory firm focused on the mining and metals industry, created in partnership with Hatch Consulting, an engineering and management consulting firm in this sector. He is on the board and audit committee of Solvay S.A. based in Brussels, Belgium; OJSC Wimm Bill Dann based in Moscow, Russia, Norilsk based in Moscow, Russia; OJSC Shatoura Furniture Company based in Shatoura, Russia and several other Russian companies. Mr. de Selliers received his masters degrees in engineering and economics from the University of Louvain, Belgium.

Further Information on the Supervisory Board as a Whole

At the date of this prospectus, no member of the Supervisory Board has, in the previous five years: (i) been convicted of any offences relating to fraud; (ii) been associated with any bankruptcy, receivership or liquidation of any entity at a time when he was acting as a member of the administrative, management or supervisory bodies, or as a senior manager, of the entity; (iii) been subject to any official public sanction by any statutory or regulatory authority (including any designated professional body); or (iv) been the subject of any official public incrimination or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company. Except as disclosed in “Management and Corporate Governance—Members of the Supervisory Board” on page 98 of this prospectus, no member of the Supervisory Board has a conflict of interest (actual or potential) between his private interests and his duties to the Company.

No member of the Supervisory Board holds a supervisory or non-executive position in a listed company or carries on principal activities outside the Company which are significant with respect to the Company, except as otherwise disclosed in this prospectus.

Senior Managers

The Management Board is supported by key members of the senior management team of the Company (the “**Senior Managers**”). The table below set forth the names, ages and positions in the Company of the Senior Managers at the date of this prospectus.

Name	Age	Position
<i>Advanced Materials unit</i>		
Mr. Hoy Frakes	54	President of MVC
Mr. Itamar Resende	48	Managing director of LSM and CIF
Mr. Charles-Antoine Rougier	51	President of Sudamin and SICA
Mr. Karl-Uwe van Osten	46	Managing director of GfE (coating materials)
Mr. Guido Löber	42	Managing director of GfE (alloys)
Dr. Ernst Wallis	51	Managing director of GfE
Ms. Amy Ard	33	Controller of AMG and Metallurg
<i>Timminco (part of the Advanced Materials unit)</i>		
Mr. John Walsh	45	President and chief executive officer
Mr. René Boisvert	49	President of silicon metal division
Mr. Tim Pretzer	57	President of magnesium division
Mr. John Fenger	57	Chairman of NorWheels AS
<i>Engineering Systems unit</i>		
Mr. Werner Katzschner	51	Managing director of ALD (metallurgy)
Mr. Richard Seemann	57	Managing director of ALD (heat treatment)
Dr. Matthias Häberle	39	Chief financial officer of ALD and GfE

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Further Information on the Senior Managers

Mr. John Fenger was the chairman of the boards of directors of two associated industrial companies when they entered into insolvency proceedings in 2004. Promeks AS, a Norwegian company, became insolvent as a result of its inability to secure financing for the project for which it was founded and Allied Efa hf., an Icelandic company, became insolvent as a result of operating losses. Other than the foregoing, at the date of this prospectus, no Senior Manager has, in the previous five years: (i) been convicted of any offences relating to fraud; (ii) been associated with any bankruptcy, receivership or liquidation of any entity at a time when he was acting as a member of the administrative, management or supervisory bodies, or as a senior manager, of the entity; (iii) been subject to any official public sanction by any statutory or regulatory authority (including any designated professional body); or (iv) been the subject of any official public incrimination or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company. No Senior Manager has a conflict of interest (actual or potential) between his private interests and his duties to the Company.

No Senior Manager holds a supervisory or non-executive position in a listed company or carries on principal activities outside the Company which are significant with respect to the Company, except as otherwise disclosed in this prospectus.

Remuneration

Management Board Remuneration

Remuneration Policy

The general policy on the group-wide remuneration of members of the Management Board is developed by the remuneration committee of the Supervisory Board and approved by the Supervisory Board before being adopted by the General Meeting. The remuneration and other conditions of employment of the individual members of the Management Board must be determined by the Supervisory Board with due regard for the remuneration policy adopted by the General Meeting.

In accordance with the Articles of Association, the Supervisory Board approved a remuneration policy for the members of the Management Board on 6 June 2007 and this policy was adopted by the General Meeting on 26 June 2007. This policy takes into account industry practice, remuneration practices in different countries and variations in the employment market and is intended to ensure that the amount and structure of the remuneration of the members of the Management Board is sufficient to enable the recruitment of highly qualified and expert managers in the international labour market. The remuneration policy is also designed to strengthen the commitment of the members of the Management Board to the Company and its objectives.

Transitional Period and Existing Contractual Commitments

In view of the specialised nature of the Company's business and the qualifications and expertise of the present members of the Management Board, the Company intends to honour its existing contractual commitments to those members of the Management Board, in order to retain their services and to maintain their commitment to the Company. There will therefore be a transitional period, which is expected to last until June 2008, during which the remuneration committee of the Supervisory Board will develop an appropriate remuneration policy for the present members of the Management Board and any future members of the Management Board in the light of the Company's existing contractual commitments to the present members of the Management Board. The remuneration committee may seek advice from compensation and benefit consultants on remuneration packages offered by companies similar to the Company in terms of size and complexity.

During the transitional period, the remuneration of the members of the Management Board will consist of three components: base salary, an annual bonus and share options. Each member of the Management Board's base salary is intended to reflect his responsibility, experience and potential to contribute to the Company within the scope of his assigned duties. The base salary may be changed from time to time and, for members of the Management Board who are not residents of the Netherlands, may reflect local market practice in the country in which he is resident, rather than that in the Netherlands. The annual cash performance bonus will be based on each individual member of the Management Board's performance against predetermined criteria and may be between nil and 200% of his base salary. The long-term variable component of the members of the Management Board's remuneration will be in the

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form of options to acquire Shares. See “Management and Corporate Governance—Share Option Schemes” on page 108 of this prospectus.

Miscellaneous Provisions about Service Contracts

The value of the total remuneration package of each member of the Management Board will be reviewed annually by the Supervisory Board and its remuneration committee. The Company is not permitted to grant any loans, guarantees or similar benefits to members of the Management Board. Except in the case of existing contracts that provide otherwise, the term of each member of the Management Board’s service contract with the Company is required to be between two and four years and the maximum severance payment by the Company to a member of the Management Board on termination of his employment must in principle be limited to between two and four years base salary, unless specific circumstances dictate otherwise.

Supervisory Board Remuneration

Cash Remuneration

The compensation of the members of the Supervisory Board is determined by the General Meeting. The remuneration of the members of the Supervisory Board was determined by the General Meeting on 26 June 2007. The annual cash remuneration of the members of the Supervisory Board was set at US\$75,000 for the chairman and US\$50,000 for the other members. The chairmen of the remuneration committee, audit committee and selection and appointment committee will be paid an additional cash amount of US\$12,500 each per annum.

Share Remuneration

Members of the Supervisory Board do not participate in any incentive plan operated by the Company. However, on 26 June 2007 the General Meeting resolved that, as an element of their annual remuneration, the members of the Supervisory Board will be issued for no cash consideration a number of Shares equal to a specified amount in euros divided by the average closing sale price of the Shares on Eurolist by Euronext in the five days prior to and including the date of grant. The initial grant will be made with effect from and conditionally on Admission and the relevant Shares will be issued on the Settlement Date (and, exceptionally, the number of Shares granted will be determined by reference to the Offer Price rather than an average closing trade price) and subsequent grants will be made on each anniversary of Admission. In order to fund the payment of the issue price the Company shall pay a fee to the relevant members of the Supervisory Board. The specified amounts of euros are EUR 22,500 for the chairman, EUR 18,500 for the deputy chairman and EUR 15,000 for each other member of the Supervisory Board. Each of the current members of the Supervisory Board will undertake to the Company not to transfer or otherwise dispose of any of Shares so granted until the earlier of the third anniversary of the date of grant and the first anniversary of the date on which he ceases to be a member of the Supervisory Board. The grant of any Shares to any future member of the Supervisory Board will be conditional on his having given a similar undertaking to the Company.

The Shares to which the members of the Supervisory Board are entitled may either be newly issued Shares or Shares previously acquired by the Company. To the extent that in a certain year the aggregate number of newly issued Shares to which members of the Supervisory Board are entitled as part of their remuneration, would result in a dilution of the outstanding Shares of more than 0.1%, no Shares shall be issued in excess of such percentage and any excess Shares shall be either granted in the form of previously acquired Shares or replaced by a payment in cash or a combination thereof.

Aggregate Remuneration

The table below sets forth for each member of the Supervisory Board the cash remuneration (in US dollars), value of Share remuneration (in euros) and aggregate remuneration (in US dollars) to which he is entitled. For this purpose, the value of the Share awards has been converted into US dollars at the noon buying rate in New York City for cable transfers as certified for customs purposes by the Federal Reserve

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Bank of New York for purchases of US dollars with euros on 22 June 2007, the latest practicable date before the date of this prospectus, being EUR 1.00 = US\$1.34.

Name	Cash remuneration	Value of Share award	Aggregate remuneration
	in US dollars	in euros	in US dollars
Mr. Pedro Pablo Kuczynski	75,000	22,500	105,150
Mr. Jack L. Messman	62,500	18,500	87,290
General Wesley Clark	50,000	15,000	70,100
Dr. Andrei Bougrov	50,000	15,000	70,100
Mr. Norbert Quinkert	62,500	15,000	82,600
Mr. Guy de Selliers	62,500	15,000	82,600
Total	362,500	101,000	497,840

Accordingly, the aggregate number of the New Shares that will be issued to the members of the Supervisory Board for no consideration in connection with the Offering will be 4,040 if the Offer Price is the highest price in the expected range (EUR 25.00 per Offer Share) or 5,050 if the Offer Price is the lowest price in the expected range (EUR 20.00 per Offer Share). The actual number of New Shares so issued could be higher or lower than either of those numbers, depending on the Offer Price finally determined.

2006 Remuneration

Some of the remuneration received by Directors and Senior Managers was denominated in currencies other than US dollars and for the purposes of this section the amounts so received have been converted into US dollars on the basis of average exchange rates in the year ended 31 December 2006. None of the members of the Supervisory Board received any remuneration in respect of services to the Company in the year ended 31 December 2006. The aggregate remuneration received by the members of the Management Board in the year ended 31 December 2006 in respect of services to the Company amounted to approximately US\$5,089,134 and that received by the Senior Managers amounted to approximately US\$4,382,749. The table below sets forth the breakdown in remuneration of the members of the Management Board (in US dollars) in that year.

Name	Base salary	Pension contributions	Bonus	Share compensation awards	Other benefits	Total remuneration
Dr. Heinz Schimmelbusch . . .	525,000	49,069	787,500	None	8,626	1,370,195
Mr. Arthur R. Spector	475,000	12,769	712,500	None	4,572	1,204,841
Mr. William J. Levy	280,000	None	307,334	None	20,268	607,602
Mr. Eric E. Jackson	360,000	128,086	540,000	None	25,285	1,053,371
Dr. Reinhard Walter	490,621	35,970	326,534	None	None	853,125
Total	2,130,621	225,894	2,673,868	None	58,751	5,089,134

In addition to the amounts described above, Dr. Heinz Schimmelbusch and Mr. Arthur Spector are entitled to remuneration of US\$150,000 each from Timminco in respect of the year ended 31 December 2006, which the Directors expect will be paid to them as a lump sum in July 2007.

Indemnity

The Articles of Association provide that the Company may provide liability insurance for the benefit of the current and former Directors. They also entitle current and former Directors to reimbursement of:

- reasonable costs of conducting a defence against threatened, pending or completed claims or discovery procedures, whether civil, criminal, investigative or administrative, arising out of acts or failures to act in the exercise of any duties currently or previously undertaken by them at the Company's request;
- any expenses, damages, amounts paid in settlement or fines payable by them as a result of any such act or failure; and

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- the reasonable costs of appearing in other legal proceedings in which they are involved as current or former Directors, with the exception of proceedings primarily aimed at pursuing a claim on their own behalf.

There is, however, no entitlement to reimbursement as described in the preceding paragraph if and to the extent that:

- a Dutch court has established in a final and conclusive decision that the act or failure of the persons concerned may be characterised as wilful (*opzettelijk*), intentionally reckless (*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*) conduct, unless Dutch law provides otherwise, or
- the costs or financial loss of the persons concerned are covered by an insurance policy and the insurer has paid the costs or financial loss.

Directors' Service Contracts

The following is a summary of certain key terms of the service contracts of the members of the Management Board. Save as described below, none of the Directors has a service contract with the Company that provides for benefits upon the termination of his employment.

Dr. Heinz Schimmelbusch

Dr. Schimmelbusch is employed by Metallurg under an agreement dated 6 April 2007 under the laws of Pennsylvania, United States, between him, Metallurg and Metallurg Holdings (which is jointly and severally liable for the obligations of Metallurg). The initial term of the agreement expires on 11 November 2009 and thereafter the agreement renews annually unless either party gives 90 days' notice before any anniversary that it does not wish the agreement to be renewed. Dr. Schimmelbusch has the right to terminate the agreement at any time on 30 days' notice.

Dr. Schimmelbusch is entitled to an annual base salary of US\$750,000 for 2007, which can be increased (but not decreased) by Metallurg's board of directors at any time. He may also be paid an uncapped annual discretionary bonus determined by Metallurg's board and an annual performance bonus of up to 75% of his base salary if performance goals established by Metallurg's board are satisfied. In addition, he is entitled to: reimbursement of business expenses; executive fringe benefits; participation in Metallurg's stock option plans (see "General Information—Metallurg Options" on page 154 of this prospectus); participation in pension, life insurance and welfare benefit plans; an annual supplemental retirement benefit of 50% of his average annual compensation for the five years in which it was highest, less the actuarial value of his normal retirement benefit from Metallurg's pension plan, payable as a single-life annuity from the later of age 68 and the end of Dr. Schimmelbusch's employment; and five weeks' annual leave.

The agreement prohibits Dr. Schimmelbusch from engaging in any activity which directly competes with any activity carried on by Metallurg or its subsidiaries during the term of his employment and for a period of 24 months thereafter. There are exceptions to this prohibition, including for any business in which Safeguard or one of its affiliates has an equity interest. The agreement imposes confidentiality obligations on Dr. Schimmelbusch. Metallurg also indemnifies Dr. Schimmelbusch against liabilities and expenses arising out of his service for Metallurg, and must maintain directors' and officers' insurance for Dr. Schimmelbusch to the same extent as for its other officers.

If Dr. Schimmelbusch's employment is terminated by Metallurg with cause, he is entitled to all salary and benefits earned but not paid (excluding bonuses) before the date of termination. If his employment is terminated without cause, he is entitled to: all salary and benefits (including bonuses) earned but not paid; an amount equal to two years' base salary; continued participation in all employee plans (including healthcare and insurance plans) in which he was participating on the date of termination (or the economic equivalent) for two years (or, if less, until he receives equivalent coverage through a subsequent employer or becomes entitled to Medicare); continued accrual of pension rights until the end of the term of the agreement; and full vesting of any Metallurg stock options, restricted stock or equity-based awards previously granted.

Dr. Schimmelbusch's employment is deemed to have been terminated with cause if, after a formal process, the Metallurg's board determines that he has: been convicted of a felony or crime of moral turpitude, dishonesty, breach of trust or unethical business conduct involving Metallurg; or engaged in wilful misconduct, wilful or gross neglect, fraud, insubordination, misappropriation or embezzlement to the

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material and demonstrable detriment of Metallurg. Any other dismissal that is not due to death or disability will be deemed termination without cause. If Dr. Schimmelbusch terminates his employment for any reason other than disability, retirement at 68 or older, or the reasons set forth in the following paragraph, he is entitled to the same compensation as if his employment had been terminated by Metallurg with cause.

Dr. Schimmelbusch is entitled to compensation as if his employment had been terminated without cause if Metallurg notifies him that it does not want his employment agreement to be renewed for another year, if a conviction as a result of which Dr. Schimmelbusch's employment was terminated is later overturned on appeal, or if he terminates his employment by reason of: a material change of his authority or duties; any reduction of his annual base salary or benefits; conduct of Metallurg or its representatives intended to force his resignation; involuntary termination without cause or voluntary termination after a change in control of Metallurg or Metallurg Holdings; failure by Metallurg to obtain an agreement reasonably satisfactory to him from any successor to Metallurg's business; or any material unremedied breach of the employment agreement by Metallurg. For this purpose, a change of control means a sale or other transaction as a result of which Safeguard's direct and indirect ownership of Metallurg or Metallurg Holdings falls below 30%, or any other person or group or persons acquires a 30% ownership interest in either company, or the sale or liquidation of substantially all the assets of either company. The dissolution of Safeguard, which will occur on or before 30 March 2008 (see "The Selling Shareholders" on page 114 of this prospectus), will therefore give rise to a change of control for this purpose.

Dr. Schimmelbusch's employment may be terminated for disability, in which case he is entitled to all salary and benefits earned but not paid, plus, until he recovers or reaches the age of 70, disability payments of 50% of his annual base salary and continued participation in all employee plans (including healthcare and insurance plans) in which he was participating on the date of termination (or the economic equivalent). If Dr. Schimmelbusch retires at 68 or older, he is entitled to receive all salary and benefits (including bonuses) earned but not paid, plus continued welfare benefits such as medical and life insurance until he receives equivalent coverage through a subsequent employer or becomes entitled to Medicare. If Dr. Schimmelbusch dies, his estate is entitled to his accrued but unpaid benefits. In addition, if his supplemental retirement benefit has not commenced by the time of his death, his spouse is entitled to a monthly annuity.

Dr. Schimmelbusch is also entitled to an annual salary from Timminco of US\$150,000 for 2007. The Directors expect the part of this salary that is attributable to the period up to July 2007 to be paid as a lump sum in July 2007 and the remainder to be paid monthly throughout the remainder of the year.

Mr. Arthur R. Spector

Mr. Spector is employed by Metallurg under an agreement dated 6 April 2007 under the laws of Pennsylvania, United States, between him, Metallurg and Metallurg Holdings. The agreement is in the same terms as Dr. Schimmelbusch's employment agreement summarised above, except that Mr Spector's annual base salary for 2007 is US\$700,000.

Mr. Spector is also entitled to an annual salary from Timminco of US\$150,000 for 2007. The Directors expect the part of this salary that is attributable to the period up to July 2007 to be paid as a lump sum in July 2007 and the remainder to be paid monthly throughout the remainder of the year.

Mr. William J. Levy

Mr. Levy is employed by Metallurg under an agreement dated 1 January 2007 under the laws of Pennsylvania, United States, between him and Metallurg. The current term of the agreement expires on 1 January 2009 and thereafter the agreement renews annually unless either party gives 90 days' notice before any anniversary that it does not wish the agreement to be renewed. Mr. Levy has the right to terminate the agreement at any time on 30 days' notice.

Mr. Levy is entitled to an annual base salary, of US\$360,000 for 2007, which can be increased (but not decreased) by Metallurg's board at any time. He may also be paid an annual discretionary bonus of up to 75% of his base salary, upon achievement of certain performance goals set by Metallurg's board. In addition, he is entitled to: reimbursement of business expenses; annual leave in accordance with Metallurg's policy; participation in Metallurg's stock option plans (see "General Information—Metallurg Options" on page 154 of this prospectus); and participation in pension, life insurance, welfare benefit and saving plans.

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The agreement prohibits Mr. Levy, during the term of his employment and for the period of 12 months after the termination of his employment, from engaging in any activity which directly competes with any activity carried on by Metallurg or its subsidiaries or soliciting any existing customer or employee of Metallurg. In addition, he may not engage in any other business or employment during the term of the agreement without the consent of Metallurg's board. The agreement also imposes confidentiality obligations on Mr. Levy and prohibits him from engaging in disparaging conduct against Metallurg. If Mr. Levy breaches any of the above prohibitions, Metallurg may suspend or terminate any remaining payments and benefits to which Mr. Levy is entitled under the agreement. Metallurg indemnifies Mr. Levy against liabilities and expenses arising out of his service for Metallurg, and must maintain directors' and officers' insurance for Mr. Levy to the same extent as for its other officers.

If Mr. Levy's employment is terminated by Metallurg with cause, he is entitled to all salary and benefits earned but not paid (excluding bonuses) before the date of termination. If his employment is terminated without cause, he is entitled to: all salary and benefits (including bonuses relating to prior years) earned but not paid; an amount equal to two years' base salary; continued participation in all employee plans (including healthcare and insurance plans) in which he was participating on the date of termination (or the economic equivalent) for two years (or, if less, until he receives equivalent coverage through a subsequent employer); and continued accrual of pension rights until the end of the term of the agreement.

Mr. Levy's employment is deemed to have been terminated with cause if, after a formal process, Metallurg's board determines that he has: materially breached the terms of the agreement and not remedied the breach within 20 days; been convicted of a felony or crime of moral turpitude, dishonesty, breach of trust or unethical business conduct involving Metallurg; or engaged in wilful misconduct, wilful or gross neglect, fraud, insubordination, misappropriation or embezzlement to the material and demonstrable detriment of Metallurg. Any other dismissal that is not due to death or disability will be deemed termination without cause. If Mr. Levy terminates his employment for any reason other than disability, retirement, or the reasons set forth in the following two paragraphs, he is entitled to the same compensation as if his employment had been terminated by Metallurg with cause.

Mr. Levy is entitled to compensation as if his employment had been terminated without cause if Metallurg notifies him that it does not want his employment agreement to be renewed for another year, or if he terminates his employment by reason of: a material change of his authority or duties; any reduction of his annual base salary; failure by Metallurg to obtain an agreement reasonably satisfactory to him from any successor to Metallurg's business; or any material unremedied breach of the employment agreement by Metallurg.

Mr. Levy's employment may be terminated on his death or becoming disabled, in which case he is entitled to all salary and benefits (including bonuses relating to prior years) earned but not paid, plus (in the case of disability only) the amount of any disability benefits under Metallurg's disability programme.

Mr. Eric E. Jackson

Mr. Jackson is employed by Metallurg under an agreement dated 19 November 1998 under the laws of New York, United States, between him and Metallurg, as amended by an agreement dated 6 April 2007. The current term of the agreement expires on 9 August 2007 and thereafter the agreement renews annually with effect from 10 August each year unless either party gives 90 days' notice before that date that it does not wish the agreement to be renewed. Mr. Jackson has the right to terminate the agreement at any time on 30 days' notice.

Mr. Jackson is entitled to an annual base salary, which has been set by Metallurg's board of directors as US\$500,000 for 2007 and which can be increased (but not decreased) by Metallurg's board at any time. He may also be paid an annual discretionary bonus of up to 75% of his base salary, determined by the chief executive officer of Metallurg in consultation with the chairman of its board. In addition, he is entitled to: reimbursement of business expenses; executive fringe benefits; participation in Metallurg's stock option plans (see "General Information—Metallurg Options" on page 154 of this prospectus); participation in pension, life insurance and welfare benefit plans; and four weeks' annual leave.

The agreement prohibits Mr. Jackson from engaging in any activity which directly competes with any activity carried on by Metallurg or its subsidiaries during the term of his employment and for the shorter of a period of 18 months and twice the period by reference to which his severance pay is set (see below).

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There are exceptions to this prohibition, including for any business in which Safeguard or one of its affiliates has an equity interest. The agreement imposes confidentiality obligations on Mr. Jackson. Metallurg also indemnifies Mr. Jackson against liabilities and expenses arising out of his service for Metallurg, and must maintain directors' and officers' insurance for Mr. Jackson to the same extent as for its other officers.

If Mr. Jackson's employment is terminated by Metallurg with cause, he is entitled to all salary and benefits earned but not paid (excluding bonuses) before the date of termination. If his employment is terminated without cause, he is entitled to: all salary and benefits (including bonuses) earned but not paid; an amount equal to two years' base salary; continued participation in all employee plans (including healthcare and insurance plans) in which he was participating on the date of termination (or the economic equivalent) for two years (or, if less, until he receives equivalent coverage through a subsequent employer or becomes entitled to Medicare); and continued accrual of pension rights until the end of the term of the agreement.

Mr. Jackson's employment is deemed to have been terminated with cause if, after a formal process, Metallurg's board determines that he has: materially breached the terms of the agreement and not remedied the breach within 20 days; been convicted of a felony or crime of moral turpitude, dishonesty, breach of trust or unethical business conduct involving Metallurg; or engaged in wilful misconduct, wilful or gross neglect, fraud, insubordination, misappropriation or embezzlement to the material and demonstrable detriment of Metallurg. Any other dismissal that is not due to death or disability will be deemed termination without cause. If Mr. Jackson terminates his employment for any reason other than disability, retirement, or the reasons set forth in the following two paragraphs, he is entitled to the same compensation as if his employment had been terminated by Metallurg with cause.

Mr. Jackson is entitled to compensation as if his employment had been terminated without cause if Metallurg notifies him that it does not want his employment agreement to be renewed for another year, if a conviction as a result of which Mr. Jackson's employment was terminated is later overturned on appeal, or if he terminates his employment by reason of: a material change of his authority or duties; any reduction of his annual base salary; failure by Metallurg to obtain an agreement reasonably satisfactory to him from any successor to Metallurg's business; or any material unremedied breach of the employment agreement by Metallurg.

In addition, Mr. Jackson's is entitled to compensation as if he had been dismissed without cause if he terminates his employment by reason that his principal work location is moved outside the US states of New York, New Jersey, Connecticut, Pennsylvania, Delaware and Maryland or the District of Columbia, United States. However, in these circumstances, instead of two years' base salary, he will receive only six months' if he has up to 15 years' service with Metallurg, nine months' if he has more than 15 but less than 20, and one year's if he has more than 20.

Mr. Jackson's employment may be terminated for disability, in which case he is entitled to all salary and benefits earned but not paid, plus, until he recovers or reaches the age of 65, disability payments of 50% of his annual base salary and continued participation in all employee plans (including healthcare and insurance plans) in which he was participating on the date of termination (or the economic equivalent). If Mr. Jackson retires, he is entitled to receive all salary and benefits (including bonuses) earned but not paid, plus continued welfare benefits such as medical and life insurance until he receives equivalent coverage through a subsequent employer or becomes entitled to Medicare. If Mr. Jackson dies, his estate is entitled to his accrued by unpaid benefits.

In addition to his employment contract, Mr. Jackson is entitled to benefits under a supplemental executive retirement plan agreement with Metallurg dated 27 May 2005 under the laws of New York, United States. Pursuant to this agreement, if Mr. Jackson remains in Metallurg's employment until he is 65, he is entitled, whether or not he has terminated his employment, to receive retirement benefits of US\$21,000 per month (less his entitlement under Metallurg's pension plan calculated on the basis of certain assumptions) between the ages of 65 and 88; and if he dies between those ages, his estate is entitled to 65% of his unpaid benefits, payable over 36 months with actuarial adjustments. Mr. Jackson is entitled to the same benefits, reduced by US\$1,000 per month for each year that he is younger than 65 on the date of termination and further reduced by actuarial adjustment for early retirement, if before he is 65 his employment is terminated by Metallurg without cause (which is defined in the same way as in his employment agreement) or on account of disability or he terminates his employment by reason of: a material change of his authority or duties, any reduction of his annual base salary, failure by Metallurg to obtain an agreement reasonably satisfactory to him from any successor to Metallurg's business, any

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material unremedied breach of the employment agreement by Metallurg, or any other reason when he is aged between 62 and 65. Except in the case of retirement between 62 and 65, these latter benefits are payable, with actuarial adjustment, over 24 months after termination (and revert to his estate if he dies during that period); in the case of such retirement the benefits are payable monthly from termination until Mr. Jackson is 88. If Mr. Jackson's employment is terminated on account of his death before 65, his estate is entitled to 65% of these latter benefits, payable, with actuarial adjustments, over 36 months. If Mr. Jackson's employment is terminated for any reason not mentioned above, he forfeits all benefits under the agreement. The board of directors of Metallurg is responsible for administering the agreement. Metallurg is under no obligation to set aside funds to pay its obligations under the agreement.

Dr. Reinhard Walter

Dr. Walter is employed in Hanau, Germany, by ALD under an agreement dated 1 October 2006 under German law between him and Metallurg. The term of the agreement expires on 30 September 2011, when it may be renewed.

Dr. Walter is entitled to an annual base salary of EUR 175,000, subject to biennial review for adjustment. In addition, Dr. Walter is entitled to an annual bonus (on which no pension entitlement arises) of EUR 65,000, which is payable pro rata if his employment is terminated during a financial year. Furthermore, Dr. Walter is entitled to a performance bonus on terms to be determined by ALD's management board; in the interim, the target bonus is 50% of the aggregate of his annual base salary and annual bonus. If Dr. Walter is prevented from carrying out his duties through no fault of his own, he is entitled to receive all the above remuneration for up to six months from the beginning of the month following his becoming so prevented. If he is unable to work because of an accident at work, he is entitled to receive that remuneration throughout his incapacity until he becomes permanently disabled.

Unless he obtains the consent of ALD's supervisory board, Dr. Walter is prohibited from: doing business for his own or any other company in ALD's field of operation or carrying on a trade; participating directly or indirectly, financially or through his actions, in another undertaking; and carrying on any other paid activity or holding any other supervisory directorship, advisory post or honorary business role. Equity participations which cannot influence the management of the entity invested in are, however, permitted. Additionally, Dr. Walter is allowed to retain all positions and interests he held on 14 September 2004. Dr. Walter is subject to a duty of confidentiality during and after the term of his employment.

Dr. Walter is entitled to a pension, of which the details are contained in a separate agreement. His pensionable service is deemed to have commenced on 1 December 2001. In addition, Dr. Walter is entitled to a further EUR 35,000 contribution per year by ALD to a pension scheme of his choice. He is also entitled to insurance cover, paid for by ALD, for his death or incapacity. Dr. Walter is entitled to 30 days' annual leave. He has the right to a company car, which he may use privately, or its monetary equivalent.

In addition, Dr. Walter is employed in Nuremberg, Germany, by GfE under a fixed-term employment agreement dated 24 June 2006 under German law between him and GfE. His employment will end on 31 May 2008, but may be terminated earlier by either party on six months' notice. He is entitled to an annual salary of EUR 4,800 and to the statutory leave allowance. The agreement imposes confidentiality restrictions on Dr. Walter.

Share Option Schemes

Introduction

The Company's remuneration policy (see "Management and Corporate Governance—Remuneration—Management Board Remuneration" on page 101 of this prospectus) provides for the participation of the members of the Management Board in a share option scheme of the Company. The Supervisory Board approved a share option scheme, the AMG Option Plan, on 20 June 2007 and this share option scheme was adopted by the General Meeting on 26 June 2007. In addition, share option schemes are operated by the Company's subsidiaries Timminco and Metallurg. See "General Information—Timminco Shares and Options" on page 152 of this prospectus and "General Information—Metallurg Options" on page 154 of this prospectus.

The AMG Option Plan

The following are the principal terms of the AMG Option Plan, which is administered by the Management Board.

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Grant of Options

The persons eligible to participate in the AMG Option Plan are members of the Management Board and the Supervisory Board and employees (including the Senior Managers) and consultants of the Company. Any grant of options to members of the Supervisory Board would require shareholder approval as this would be considered part of their remuneration. Options may be granted by the Management Board with the approval of the Supervisory Board and, where applicable, in accordance with the remuneration policy for the members of the Management Board adopted by the General Meeting on 26 June 2007. Options may only be granted in the ten years following the adoption of the AMG Option Plan. They may not be granted in the two months before publication of the annual, or 21 days before publication of the quarterly or half-yearly, accounts of the Company, or in any other period when a grant would be inadvisable or prohibited pursuant to applicable securities rules and regulations. As set out in the Remuneration Policy, the maximum aggregate number of shares subject to options that can be granted to members of the Management Board will be no more than 10% of the issued Share capital at that time. The maximum aggregate number of shares that may be issued pursuant to the AMG Option Plan is the lesser of 50,000,000 and 10% of the number of issued shares outstanding immediately after the completion of the settlement of the Offering. Options will be personal and non-transferable.

Exercise of Options

Each option will entitle its holder to acquire Shares at a future date at a price per Share equal to the fair market value of a Share at the date on which the option is granted (except that the exercise price for options granted before Admission will be the Offer Price). The scheme allows, but does not oblige, the Management Board to accept cashless forms of consideration in satisfaction of the exercise price of an option, but only to the extent set forth in the option agreement that is entered into by the Company with the grantee on the granting of the option. One quarter of the options granted to each option holder on any date will vest on each of the first four anniversaries of that date. Vesting of the options is not subject to any performance conditions. Options may not be exercised in the two months before publication of the annual, or 21 days before publication of the quarterly or half-yearly, accounts of the Company, or in any other period when exercise would be inadvisable or prohibited pursuant to applicable securities rules and regulations. Options will cease to be exercisable on the tenth anniversary of their grant, on any attempt to transfer them, on certain acts of affiliation of the grantee with a competitor of the Company and on certain insolvency events in respect of the grantee.

Options may be exercised only by the grantee or, for one year after his death, his personal representatives. On the cessation of the grantee's employment or consultancy relationship with the Company for any reason other than death, any vested options held by him will be exercisable only during the first period in which exercise of options is permitted to occur in the 12 months after the cessation. If the cessation is on account of the grantee's permanent disability, unvested options will also be exercisable during the same period. Any options not so exercised will lapse.

Adjustment, Corporate Events and Amendment

In the event of a variation of the share capital of the Company involving the Shares, including a bonus or rights issue or a sub-division or consolidation of the Shares, the number of Shares subject to each outstanding exercisable option and the applicable exercise price may be adjusted to such extent and in such manner as the Management Board may determine.

In the event of a merger or takeover of the Company in the course of which a third party obtains (or third parties acting jointly obtain) control of the Company, the Management Board may, subject to the approval of the Supervisory Board: (i) cancel the options; or (ii) vary, change, restrict, accelerate or amend in any other way the terms of the options, which may include requiring the options to be exercised before a specified date before the date of their expiry. Any option that is accelerated will vest at its original exercise price and must then be cancelled by the Company against payment to the holder of compensation equal to the aggregate exercise price which would have been paid, had the option been exercised. The Company has discretion to pay such compensation by way of granting an option to acquire shares or other instruments in another entity involved in the merger or take-over.

The Management Board is authorised to alter the terms of the AMG Option Plan for newly issued options, subject to the approval of the Supervisory Board.

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Outstanding Options under the AMG Option Plan

On the basis of: (i) the relevant delegation included in the Articles of Association and, to the extent such delegation was not sufficient to issue the relevant number of Shares, the delegation to issue Shares and grant rights to subscribe to Shares with the power to restrict or exclude pre-emptive rights included in the resolution of the General Meeting held on 25 May 2007; (ii) the approval of the Supervisory Board on 20 June 2007; and (iii) the adoption of the remuneration policy and the approval of the AMG Option Plan by the General Meeting, the Management Board granted to the members of the Management Board, certain Senior Managers and certain other employees of the Company, conditionally on Admission, options to acquire an aggregate of 1,335,000 Shares pursuant to the AMG Option Plan (representing, on a fully diluted basis, approximately 4.75% of the Company’s issued and outstanding Share capital after Admission assuming that the Over-Allotment Option is not exercised, or 4.75% if the Over-Allotment Option is exercised in full). The exercise price for each of these options will be the Offer Price and the deemed date of their grant will be the date of Admission.

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The table below sets forth the number of Shares accordingly subject to options (conditionally on Admission) under the AMG Option Plan as at the date of this prospectus.

Name	Number of Shares subject to option
Members of the Management Board	
Dr. Heinz Schimmelbusch	225,000
Mr. Arthur R. Spector	200,000
Mr. William J. Levy	100,000
Mr. Eric E. Jackson	100,000
Dr. Reinhard Walter	100,000
Total	725,000
Senior Managers	
Mr. Hoy Frakes	50,000
Mr. Itamar Resende	50,000
Mr. Charles-Antoine Rougier	50,000
Mr. Karl-Uwe van Osten	10,000
Mr. Guido Löber	10,000
Ms. Amy Ard	50,000
Mr. Werner Katzschner	50,000
Mr. Richard Seemann	50,000
Dr. Matthias Häberle	50,000
Total	370,000
Other employees	
Mr. David Beare	10,000
Mr. Helmut Berg	10,000
Mr. Ulrich Biebricher	10,000
Mr. Shawn Buchtel	10,000
Mr. Raymond Deveaux	10,000
Mr. Edward Forshey	10,000
Mr. Luis Garcia	10,000
Mr. Klaus-Jürgen Heimbach	10,000
Mr. Michael Hohmann	10,000
Mr. Antonio Jacob	10,000
Mr. David Lewis	10,000
Mr. Rodrigo Lima	10,000
Mr. Joao Luis	10,000
Mr. Peter Minarski	10,000
Mr. Jean-Philippe Passefond	10,000
Mr. Michael Protzmann	10,000
Mr. Pavel Seserko	10,000
Mr. Christopher Stokes	10,000
Mr. Juergen Trebing	10,000
Mr. Marc Walinsky	50,000
Total	240,000

Directors’ and Senior Managers’ Interests in Shares, Timminco Shares and Common Shares in the Capital of Metallurg (“Metallurg Shares”)

Other than the share interests of the Directors and Senior Managers disclosed or referred to in “Share Option Schemes” and “Supervisory Board Remuneration” above, at the date of this Prospectus none of the Directors or Senior Managers has any interest in any Shares. However, certain of them hold Timminco Shares and options to acquire Timminco Shares and Metallurg Shares. See “General Information—Timminco Shares and Options” on page 152 of this prospectus and “General Information—Metallurg Options” on page 154 of this prospectus.

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Members of the Supervisory Board have been granted the opportunity to purchase New Shares at the Offer Price in conjunction with the Offering, conditionally on and with effect from Admission. The relevant Shares will be issued on the Settlement Date (and exceptionally, the number of shares granted will be determined by reference to the Offer Price rather than an average closing trade price) and subsequent grants will be made on each anniversary of Admission. A total of up to 125,000 New Shares (approximately 1.34% of the New Shares) have been reserved for issue to the Supervisory Board members pursuant to the terms of that offer.

Corporate Governance

Dutch Corporate Governance Code

On 9 December 2003, a committee commissioned by the Dutch government (*Commissie Tabaksblat*) published the Dutch corporate governance code (the “**Dutch Corporate Governance Code**”). The provisions of the Dutch Corporate Governance Code came into effect on 1 January 2004. Dutch companies whose shares are listed on a government-recognised stock exchange pursuant to the Dutch Corporate Governance Code must discuss appliance of the Dutch Corporate Governance Code in their annual report. If a company does not apply the best practice provisions of the Dutch Corporate Governance Code, it must explain the reasons why it does not apply them.

The main issues covered by the Dutch Corporate Governance Code, to the extent that they are relevant to the Company, are:

- made-to-measure internal risk management and control systems;
- a limit on severance pay to Management Board members (one year’s base salary, with a hardship clause allowing up to two years’);
- limitations on the number of Management Board and Supervisory Board memberships held by the same person;
- limitations on the period of appointment for Management Board and Supervisory Board members;
- restrictions on options and shares awarded to Management Board members;
- strict requirements concerning investments by Management Board and Supervisory Board members;
- the independence of all Supervisory Board members (except for one);
- the training of Supervisory Board members in financial, reporting and other areas;
- reduction of the obstacles for shareholders to dismiss Management Board and Supervisory Board members;
- communication between shareholders and auditor (shareholders should be able to question the auditor at the General Meeting about the accuracy and fairness of the financial statements); and
- disclosure of the Company’s corporate governance structure (key points should be placed in a separate chapter of the annual report, in which the Company states explicitly whether it applies the Dutch Corporate Governance Code and the reasons for any non-application).

Application

The Company applies the Dutch Corporate Governance Code. In certain respects, some of which are described below, the Company does not follow certain best practice provisions of the Dutch Corporate Governance Code, for the reasons set out below.

The Company is in the process of implementing best practice provision II.1.3 (publication of code of conduct on the Company’s website) which the Directors currently anticipate will be completed by the end of 2007 or as soon as reasonably practicable.

Whilst the Company is committed to the highest standards of international corporate governance practices, the Directors believe that it cannot fully comply with all applicable best practice provisions of the Dutch Corporate Governance Code at this stage. The Directors believe that they have sound explanations for the Company’s departure from these provisions. In particular, given the specialised nature of the Company’s business, the Directors believe that the remuneration packages offered to the Company’s

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senior staff are appropriate for the purposes of retaining their services and maintaining their commitment to the Company. Some of the terms offered to senior staff who are not residents of the Netherlands may reflect local market practice in the countries in which they are relevant rather than that in the Netherlands. In view of the Company's global presence and its international Supervisory Board and Management Board, the Company is furthermore in the process of designing a policy on remuneration and employee incentives with the aim of recruiting and retaining suitably qualified members of the Supervisory Board and the Management Board. For these reasons, at least during the transitional period and pending the implementation of this policy the Company will depart from:

- best practice provision II.2 (amount and composition of the remuneration) on directors' remuneration and service contracts (see "Management and Corporate Governance—Directors' Service Contracts" on page 104 of this prospectus);
- best practice provision II.2.1 (options to acquire shares) on directors' remuneration and service contracts (see "Management and Corporate Governance—Remuneration—Share Option Schemes" on page 108 of this prospectus);
- best practice provision II.2.2 (performance criteria for options) on directors' remuneration and service contracts (see "Management and Corporate Governance—Remuneration—Share Option Schemes" on page 108 of this prospectus);
- best practice provision II.2.7 (severance pay) on directors' remuneration and service contracts (see "Management and Corporate Governance—Remuneration—Management Board Remuneration" on page 101 of this prospectus);
- best practice provision III.7.1 (shares should not be part of the remuneration of supervisory board members) on directors' remuneration and service contracts (see "Management and Corporate Governance—Remuneration—Share Option Schemes" on page 108 of this prospectus); and
- best practice provision III.7.2 (shareholdings by supervisory board members should be held on a long-term basis) on Directors' remuneration and service contracts (see "Management and Corporate Governance—Remuneration—Share Option Schemes" on page 108 of this prospectus).

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THE SELLING SHAREHOLDERS

Details of the Selling Shareholders

The table below sets forth in respect of each of the Selling Shareholders its name, business address, number and percentage of Shares held at the date of this prospectus, the number of Sale Shares offered by it in the Offering and the percentage of Shares it will hold immediately following completion of the Offering, assuming that the Over-Allotment Option is not exercised.

Name	Business address	No. of shares currently held	Percent. of total Shares currently held	No. of Sale Shares offered	Percent. of total Shares held after Offering ⁽¹⁾
Safeguard International Fund, L.P.	435 Devon Park Drive, Building 400, Wayne, Pennsylvania 19087, United States	15,982,665	91.51	3,404,225 ⁽²⁾	46.94 ⁽³⁾
Safeguard Co-Investment Partnership, L.P.	435 Devon Park Drive, Building 400, Wayne, Pennsylvania 19087, United States	837,070	4.79	178,292	2.46
SCP Private Equity Partners, L.P.	1200 Liberty Ridge Drive, Wayne, Pennsylvania 19087, United States	508,160	2.91	108,235	1.49
Safeguard International Interfund, L.P. (“Safeguard Interfund”) . .	435 Devon Park Drive, Building 400, Wayne, Pennsylvania 19087, United States	110,055	0.63	23,441	0.32
Bécancour GP, Inc.	435 Devon Park Drive, Building 400, Wayne, Pennsylvania 19087, United States	8,695	0.05	8,695 ⁽⁵⁾	—
DLJ WIN I, LLC ⁽⁴⁾	11 Madison Avenue, New York, New York 10010, United States	6,340	0.04	6,340 ⁽⁵⁾	—
Safeguard International Advisors, L.L.C.	435 Devon Park Drive, Building 400, Wayne, Pennsylvania 19087, United States	2,115	0.01	2,115 ⁽⁵⁾	—
Total		17,455,100	99.64 ⁽⁶⁾	3,731,343	51.21 ⁽³⁾

(1) Assuming that the Over-Allotment Option is not exercised.

(2) Pursuant to the Over-Allotment Option Safeguard may also be required to sell 1,959,713 Additional Shares (representing up to 15% of the total number of Offer Shares).

(3) If the Over-Allotment Option is exercised in full, immediately after completion of the Offering Safeguard will hold 10,782,275 Shares representing approximately 40.23% of the enlarged issued Share capital and the Selling Shareholders will hold a total of 11,764,044 Shares representing approximately 43.90% of the enlarged issued Share capital.

(4) DLJ WIN I, LLC, which also holds a 1.43% ownership stake in Safeguard and a 15.98% ownership stake in Safeguard Co-Investment Partnership, L.P., is a fund managed by an affiliate of the Sole Bookrunner and of Credit Suisse, London Branch. See “Plan of Distribution” on page 132 of this prospectus and “General Information—Material Contracts” on page 161 of this prospectus.

(5) Bécancour GP, Inc., DLJ WIN I, LLC and Safeguard International Advisors, L.L.C. will each sell all their Shares in the Offering, assuming sufficient acceptances are received, while the other Selling Shareholders will sell Sale Shares pro rata to their relative holdings.

(6) The remaining current Shareholders are: Joseph Marren with 6,340 Shares; Scott Honour with 1,270 Shares; The Lanigan Trust dated 8 March 2000 with 1,270 Shares; Robert McEvoy with 1,270 Shares; and Scott Morrison with 845 Shares. None of these Shares will be sold in the Offering.

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Information about Safeguard

General Information

Safeguard, the largest Selling Shareholder (holding 91.51% of the issued and outstanding Shares at the date of this prospectus), is a limited partnership established under the laws of the State of Delaware, United States in January 1997 with its registered office at 1013 Centre Road, Wilmington, Delaware 19805, United States.

Safeguard is a private equity fund which had over US\$300 million of equity capital under management and of which it has returned over US\$143 million to investors. It was formed to make acquisitions of technologically oriented metallurgical businesses in North America and Western Europe.

Management

The general partner of Safeguard, SIF Management, L.P., a limited partnership organised under the laws of the State of Delaware, United States, is responsible for the control and management of the business and affairs of Safeguard. The limited partners of Safeguard have no such responsibility and generally have no authority to act for or on behalf of Safeguard. The general partner has an executive committee, which currently consists of Dr. Heinz Schimmelbusch and Mr. Arthur R. Spector, who are respectively the chairman and deputy chairman of the Management Board. The executive committee: (i) makes all investment decisions for Safeguard; (ii) oversees the operations and affairs of Safeguard; and (iii) performs the other functions specifically referred to in Safeguard's limited partnership agreement. Actions taken by the executive committee must be approved by a majority of its members. In addition, Safeguard's day-to-day affairs are managed by its management company, Safeguard International Management, LLC, of which Dr. Schimmelbusch and Mr. Spector are managing directors, in which capacity they receive compensation from Safeguard.

Dissolution

Pursuant to amendments to its limited partnership agreement, the duration of Safeguard's limited partnership is until the close of business on 31 March 2008, unless it is terminated sooner in accordance with the termination provisions of the limited partnership agreement. Safeguard's assets, including the Shares held by it, must be distributed to its partners before the time of its termination. On the distribution of Safeguard's Shares to its partners it will cease to have any control over the Company.

Immediately following completion of the Offering, Safeguard will hold 46.94% of the Shares, assuming that the Over-Allotment Option is not exercised. On the basis of Safeguard's current partnership unit holdings, no partner will hold more than 15.39% of the enlarged issued Share capital following the Offering (assuming that the Over-Allotment Option is not exercised) as a result of Safeguard's dissolution. Nevertheless, potentially two or more of the partners acting in concert may be in a position to exercise control over the Company with regard to: decisions of the General Meeting as to corporate governance; the appointment, removal and discharge of Directors; and the approval of significant transactions of the Company. Such control could entail significant control over the policies and operations of the Company.

Interests in Shares

At the date of this prospectus, there are no interests known to the Company in Shares or voting rights attaching to Shares that are notifiable under Dutch law, other than the interests set forth in this section and in "Management and Corporate Governance—Share Option Schemes" on page 108 of this prospectus. Accordingly, the only persons known to the Company who directly or indirectly control the Company are Safeguard and the persons described under "Information about Safeguard—Management" above to the extent that they indirectly control the Company through their control of Safeguard as described above.

Lock-Up

Pursuant to the Underwriting Agreement, each of the Company and the Selling Shareholders will agree with the Managers not to enter into certain transactions in respect of Shares held by them during the period of 180 days from the date of the Underwriting Agreement and Dr. Heinz Schimmelbusch and Mr. Arthur Spector will agree with the Managers not to enter into certain transactions in respect of Shares during the period of 365 days from Admission. See "Plan of Distribution—Lock-Up Arrangements" on page 133 of this prospectus.

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RELATED PARTY TRANSACTIONS

The following is a summary of the related party transactions into which the Company and its subsidiaries entered in the period between 1 January 2004 and the date of this prospectus (in some cases before the incorporation of the Company).

General

In the ordinary course of its business, the Company has engaged, and continues to engage, in transactions with parties that are under common control with the Company or that are otherwise related parties. Transactions with entities under common control with the Company constitute transactions with parties that have the same beneficial owners as the Company. Other than the transactions described in this section, the Company did not engage in any other material transactions with related parties during the period between 1 January 2004 and the date of this prospectus.

Specific Related Party Transactions

Company Reorganisation

In December 2002, the Company's subsidiary, Metallurg Holdings, entered into a share purchase agreement with Safeguard International Fund PFW, L.L.C. ("**PFW LLC**"), a company owned by Safeguard, for the purchase of all of the issued and outstanding shares in GfE by PFW LLC for consideration of EUR 1.00 and the assumption of GfE's debt, which included US\$6.0 million payable to Metallurg by GfE. In connection with the transaction, PFW LLC invested US\$1.0 million in GfE in the form of a loan to GfE. In December 2005, GfE entered into an agreement with PFW LLC for the sale of 100% of the stock in its subsidiary GfE Medical AG to PFW LLC, for consideration of EUR 1.00, and the assignment of a debt owed to GfE by GfE Medical AG in the amount of EUR 10.7 million to PFW LLC, also for consideration of EUR 1.00. In December 2005, the Company's subsidiary ALD entered into a share purchase agreement with PFW LLC to acquire all of the issued and outstanding shares in GfE for consideration of EUR 10.0 million in cash (paid in two equal instalments in December 2005 and in December 2006).

In June 2006, ALD transferred all of the issued and outstanding shares in GfE to its parent company, ALD International, in consideration for 20,510 shares in ALD (which are currently held by ALD as treasury shares). ALD International then transferred the shares in GfE to MDHC in exchange for 11.9% of the issued and outstanding shares in MDHC. Also in June 2006, Sudamin Holdings LLC, a company owned by Safeguard, contributed all the issued and outstanding shares in Sudamin to MDHC in exchange for 5.9% of the issued and outstanding shares in MDHC. MDHC then contributed all of the issued and outstanding shares in GfE and Sudamin to Metallurg Holdings in exchange for 4,797,665 shares of Metallurg Holdings' Series A Voting Convertible Preferred Stock, 5,476 shares of Metallurg Holdings' Series B Voting Convertible Preferred Stock and one share of Metallurg Holdings' common stock.

In December 2003, ALD International, a company owned by Safeguard, entered into a share purchase agreement with PFW Aerospace (then called Pfalz-Flugzeugwerke GmbH), also owned by Safeguard, for the sale of all of the issued and outstanding shares in ALD to PFW Aerospace for total consideration of approximately EUR 48.6 million, of which approximately EUR 20.2 million was paid in cash and approximately EUR 28.3 million in the form of the assignment to ALD International of claims of PFW Aerospace against PFW Beteiligungs-Aktiengesellschaft ("**PFW AG**") and against PFW Acquisition GmbH, both companies owned by Safeguard. In March 2006, PFW Aerospace sold the shares in ALD back to ALD International for consideration of a EUR 48.6 million loan note, payment of which is deferred until December 2009 (the "**Payment Claim**"). In April 2006 PFW AG and PFW Acquisition GmbH merged with PFW Aerospace, so that PFW Aerospace assumed liability for the approximately EUR 28.3 million in claims payable to ALD International (plus certain other debts). Following a set-off in June 2006 of mutual claims between ALD International and PFW Aerospace, the outstanding Payment Claim had been reduced to approximately EUR 16.1 million as at 31 March 2007. The outstanding Payment Claim including all interest is secured by a pledge of the shares in ALD, which will not be released before payment of the outstanding Payment Claim. The Company intends to repay the Payment Claim in full out of the proceeds of the Offering.

On 29 March 2007 the Company issued 2,129,486 shares in the capital of the Company with a nominal value of EUR 0.10 (before they were each split on 26 June 2007 into five Shares with a nominal value of EUR 0.02 each as described in "Description of Share Capital—Share Capital" on page 119 of this

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prospectus, “**Old Shares**”) to ALD International and assumed liability for the outstanding Payment Claim in exchange for the contribution by ALD International to the Company of all the outstanding shares in ALD (20,510 shares in ALD are currently held by ALD as treasury shares). The Company subsequently contributed the shares in ALD to ALD Holding, a wholly owned subsidiary of the Company, for nil consideration.

In January 2004, the Company’s 50.3% owned subsidiary Timminco entered into a call option agreement with PFW AG and Allied Resource Corporation, a company of which Dr. Schimmelbusch is the non-executive chairman, which entitled Timminco to acquire the entire issued share capital of a Norwegian company, NorWheels AS, which held (and still holds) shares representing approximately 17% of the shares currently issued in Fundo. Timminco exercised this option in March 2004 for a purchase price of US\$4.6 million, comprised of US\$3.3 million for the interest in NorWheels AS and US\$1.3 million in respect of certain fees and expenses paid by PFW AG in connection with the transaction. In connection therewith Timminco and Allied Resource Corporation terminated a fees agreement entered into by them dated December 2003 pursuant to which Allied Resource Corporation had granted Timminco the right to acquire certain rights of Allied Resource Corporation in respect of Fundo. Furthermore, in January 2004 Timminco was released from its obligations under an agreement with Allied Resource Corporation and ALD International of December 2003 regarding certain financing arrangements for the acquisition of shares in Fundo by Timminco.

On 28 July 2004, Timminco entered into a share purchase agreement with Bécancour, L.P. (“**BLP**”) and Bécancour Holding, Inc. (“**BHI**”), both of which entities were owned by Safeguard, to acquire the entire issued share capital of Bécancour. The purchase was completed on 30 September 2004. As consideration for the acquisition, Timminco issued an aggregate of 30,909,091 Timminco Shares to BLP and BHI and accepted the assignment of the Bécancour’s liabilities to BLP under a convertible senior loan agreement, under which a principal amount of US\$7,500,000 was outstanding.

Loans

On 31 August 2006 Bécancour issued a promissory note (the “**August 2006 Note**”) to Safeguard in acknowledgement of a loan of US\$3.0 million. The principal amount (but not interest) due under the August 2006 Note is convertible on demand into Timminco Shares at a conversion price of C\$0.40 per Timminco Share. On 1 March 2007, Bécancour issued a promissory note (the “**March 2007 Note**”) to ALD International in acknowledgement of a loan of C\$4.5 million. The principal amount (but not interest) due under the March 2007 Note is convertible on demand into Timminco Shares at a conversion price of C\$0.42 per Timminco Share. Both loans bear interest at Bank of America, N.A.’s prime rate plus 1% per annum, calculated and payable quarterly (with effect from 7 February 2007 in the case of the March 2007 Note). For the purposes of conversion of the loan into Timminco Shares, the August 2006 Note requires the outstanding US dollar loan amount to be converted into Canadian dollars at the applicable noon spot rate of exchange quoted on the Bank of Canada’s website on the date of conversion. The conversion rates applicable to the August 2006 Note and the March 2007 Note are also subject to adjustment in the event of a typical range of corporate events (such as a merger of Timminco or a subdivision of the Timminco Shares) and distributions to shareholders of Timminco. On 31 August 2006 Bécancour entered into a general security agreement with Safeguard whereby it pledged all of its rights in its property, assets and undertakings as security for the payment of all its indebtedness to Safeguard. Also on 31 August 2006, Timminco issued a guarantee to Safeguard of the obligations of Bécancour under the August 2006 Note and entered into a security agreement with Safeguard as security for all its indebtedness to Safeguard. The loans are postponed to existing bank loans secured by Timminco and Bécancour, and the security for the loans is subordinated to that for those bank loans. Subject to this postponement, the loans may be repaid by Bécancour at any time. They must be repaid on the occurrence of an event of default (being an insolvency event in respect of Bécancour, Timminco or Timminco Corporation, the cessation of business of any of them, or the failure by any of them to make any payment due in connection with the relevant promissory note within five days of the relevant payment date). The noteholders are entitled to assign their rights under the promissory notes, subject only to the submission of the assignee to the postponement and subordination arrangements. Both promissory notes are governed by the laws of Ontario, Canada.

The C\$4.5 million principal outstanding under the March 2007 Note would, if converted, result in the issue of 10,714,286 new Timminco Shares. The number of Timminco Shares into which the aggregate outstanding amount due under the August 2006 Note can be converted varies with exchange rate fluctuations. If the entire amount outstanding under the August 2006 Note had been converted on 22 June 2007, the latest practicable date before the date of this prospectus, on the basis of the applicable exchange

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rate of C\$1.00 = US\$0.94, 8,007,003 new Timminco Shares would have been issued. If the entire amount outstanding under the March 2007 Note had been converted at the same time, this would have resulted in the issue of an aggregate of 18,721,289 new Timminco Shares, giving Safeguard a direct and indirect holding (excluding its indirect holding through the Company) of approximately 16.8% of the enlarged common Timminco Share capital and causing the dilution of the Company's holding in the enlarged Timminco Share capital to approximately 42.6%.

On 21 June 2007 the Company entered into an option agreement under Dutch law with Safeguard and ALD International relating to Timminco Shares. Pursuant to this agreement, each time Safeguard or ALD International exercises in whole or in part its conversion right respectively under the August 2006 Note or the March 2007 Note, the Company has the right, and must use its reasonable endeavours, to exercise an option requiring Safeguard or ALD International, as applicable, to instruct Timminco to issue the Timminco Shares issuable on the conversion directly to the Company. On any exercise of this option, the Company must pay to Safeguard or ALD International, as applicable, a sum of cash equal to the closing market price for the Timminco Shares over which it is exercising the option. This agreement accordingly offers the Company some protection against dilution of its shareholding in Timminco as a result of conversion of the August 2006 Note or the March 2007 Note, but there can be no assurance that the Company will have sufficient cash available to be able to exercise this option when it becomes exercisable.

A further promissory note issued by Bécancour to ALD International on 7 March 2006 in acknowledgement of a loan of US\$2.0 million was discharged in full on 30 April 2007, when ALD International converted the entire principal amount of this loan into 5,601,000 Timminco Shares.

Under the terms of a loan agreement under US law dated 17 December 2006, ALD International made a loan of EUR 700,000 (which is not convertible) to Timminco. The loan bears interest at 11% per annum, calculated and paid monthly. The loan must be repaid on 31 December 2007 and if it is not default interest will be payable at 16% per annum. The loan may be prepaid at any time without penalty. ALD International is entitled to terminate the loan agreement if bankruptcy or similar proceedings are commenced over the assets of Timminco, Fundo or Fundo Holdings AS.

Between January 2004 and May 2007, ALD entered into a series of loan agreements with Intellifast GmbH (formerly known as PFW Technologies GmbH), a subsidiary of Safeguard and PFW LLC, in an aggregate principal amount of EUR 1,292,676, of which EUR 1,042,676 was outstanding as at 31 March 2007. The loans were made for growth capital and expansion purposes. The highest interest rate on the outstanding loans is three-month EURIBOR plus 5%. In addition, as at 31 March 2007 ALD had outstanding trade receivables from Intellifast GmbH of approximately EUR 49,750.

On 24 February 2004 Safeguard for its own account and the accounts of others, and SCP Private Equity Partners, L.P., another Shareholder, provided Metallurg Holdings with a US\$8.0 million subordinated loan so that MVC could complete the purchase of vanadium-containing raw materials for its Cambridge, Ohio, United States plant, under a five-year supply contract. The loan was repaid in September 2005.

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DESCRIPTION OF SHARE CAPITAL

The Company was incorporated as a public limited liability company (*naamloze vennootschap*) under Dutch law on 21 November 2006. Set forth below is information concerning its share capital and related summary information concerning the material provisions of the Articles of Association and applicable Dutch law. As it is a summary, it does not contain all of the information that is in the Articles of Association and is qualified in its entirety by reference to the full text of the Articles of Association, which is incorporated in this prospectus by reference, and the Dutch Civil Code.

Corporate Purpose

The Company’s objects, which are set forth in Article 3 of the Articles of Association, are:

- to participate in, to conduct the management of and to finance other companies and business enterprises, of any nature whatsoever;
- to take up loans and to grant loans;
- to acquire, conduct the management of, administer, operate, encumber and dispose of operating assets and other assets;
- to guarantee liabilities of third parties;
- to grant security, whether of not for liabilities of third parties;
- to render services and give other support to legal persons and companies with which the Company forms a group,

and all activities which are incidental to or which may be conducive to any of the foregoing.

Share Capital

Introduction

The Company was incorporated on 21 November 2006 with an authorised share capital of EUR 100,000. On incorporation, Safeguard subscribed for 450 shares in the capital of the Company with a nominal value of EUR 100 each.

By an amendment of the Articles of Association made on 29 March 2007, the authorised share capital of the Company was increased to EUR 500,000 and the 450 issued shares in the capital of the Company with a nominal value of EUR 100 each were divided into 450,000 Old Shares with a nominal value of EUR 0.10 each.

The Company’s share capital has since been increased as described below. As described below, more than 10% of the Company’s share capital has been paid for with assets other than cash.

MDHC Contribution

On 29 March 2007 the Company issued a total of 549,746 Old Shares in consideration for the contribution in kind (*inbreng anders dan in geld*) to the Company of shares held by each subscriber in the capital of MDHC. The value of the contribution in kind in excess of the nominal value of the issued Shares



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has been recorded as a voluntary share premium (*niet bedongen agio*). The table below sets forth the numbers of Old Shares issued to each subscriber on 29 March 2007.

<u>Subscriber</u>	<u>Number of Old Shares</u>
Safeguard	272,077
Safeguard Co-Investment Partnership, L.P.	167,414
SCP Private Equity Partners, L.P	101,632
Safeguard Interfund	4,987
DLJ WIN I, LLC	1,268
Joseph Marren	1,268
Safeguard International Advisors, L.L.C.	423
Scott Honour	254
Robert McEvoy	254
Scott Morrison	169
Total	<u>549,746</u>

In addition, on 2 April 2007 the Company issued 254 Old Shares to The Lanigan Trust dated 8 March 2000 in consideration for cash (and at the same time The Lanigan Trust contributed its shares in the capital of MDHC as voluntary share premium).

ALD Contribution

On 29 March 2007 the Company issued 2,129,486 Old Shares to ALD International in partial consideration for the contribution in kind to the Company of all of the outstanding shares in the capital of ALD (the remainder of the consideration being satisfied by the Company’s assumption of a debt payable to PFW Aerospace of approximately EUR 15.9 million). The value of the contribution in kind in excess of the nominal value of the issued Old Shares has been recorded as voluntary share premium payment. On the same date ALD International transferred 2,114,937 Old Shares to Safeguard and its remaining 14,549 Old Shares to Safeguard Interfund.

Timminco Contributions

On 29 March 2007 the Company issued 173,893 Old Shares to BLP in consideration for the contribution in kind to the Company of 40,909,093 shares in the capital of Timminco. The value of the contribution in kind in excess of the nominal value of the issued Old Shares has been recorded as voluntary share premium payment. On the same date BLP transferred 170,977 Old Shares to Safeguard, 1,177 Old Shares to Safeguard Interfund and its remaining 1,739 Old Shares to Bécancour G.P., Inc.

On 26 June 2007 the Company issued 189,840 Old Shares to ALD International in consideration for the contribution in kind to the Company of the right to have 5,601,000 Timminco Shares issued to the Company. The value of the contribution in kind in excess of the nominal value of the issued Old Shares has been recorded as voluntary share premium payment. On the same date ALD International transferred 188,542 Old Shares to Safeguard and 1,298 Old Shares to Safeguard Interfund.

Current Share Capital

The Company’s authorised share capital as at 31 March 2007 (the date to which the most recent balance sheet of the Company included in the historical financial information in this prospectus has been prepared) was EUR 500,000, divided into 5,000,000 Old Shares, each with a nominal value of EUR 0.10. On 6 June 2007, the Company’s authorised share capital was increased to EUR 1,500,000, divided into 15,000,000 Old Shares, each with a nominal value of EUR 0.10. On 26 June 2007, each of these 15,000,000 Old Shares with a nominal value of EUR 0.10 each was split into five Shares with a nominal value of EUR 0.02 each. There has been no further change in the Company’s authorised share capital between 6 June 2007 and the date of this prospectus. Accordingly, the Company’s authorised share capital as at the date of this prospectus is EUR 1,500,000, divided into 75,000,000 Shares, each with a nominal value of EUR 0.02. On the Settlement Date the Company’s authorised share capital will be increased to EUR 2,000,000 divided into 100,000,000 Shares, each with a nominal value of EUR 0.02.

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The Company's issued share capital as at 31 March 2007 was EUR 330,312.50, divided into 3,303,125 Old Shares, all of which were paid up in full. The Company's issued share capital was increased on 2 April 2007 by the issue of 254 Old Shares, fully paid, to The Lanigan Trust as described above. It was further increased on 26 June 2007 by the issue of 189,840 Old Shares, fully paid, to ALD International as described above. On 26 June 2007, each of the 3,493,219 Old Shares with a nominal value of EUR 0.10 each was split into five Shares with a nominal value of EUR 0.02 each. There has been no further change in the Company's issued share capital between 31 March 2007 and the date of this prospectus. Accordingly, the Company's issued share capital as at the date of this prospectus is EUR 349,321.90, divided into 17,466,095 Shares, all of which are paid up in full.

Form and Transfer of Shares

The Shares are in registered form. No share certificates will be issued. As of the Settlement Date the Shares will be entered into a collection deposit (*verzameldepot*) and/or giro deposit (*girodepot*) on the basis of the Dutch Securities Giro Act (*Wet giraal effectenverkeer*) (the "**Giro Act**"). The admitted institutions (*aangesloten instellingen*), as defined in the Giro Act, are responsible for the management of the collection deposit and Euroclear Nederland of Damrak 70, 1012 LM Amsterdam, The Netherlands, being the central institute (*Centraal Instituut*) for the purposes of the Giro Act, will be responsible for the management of the giro deposit.

Treasury Shares and Rights to Acquire Shares

No Shares are or have ever been held by or on behalf of the Company. The Company has never issued any securities convertible or exchangeable into Shares or warrants to subscribe for Shares. Except in connection with the Offering, there are no outstanding acquisition rights or obligations over any authorised but unissued share capital of the Company and the Company has given no undertakings to increase its share capital.

Corporate Resolutions

On 25 May 2007, the General Meeting resolved to designate the Management Board as the corporate body which, subject to prior approval of the Supervisory Board, is authorised to issue such number of New Shares as may be necessary for the Offering, subject to the listing of the Shares on Euronext Amsterdam. This delegation also relates to the initial grant of options and the issue on the Settlement Date of New Shares to members of the Supervisory Board, and it includes delegation of the power to limit or exclude pre-emptive rights. The Management Board and Safeguard, in consultation with the Sole Bookrunner, will determine the Offer Price. The Management Board will, subject to Admission, resolve to issue the New Shares and determine the conditions of their issue, which will be approved by the Supervisory Board.

On 26 June 2007 the Management Board, subject to the approval of the Supervisory Board, and the approval of the Supervisory Board remuneration by the General Meeting, resolved to issue to the members of the Supervisory Board the relevant Shares referred to in "Share Remuneration" above. The Management Board made this resolution on the basis of the relevant delegation included in the Articles of Association and, to the extent such delegation was not sufficient to issue the relevant number of Shares, the delegation of authority to issue Shares and grant rights to subscribe for Shares with power to restrict or exclude pre-emptive rights included in the resolution of the General Meeting held on 25 May 2007.

Dividends and Other Distributions

Each year, the Management Board may, subject to the approval of the Supervisory Board, determine that the Company's profits for the year, if any, will be reserved in whole or in part. The remaining profits, if any, will be available to the General Meeting for distribution as dividends on the Shares or to be further added to the reserves as the General Meeting may decide. The Company is not entitled to any distributions on Shares it holds in its own Share capital or on Shares of which it holds the depositary receipts. Shares which the Company holds in its Share capital will not be taken into account for the purposes of determining the division of an amount to be distributed on the Shares, unless a right of usufruct (*vruchtgebruik*) or a right of pledge is established on these Shares.

Distributions to Shareholders may only be made in so far as the Company's shareholders' equity exceeds the sum of the issued share capital and the reserves required to be maintained by applicable law.

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Any distribution of profits through a dividend may only be made after the adoption of the Company's annual accounts by the General Meeting.

The Management Board may decide to announce one or more interim dividends, subject to the approval of the Supervisory Board and as permitted under Dutch law and the Articles of Association.

Distributions are payable as at the date determined by the Management Board. Distributions that have not been claimed within five years from the date that they have become available will lapse in favour of the Company.

See also "Dividend Policy" on page 38 of this prospectus.

Issue of Shares and Pre-Emption Rights

Shares may be issued and rights to subscribe for Shares may be granted pursuant to a resolution of the General Meeting subject to the approval of the Supervisory Board. The General Meeting may also delegate the authority to issue new Shares and to grant rights to subscribe for Shares to the Management Board, with the approval of the Supervisory Board, for a maximum period of five years.

The Articles of Association authorise the Management Board to issue Shares and to grant rights to subscribe for Shares up to a maximum of 10% of the Company's issued share capital (at the time of the issue) until 30 June 2008, subject to the approval of the Supervisory Board.

Each Shareholder has pre-emption rights to subscribe for any issue of Shares or grant of rights to subscribe for Shares pro rata to the aggregate amount of such Shareholder's existing holding of Shares. However, no Shareholder has any pre-emption right on Shares issued or rights to subscribe for Shares granted for a non-cash contribution. In addition, no Shareholder has any pre-emption right with respect to Shares issued or rights to subscribe for Shares granted to the Company's or its subsidiaries' employees or with respect to Shares issued to a person who exercises a previously acquired right to subscribe for Shares.

Pre-emption rights may be restricted or excluded by a resolution of the General Meeting, or by the Management Board, if so delegated, subject to the approval of the Supervisory Board.

The Articles of Association authorise the Management Board until 30 June 2008 to restrict or exclude pre-emption rights on Shares which the Management Board is authorised to issue or on rights to subscribe for Shares which the Management Board is authorised to grant. Any resolution of the Management Board to that effect requires the approval of the Supervisory Board.

On 26 June 2007, the General Meeting resolved to designate the Management Board, with effect from the date immediately following the Settlement Date until 30 June 2008, as the corporate body which, subject to the approval of the Supervisory Board, is authorised to issue Shares, including any grant of rights to subscribe to Shares, with the power to restrict or exclude pre-emptive rights. This authorisation allows the issue of up to 10% of the outstanding share capital of the Company as at the date immediately following the Settlement Date. This authorisation may be revoked at any time by the General Meeting.

Upon closing of the Offering, the delegation to the Management Board of the authority to issue Shares and to grant rights to subscribe for Shares that is included in the Articles of Association will lapse, since it will have been exercised in full.

Repurchase of Shares

The Company may acquire fully paid-up Shares or depositary receipts for Shares at any time for no consideration. It may also acquire fully paid-up Shares or depositary receipts for Shares for consideration if: (i) the Company's shareholders' equity minus the payment required to make the acquisition does not fall below the sum of the issued share capital and any statutory reserves; and (ii) the Company or its subsidiaries would thereafter not hold Shares or depositary receipts for Shares or hold a pledge over Shares or depositary receipts for Shares with an aggregate nominal value exceeding 10% of the issued Share capital.

An acquisition by the Company of Shares or depositary receipts for Shares for consideration must be authorised by the General Meeting. Such authorisation may apply for a maximum period of 18 months and must specify the number of Shares or depositary receipts for Shares that may be acquired, the manner in which Shares or depositary receipts for Shares may be acquired and the price limits within which Shares or depositary receipts for Shares may be acquired. The acquisition may only be effected by a resolution of the Management Board, subject to approval of the Supervisory Board. On 25 May 2007 the General Meeting

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resolved to authorise the Management Board for a period of 18 months from that date to effect acquisitions of Shares by the Company. The number of Shares to be acquired is limited to the maximum number of Shares—as permitted within the limits of the law and the Articles of Association—that the Company may at any time hold in its own share capital, taking into account the Shares previously acquired and disposed of at the time of any new acquisition. Shares may be acquired through the stock exchange or otherwise, at a price not more than 10% above or below the stock exchange price. The stock exchange price is the average of the closing price of the Shares at Euronext Amsterdam on the five consecutive trading days immediately preceding the day of purchase.

Capital Reduction

The General Meeting may, at the proposal of the Supervisory Board and subject to Dutch law and the Articles of Association, resolve to reduce the issued share capital by cancellation of Shares or by reducing the nominal amount of Shares by way of amendment of the Articles of Association. A resolution to cancel Shares may only affect Shares which the Company holds itself or of which it holds the depositary receipts. A resolution of the General Meeting to reduce the issued share capital must designate the Shares to which the resolution applies and make provisions for the implementation of the resolution. A partial repayment or exemption from the obligation to pay up Shares must be made pro rata on all Shares, unless all the Shareholders agree otherwise, and must be effected in accordance with the relevant provisions of the Dutch Civil Code. A resolution of the General Meeting to reduce the issued share capital requires an absolute majority (more than 50%) of the votes cast, unless less than half of the issued share capital is represented at the General Meeting, in which case a majority of at least two thirds of the votes cast is required.

General Meeting

The General Meeting must be held in Amsterdam or Haarlemmermeer (Schiphol), at the option of the person convening the General Meeting.

The annual General Meeting must be held within six months after the end of each financial year, amongst other things to: discuss the written annual report of the Management Board with respect to the general state of the Company's affairs; adopt the annual accounts; grant discharge (*decharge*) to Directors for their performance of their respective roles over the preceding year; appoint members for any vacancies on the Management Board or the Supervisory Board; discuss the Company's reserves and dividend policy; and, if applicable, resolve on any proposal to pay dividends. The Management Board and the Supervisory Board may determine the items on the agenda of the General Meeting, as may Shareholders and others entitled to attend such meetings representing at least 1% of the issued capital or a value of at least EUR 50 million.

The General Meeting may be convened by the Supervisory Board or the Management Board, subject to the time limit stipulated in the Articles of Association. Shareholders that represent alone or in aggregate at least 10% of the issued share capital may, pursuant to the Dutch Civil Code, request that a General Meeting be convened.

The Company will publish a notice of each General Meeting in a national daily newspaper distributed throughout the Netherlands and in the Daily Official List.

Voting Rights

At the General Meeting, each Share confers the right to cast one vote. Each Shareholder is entitled to attend the General Meeting either in person or through a written proxy, and to address such General Meeting and exercise his voting rights, in accordance with the Articles of Association. The Management Board may resolve that the persons entitled to attend the General Meeting will be those persons who: (i) on a date determined by the Management Board hold meeting rights with respect to a Share; and (ii) as such are registered in (a) register(s) determined by the Management Board (the “**Register**”), provided that each such person gave notice to the Company of his intention to attend the General Meeting. This rule may apply irrespective of who at the time of the General Meeting actually holds meeting rights with respect to a Share.

Unless otherwise required by the Articles of Association or Dutch law (as specified below), all resolutions of the General Meeting are passed by an absolute majority (more than 50%) of the votes cast.

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The Supervisory Board members and the Management Board members have, as such, the right to render advice in the General Meeting.

The following matters require the approval of an absolute majority (more than 50%) of the votes cast, unless less than half of the issued share capital is represented at the General Meeting, in which case a majority of two thirds is required:

- limitation or exclusion of pre-emption rights or designation of the Management Board as the authorised corporate body to resolve on these matters; and
- reduction of the Company's capital.

An amendment of the Articles of Association or the dissolution of the Company requires the approval of an absolute majority (more than 50%) of the votes cast if the matters are proposed by the Management Board and approved by the Supervisory Board; otherwise, it requires the approval of a majority of two thirds at a General Meeting where at least half of the issued share capital is represented.

A merger or demerger of the Company requires the approval of an absolute majority (more than 50%) of the votes cast in a General Meeting where at least half of the issued share capital is represented if it has been proposed by the Management Board and approved by the Supervisory Board. If less than half of the issued share capital is represented or if the matter has not been proposed by the Management Board and approved by the Supervisory Board, it requires the approval of a majority of two thirds.

If a quorum of 50% of the issued share capital (if required) is not present at a General Meeting, a second General Meeting may be convened (and must be in certain circumstances). Any such second General Meeting may pass resolutions by a two-thirds majority vote, irrespective of the share capital represented.

A Shareholder has the right to vote on Shares that are subject to a right of usufruct (*vruchtgebruik*) or a right of pledge. However, the usufructuary or pledgee has the right to vote on Shares if so agreed with the Shareholder upon the establishment of the usufruct or pledge.

All shares in the Company (including those held by the Selling Shareholders) carry the same voting rights.

No vote can be cast at a General Meeting in respect of a Share that is owned by the Company or a subsidiary of the Company; nor can a vote be cast for a Share of which the Company or a subsidiary holds depositary receipts. Usufructuaries and pledgees of Shares which are owned by the Company or a subsidiary are not precluded from exercising their voting right if the right of usufruct or the right of pledge was established before the Share was owned by the Company or a subsidiary. The Company or a subsidiary cannot cast a vote in respect of a Share in respect of which it has a right of usufruct or a right of pledge.

Annual Accounts

Annually, and within five months after the end of the financial year (unless the General Meeting has extended this period by a maximum of six months on account of special circumstances), the Management Board is required to prepare the statutory annual accounts, which must be accompanied by an annual report and an auditor's report. The annual accounts will be drawn up in English and US dollars. All Directors must sign the annual accounts.

The annual accounts, the annual report, the advice of the Supervisory Board, and the auditor's report must be made available to the Shareholders for review from the date of the notice convening the annual General Meeting. The annual accounts must be adopted by the General Meeting.

Amendment to the Articles of Association and Dissolution

The General Meeting may resolve to amend the Articles of Association or to dissolve the Company. Amendments to the Articles of Association or the dissolution each require a resolution of the General Meeting taken with a two-thirds majority at a meeting where at least half of the issued share capital is represented, unless it is proposed by the Management Board and approved by the Supervisory Board, in which case an absolute majority is sufficient.

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Liquidation Rights

In the event of its dissolution, the Company must be liquidated in accordance with applicable Dutch law. During liquidation, the Articles of Association will remain in force in so far as possible. The balance of the equity remaining after payments of debts (and the costs of liquidation) will be distributed to the Shareholders pro rata to the aggregate number of Shares held by each.

Disclosure of Information

As a Dutch company listed on Eurolist by Euronext, the Company will be required to make its annual accounts (including the annual report) and its semi-annual report available to the public within five months and four months, respectively, of the end of the period to which the information relates. The Company must also make public certain “inside information”. Inside information is information that is specific and pertains directly or indirectly to the Company or its securities or the trading thereof: (a) that has not been made public; and (b) where disclosure could have a significant effect on the price of the securities in question or derivatives of those securities.

Pursuant to the rules against insider trading the Company has, amongst other things, adopted rules governing the holding of and carrying out of transactions in its securities by Directors and the Company’s employees. Further, the Company will draw up a list of those persons working for it who could have access to inside information on a regular or incidental basis and has informed the persons concerned of the rules against insider trading and market abuse including the sanctions which can be imposed in the event of a violation of those rules.

Proposed Mandatory Offer Rules

Currently, Dutch law does not provide for an obligation for a shareholder to make a public offer if his interest in a company’s share capital or voting rights surpasses a certain threshold. However, the Dutch House of Representatives and Senate have adopted a legislative proposal (the *Wetsvoorstel betreffende het openbaar overnamebod*) for the implementation of Directive 2004/25/EC of the European Parliament and of the Council on Takeover Bids (the “**Takeovers Directive**”). The legislation is expected to enter into force in the course of July 2007.

Pursuant to the adopted legislation, any shareholder, or group of shareholders acting in concert, who has acquired, directly or indirectly, 30% or more of the voting rights of a listed Dutch public company will be obliged to make a public offer for all issued and outstanding shares in that company’s share capital. However, shareholders holding 30% or more of the voting rights of a Dutch public company on the date on which the new legislation enters into force will fall outside the scope of the obligation to make a public offer.

In addition, the Enterprise Chamber (*Ondernemingskamer*) of the Amsterdam Court of Appeal (the “**Enterprise Chamber**”) may, at the request of any shareholder (or holder of depositary receipts for shares) or the company, order a shareholder with a shareholding of 30% or more to make a public offer. The Enterprise Chamber may also, at the request of any shareholder (or holder of depositary receipts for shares) or the company, waive the requirement for such a shareholder to make a public offer if the financial condition of the company and its business are such that the Enterprise Chamber considers it reasonable to grant such a waiver.

Squeeze-Out Proceedings

A shareholder who holds, on his own account, 95% or more of the issued and outstanding share capital of a Dutch public company may institute proceedings against the other shareholders of the company for the transfer of their shares to him. The proceedings are held before the Enterprise Chamber. The Enterprise Chamber may grant the claim for the squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares. The Enterprise Chamber may decide to appoint one or three experts who will determine the price to be paid for the shares. Once the order to transfer becomes final, the person acquiring the shares must notify the relevant shareholders whose addresses are known to him of the date and place of payment and the price to be paid, and unless all addresses are known to him he must also make notice available by way of an advertisement in a newspaper with a national circulation.

The legislation implementing the Takeovers Directive also contains special rules in relation to squeeze-out proceedings if a public offer has been made. Pursuant to these rules, a shareholder who holds 95% or more of a class of shares (representing at least 95% of the total voting rights in that class) following

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a public offer may institute proceedings against other holders of this class of shares for the transfer of their shares to him. In the case of a voluntary offer, the price offered under the offer is deemed a reasonable price as long as 90% of the shares subject to the offer have been tendered. In the case of a mandatory offer, the price offered under the bid is deemed to be reasonable. Minority shareholders are entitled to demand a squeeze-out if the offeror has acquired at least 95% of the relevant class of shares (representing at least 95% of the total voting rights attached to these shares). This procedure must be initiated with the Enterprise Chamber within three months after the lapse of the tender period in respect of the public offer. The Enterprise Chamber will determine the price for the shares.

Significant Ownership of Shares

Holders of the Shares may be subject to reporting obligations under the Dutch FSA. Shareholders are advised to seek professional advice on their obligations. Pursuant to article 5:43 of the Dutch FSA, any person who holds an interest in the capital or voting rights at the time of the Shares being admitted to listing on Eurolist by Euronext must immediately give written notice to the AFM, unless such person holds less than 5% of the capital or voting rights of the Company. In addition, under article 5:38 of the Dutch FSA, any person who, directly or indirectly, acquires or disposes of an interest in the Company's capital or voting rights must immediately give written notice to the AFM if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights exceeds, equals or falls below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95%.

Pursuant to article 5:48 of the Dutch FSA, every member of the Management Board and every member of the Supervisory Board must notify the AFM: (a) immediately after the Shares are admitted to listing on Eurolist by Euronext, of the number of shares in the Company or any Affiliated Institution (as defined below) he holds and the number of votes he is entitled to cast in respect of the Company's or any Affiliated Institution's issued capital; and subsequently (b) of each change in the number of shares in the Company or any Affiliated Institution he holds and each change in the number of votes he is entitled to cast in respect of the issued capital immediately after such change. If a member of the Management Board is a legal entity, the above notification obligations will apply (with necessary amendments) to the natural persons determining the day-to-day policy of such legal entity and to the natural persons supervising the management policy and the general course of its affairs. Any member of the Company's group whose most recently established turnover amounts to at least 10% of the consolidated turnover of the Company or which, directly or indirectly, provides more than 25% of the capital in the Company is an "Affiliated Institution".

The term "shares" for the purposes of articles 5:38 and 5:48 of the Dutch FSA mentioned above includes depository receipts issued for shares and options or other rights to acquire shares or depository receipts issued for shares. For the purpose of calculating the percentage of capital interest or voting rights, the following interests must be taken into account: (i) shares or depository receipts directly held (or acquired or disposed of) by any person and voting rights attaching thereto; (ii) shares or depository receipts or voting rights attaching thereto held (or acquired or disposed of) by such person's subsidiary; (iii) shares or depository receipts or voting rights attaching thereto held by a third party for such person's account or voting rights held by a third party with whom such person has concluded an oral or written voting agreement (including a discretionary power of attorney); and (iv) shares which such person or any subsidiary or third party referred to above, may acquire pursuant to any option or other right to acquire shares. Special rules apply to the attribution of shares which are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of shares can also be subject to the reporting obligations, if he has, or can acquire, the right to vote on the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger the reporting obligations for such pledgee or beneficial owner.

The Company must immediately inform the AFM of changes in its share capital to the extent such changes result in a change in its share capital of 1% or more since its previous notification. The Company must notify to the AFM the total of changes in the share capital which together do not exceed 1% within eight days after the end of each calendar quarter.

Notifications to the AFM as referred to in this section of this prospectus must be made via its website (www.loket.afm.nl) or by means of a standard form sent by fax and by regular mail.

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Insider Transaction Disclosure Obligations

Once the Company has made a request for admission to trading on Eurolist by Euronext, its insiders within the meaning of article 5:56 of the Dutch FSA will be obliged pursuant to article 5:60 of the Dutch FSA to notify the AFM if they carry out or cause to be carried out, for their own account, a transaction in Shares or in securities the value of which is determined by the value of the Shares. Insiders of the Company within the meaning of article 5:60 of the Dutch FSA are: (i) members of the Management Board; (ii) members of the Supervisory Board; (iii) persons who have a (co-)managerial position within the Company and in that capacity are authorised to make decisions which have consequences for the future development and prospects of the Company and have access to inside information on a regular basis; (iv) spouses, registered partners or life partners of the persons mentioned under (i) to (iii), or other persons who live together with these persons as if they were married or as if they had registered their partnership; (v) children of the persons mentioned under (i) to (iii) who fall under their authority or children who are placed under the guardianship (*curatele*) of these persons; (vi) other relations by blood or marriage of the persons mentioned under (i) to (iii) who—on the date of the transaction—have shared a household with these persons for at least one year; and (vii) legal entities, trusts within the meaning of Section 1(c) of the Act on the Supervision of Trust Offices, or partnerships: (a) the managerial responsibility for which lies with a person as referred to under (i) to (vi); (b) which are controlled by such a person; (c) which have been incorporated or set up for the benefit of such a person; or (d) whose economic interests are in essence the same as those of such a person.

This notification to the AFM must be made no later than the fifth business day after the transaction date. If a member of the Management Board or Supervisory Board has a duty of notification as a result of the acquisition or disposal of Shares under the article 5:38 subsections 1 and 2 or article 5:48 subsection 6 of the Dutch FSA, a notification to the AFM within the meaning of the articles 5:38 or 5:48 of the Dutch FSA is sufficient. The notification obligation within the meaning of article 5:60 of the Dutch FSA does not apply to transactions based on a discretionary management agreement as described in article 8 of the Dutch Market Abuse Decree of the Dutch FSA (*Besluit marktmisbruik Wft*). The notification pursuant to article 5:60 of the Dutch FSA may be delayed until the moment that the value of the transactions performed for that person's own account, together with the transactions carried out of the persons associated with that person, reaches or exceeds the amount of EUR 5,000 in the calendar year in question.

Non-compliance with the reporting obligations under the Dutch FSA could lead to criminal fines, administrative fines, imprisonment or other sanctions. In addition, non-compliance with the reporting obligations under the articles 5:38, 5:43 and 5:48 of the Dutch FSA may lead to civil sanctions, including imposition by the court of: (i) an order suspending voting rights in respect of the Shares, for a period of up to three years; and/or (ii) an order prohibiting a person from (acquiring or) exercising voting rights in respect of the Shares, for a period of up to five years.

The notifications to the AFM referred to in this section of this prospectus must be made via its website (www.loket.afm.nl) or by means of a standard form sent by fax and by regular mail.

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THE OFFERING

Introduction

The Offering consists of a public offering in the Netherlands and an international offering to certain institutional investors of 9,333,409 New Shares and 3,731,343 Sale Shares. The Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and in compliance with any applicable state security laws, or outside the United States except in compliance with Regulation S. In addition, members of the Supervisory Board have conditionally agreed to purchase some of the New Shares at the Offer Price (see “Management and Corporate Governance—Directors’ and Senior Managers’ Interests in Shares, Timminco Shares and Common Shares in the Capital of Metallurg (“Metallurg Shares”)” on page 111 of this prospectus).

In connection with the Offering the Sole Bookrunner, as stabilising manager, or any of its agents may (but will be under no obligation to), to the extent permitted by applicable law, over-allot or effect other transactions which stabilise or maintain the market price of the Shares or any options, warrants or rights with respect to, or interests in, the Shares, in each case at a higher level than might otherwise prevail in the open market. The Sole Bookrunner is not required to enter into such transactions and such transactions may commence on or after the Listing Date and will end no later than the thirtieth day after the Listing Date. Such transactions may be effected on Eurolist by Euronext or the over-the-counter market or otherwise. There can be no assurance that such transactions will be undertaken and, if commenced, they may be discontinued at any time without prior notice. Save as required by law or regulation, the Sole Bookrunner, the Co-Lead Manager and their respective agents do not intend to disclose the extent of any over-allotments and/or stabilisation transactions under the Offering.

Safeguard will grant to the Managers the Over-Allotment Option, which will be exercisable, in whole or in part, by the Sole Bookrunner on behalf of both Managers no later than the thirtieth day after the Listing Date. Pursuant to the Over-Allotment Option the Sole Bookrunner, on behalf of both Managers, may require Safeguard to sell Additional Shares (in addition to the Offer Shares) at the Offer Price to cover over-allotments, if any, and short positions resulting from any stabilisation transactions, if any.

The table below sets forth the number of Offer Shares, as well as the maximum number of Additional Shares which Safeguard may be required to sell in case of exercise of the Over-Allotment Option.

Category	Number
New Shares	9,333,409
Sale Shares	3,731,343
Additional Shares (maximum)	1,959,713
Total number of Shares in the Offering (assuming no exercise of the Over-Allotment Option) .	13,064,752
Total number of Shares in the Offering (assuming full exercise of the Over-Allotment Option) .	15,024,415

Timetable

Subject to acceleration or extension of the timetable for, or withdrawal of, the Offering, the timetable below sets forth certain expected key dates for the Offering.

Event	Time and Date
Date of this prospectus	26 June 2007
Start of Subscription Period	8:00 a.m. CET on 27 June 2007
End of Subscription Period	5:00 p.m. CET on 10 July 2007
Expected pricing date	10 July 2007
Expected allotment date	11 July 2007
Expected Listing Date (commencement of conditional dealings) ⁽¹⁾ . . .	11 July 2007
Expected Settlement Date	16 July 2007

(1) All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned.

Offer Price

The Offer Price will be determined by the Company and Safeguard in consultation with the Sole Bookrunner after termination of the Subscription Period on the basis of a book-building process. At the

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date of this prospectus, the Offer Price is expected to be in the range of EUR 20 to EUR 25 per Offer Share. The Offer Price range has been, and the definitive Offer Price and the exact number of Offer Shares will be, determined by the Company and Safeguard in consultation with the Sole Bookrunner taking into account market conditions and factors, including:

- a qualitative assessment of demand for the Shares;
- the Company's financial information;
- the history of, and the prospects for, the Company and the industries in which it competes;
- an assessment of the Company's management, the Company's past and present operations and the prospects for, and timing of, the Company's future revenues;
- the present state of the Company's development;
- the above factors in relation to other companies engaged in activities similar to any of those of the Company; and
- any other factors deemed appropriate.

The Offer Price will be stated in a pricing statement which will be deposited with the AFM and will, together with the exact number of Offer Shares allocated to prospective investors, be announced in a press release to be issued by the Company in an advertisement in the Daily Official List and in at least one national newspaper distributed daily in the Netherlands.

Members of the Supervisory Board have conditionally agreed to purchase some of the New Shares at the Offer Price (see "Management and Corporate Governance—Directors' and Senior Managers' Interests in Shares, Timminco Shares and Common Shares in the Capital of Metallurg ("Metallurg Shares")" on page 111 of this prospectus) and the Directors and certain Senior Managers and other employees of the Company have been granted share options which will also be exercisable at the Offer Price (see "Management and Corporate Governance—Share Option Schemes" on page 108 of this prospectus). However, members of the Supervisory Board will in addition be entitled to receive Shares annually as part of their remuneration, for no cash consideration (see "Management and Corporate Governance—Supervisory Board Remuneration" on page 102 of this prospectus).

Subscription

Subject to acceleration or extension of the timetable for the Offering, prospective investors may apply to subscribe for Offer Shares during the period commencing at 8:00 a.m. CET on 27 June 2007 and ending at 5:00 p.m. CET on 10 July 2007. In the event of an acceleration or extension of the Subscription Period, pricing, allotment, listing and first trading as well as payment for and delivery of Offer Shares in the Offering may be advanced or extended accordingly. The Subscription Period will be at least six business days. If a significant new factor, material mistake or inaccuracy relating to the information included in this prospectus which is capable of affecting the assessment of the Offer Shares arises or is noted before the Listing Date, a supplement to this prospectus will be published and investors who have already agreed to purchase Offer Shares may withdraw their subscriptions within three business days following the publication of the supplement.

Although there are no restrictions that would prevent a prospective investor making multiple subscriptions, the Company retains full discretion in allotting Offer Shares pursuant to the Offering.

To the extent that Dutch retail investors may subscribe for Offer Shares in the Offering, such subscription will only be made on a '*bestens*' basis. Accordingly, Dutch retail investors will be bound to purchase and pay for the Shares set out in their application and as allocated to them at the Offer Price, even if the Offer Price is in excess of the upper end of the original Offer Price range. Dutch retail investors are entitled to cancel or amend their application, with the financial intermediary where their original application was made, at any time prior to the end of the Subscription Period.

Acceleration and Extension

Any acceleration of the timetable for the Offering will be published in a press release at least three hours before the proposed termination of the accelerated Subscription Period. Any extension of the timetable for the Offering will be published in a press release at least three hours before the end of the

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original Subscription Period. The Subscription Period for the Offering will be for a minimum of six business days.

Change of Offer Price Range or Number of Offer Shares

The Company, Safeguard and the Sole Bookrunner reserve the right to change the Offer Price range or the number of Offer Shares before the end of the Subscription Period. Any change in the Offer Price range and/or in the number of Offer Shares will be announced in a press release prior to the end of the Subscription Period.

Allotment

The allotment of the Offer Shares is expected to take place before the start of trading on Euronext Amsterdam on 11 July 2007, subject to acceleration or extension of the timetable for the Offering. In the event that the Offering is over-subscribed, investors may receive fewer Offer Shares than they applied to subscribe for. The Managers may, at their own discretion and without stating the grounds, reject any subscriptions wholly or partly. Allotment of Offer Shares to investors will be determined by the Managers in conjunction with the Company and Safeguard. The Managers will notify investors of any allotment of Offer Shares to them.

Payment

Payment for the Offer Shares and for any Additional Shares which may be allotted if the Over-Allotment Option has been exercised in part or in full prior to the Settlement Date will take place on the Settlement Date. The Offer Price of the allocated Shares must be paid in full in euros. Taxes and expenses, if any, must be borne by the investor. Investors must pay the Offer Price in immediately available funds on or before the Settlement Date (or earlier in the case of an early closing of the Subscription Period and consequent acceleration of pricing, allocation, first trading and payment and delivery).

Delivery, Clearing and Settlement

The Shares will be registered shares which have been delivered into the collection deposit (*verzameldepot*) and giro deposit (*girodepot*) on the basis of the Giro Act. Application has been made for the Shares to be accepted for delivery through the book-entry facilities of Euroclear Nederland and its admitted institutions. Delivery of the Offer Shares and any Additional Shares is expected to take place on or about the Settlement Date through the book-entry facilities of Euroclear Nederland in accordance with its normal settlement procedures applicable to equity securities and against payment for the Shares in immediately available funds in accordance with the requirements set forth under "Payment" above.

Subject to acceleration or extension of the timetable for the Offering, the Settlement Date, on which the closing of the Offering (including the issue of the New Shares) is scheduled to take place, is expected to occur on or about 16 July 2007, the third business day following the date on which trading is expected to commence. The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived or occur on or prior to such date. Such conditions will include the receipt of officers' certificates and legal opinions and such events will include the suspension of trading on Euronext Amsterdam or a material adverse change in the Company's financial condition or business affairs or in the financial markets to be determined at the sole discretion of the Sole Bookrunner. See "Plan of Distribution" on page 132 of this prospectus for further information.

There are restrictions on the transfer of the Shares, as detailed in "Selling and Transfer Restrictions" on page 135 of this prospectus.

Listing and Trading

Application will be made to list the Shares on Eurolist by Euronext under the symbol 'AMG'. Subject to acceleration or extension of the timetable for the Offering, trading in the Shares on Eurolist by Euronext is expected to commence on or about 11 July 2007. Trading in the Shares before the closing of the Offering will take place on an 'as-if-and-when-issued-or-delivered' basis. If the closing of the Offering does not take place on the Settlement Date or at all, the Offering may be withdrawn, all subscriptions for Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and Euronext Amsterdam may

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cancel transactions that have occurred. All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned.

Euronext Amsterdam does not accept any responsibility or liability for any loss or damage incurred by any person as a result of the listing and the trading of the Shares on an ‘as-if-and-when-issued-or-delivered’ basis as from the Listing Date until the Settlement Date.

Share Trading Information

Upon Admission the Eurolist by Euronext symbol of the Shares will be ‘AMG’; their ISIN will be NL0000888691; their common code will be 030701780; and their securities code will be 88869.



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PLAN OF DISTRIBUTION

Overview

Under the terms and subject to the conditions to be contained in the Underwriting Agreement to be entered into before Admission, the Sole Bookrunner and the Co-Lead Manager will severally agree to underwrite the whole Offering except up to 125,000 New Shares which the members of the Supervisory Board may purchase (see “Management and Corporate Governance—Directors’ and Senior Managers’ Interests in Shares, Timminco Shares and Common Shares in the Capital of Metallurg (“Metallurg Shares”)” on page 111 of this prospectus). The Managers will accordingly agree to procure subscribers or purchasers for or, failing that, to subscribe for or purchase the Offer Shares, other than the Shares which the members of the Supervisory Board may purchase, in the percentages set forth in the table below.

<u>Manager</u>	<u>Percentage of Offer Shares</u>
Sole Bookrunner	92.5
Co-Lead Manager	7.5
Total	100

The Offering consists of a public offering in the Netherlands and an international offering to certain institutional investors in certain other jurisdictions. The Shares are only being offered and sold to QIBs within the United States in reliance on Rule 144A, outside the United States in compliance with Regulation S or pursuant to another available exemption from the registration requirements of the Securities Act. See also “Selling and Transfer Restrictions” on page 135 of this prospectus. The treatment of subscriptions or bids to subscribe in the Offering will not be determined on the basis of the Manager by or through which they are made.

Until 40 days after the commencement of the Offering, an offer or sale of Shares within the United States by a dealer, whether or not participating in the Offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Payment for and delivery of the Offer Shares is expected to be made on or about 16 July 2007 through the book-entry facilities of Euroclear Nederland in accordance with its normal settlement procedures applicable to equity securities.

The Company and the Selling Shareholders will pay to the Managers a commission of 4% of the gross proceeds from the Offering and from the sale of Additional Shares pursuant to the Over-Allotment Option. In addition, the Company and the Selling Shareholders will pay to the Managers an incentive fee of up to 1% of the gross proceeds from the Offering and from the sale of Additional Shares pursuant to the Over-Allotment Option.

As will be more fully set out in the Underwriting Agreement, the Company and the Selling Shareholders will provide the Managers with customary representations and warranties in relation to the Shares and will indemnify the Managers against certain liabilities in connection with the Offering, including liabilities under applicable securities laws. The Underwriting Agreement will provide that the obligations of the Managers are subject to certain conditions precedent, including the absence of any material adverse change in the Company’s financial condition or business affairs. The Managers will be entitled to terminate the Underwriting Agreement in certain circumstances on or prior to the closing of the Offering. Since the closing of the Offering will take place after the commencement of trading in the Shares on Eurolist by Euronext, a termination of the Underwriting Agreement may result in the cancellation of any trades in the Shares effected prior to such termination.

In addition to the Offer Price, purchasers of the Shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase. (See “Material Tax Considerations for Investors” on page 140 of this prospectus.)

In connection with the Offering each of the Managers and any of their respective affiliates acting as an investor for its own account may take up Offer Shares or the Additional Shares and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly references in this prospectus to the Offer Shares being issued, offered or placed

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should be read as including any issue, offering or placement of the Offer Shares or the Additional Shares to the Managers and any relevant affiliate acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Lock-Up Arrangements

Each of the Company and the Selling Shareholders will agree with the Managers in the Underwriting Agreement that, during the period of 180 days from the date of the Underwriting Agreement, it will not, without the prior written consent of the Sole Bookrunner on behalf of both Managers: (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, pledge, lend or otherwise transfer or dispose of any Shares or any shares convertible into or exercisable or exchangeable for Shares or file any registration statement under the Securities Act with respect to any of the foregoing; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Shares, whether any such swap or transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other shares, in cash or otherwise. The foregoing agreement will not apply to: (i) the sale of the Offer Shares in the Offering; or (ii) in the case of the Company, any Shares issued or options to purchase Shares granted pursuant to the proposed share option scheme of the Company referred to in “Management and Corporate Governance—Share Option Schemes” on page 108 of this prospectus.

Pursuant to lock-up deeds to be entered into before Admission between the Managers and both Dr. Heinz Schimmelbusch and Mr. Arthur Spector (the “**Lock-Up Deeds**”), Dr. Schimmelbusch and Mr. Spector will agree that, without the prior consent of the Sole Bookrunner on behalf of both Managers, they will not, subject to certain exceptions, issue, offer, sell, contract to sell, pledge or otherwise transfer or dispose of any Shares during the period of 365 days from the date of the Lock-Up Deeds. See “Plan of Distribution” on page 132 of this prospectus.

Stabilisation and Over-Allotment

In connection with the Offering the Sole Bookrunner, as stabilising manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot or effect other transactions which stabilise or maintain the market price of the Shares or any options, warrants or rights with respect to, or interests in, the Shares, in each case at a higher level than might otherwise prevail in the open market. The Sole Bookrunner is not required to enter into such transactions and such transactions may commence on or after the Listing Date and will end no later than the thirtieth day after the Listing Date. Such transactions may be effected on Eurolist by Euronext or the over-the-counter market or otherwise. There can be no assurance that such transactions will be undertaken and, if commenced, they may be discontinued at any time without prior notice. Save as required by law or regulation, the Sole Bookrunner, the Co-Lead Manager and their respective agents do not intend to disclose the extent of any over-allotments and/or stabilisation transactions under the Offering.

Safeguard will grant to the Managers the Over-Allotment Option, which will be exercisable, in whole or in part, by the Sole Bookrunner on behalf of both Managers no later than the thirtieth day after the Listing Date. Pursuant to the Over-Allotment Option the Sole Bookrunner, on behalf of both Managers, may require Safeguard to sell up to 1,959,713 Additional Shares (representing up to 15% of the total number of Offer Shares) in addition to the Offer Shares at the Offer Price to cover over-allotments, if any, and short positions resulting from any stabilisation transactions, if any.

Other Relationships

The Managers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Company, the Selling Shareholders and the Directors and their respective affiliates. The Managers have received customary fees and commissions for these transactions and services.

On 24 June 2007, the Company and Credit Suisse, London Branch, an affiliate of the Sole Bookrunner, entered into a commitment letter in respect of the Credit Facilities. See “General Information—Material Contracts” on page 161 of this prospectus.

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DLJ WIN I, LLC is a fund managed by an affiliate of the Sole Bookrunner and of Credit Suisse, London Branch. DLJ WIN I, LLC is one of the Selling Shareholders, holding 6,340 Shares, and also holds a 1.43% ownership stake in Safeguard, the majority Selling Shareholder (holding 15,982,665 Shares), and a 15.98% ownership stake in Safeguard Co-Investment Partnership, L.P., another Selling Shareholder (holding 837,070 Shares). See “The Selling Shareholders” on page 114 of this prospectus.

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SELLING AND TRANSFER RESTRICTIONS

Selling Restrictions

No action has been taken by the Company, the Selling Shareholders or the Managers that would permit, other than under the Offering, an offer of Shares or possession or distribution of this prospectus or any other offering material in any jurisdiction where action for that purpose is required.

The distribution of this prospectus and the offer of Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this prospectus comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

European Economic Area

In relation to each Relevant Member State, each Manager will represent and agree that, with effect from and including the Relevant Implementation Date in that Relevant Member State, it has not made and will not make an offer of the Shares to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Shares to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR 43,000,000; and (iii) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances falling within Article 3(2) of the Prospective Directive,

provided that no such offer of Shares will result in the requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Shares to the public” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each subscriber for or purchaser of Offer Shares or Additional Shares located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a Qualified Investor. In the case of any Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, warranted to and agreed with the Managers and the Company that: (i) the Shares acquired by it have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than Qualified Investors, or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale; or (ii) where Shares have been acquired by it or on behalf of persons in any Relevant Member State other than Qualified Investors, the offer of those Shares to it is not treated under the Prospectus Directive as having been made to such persons. The Company and the Managers, each of their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, warranty and agreement. Notwithstanding the above, a person who is not a Qualified Investor and who has notified the Managers of that fact in writing may, with the consent of the Managers, be permitted to subscribe for or purchase Shares.

United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are Relevant Persons. This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any investment or investment activity to which this prospectus relates is available in the



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United Kingdom to Relevant Persons only. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this prospectus or any of its contents.

Each Manager will severally represent, warrant and agree that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

United States

The Shares have not been and will not be registered under the Securities Act and may not be offered, sold or pledged or otherwise transferred, directly or indirectly within the United States except to QIBs in reliance on Rule 144A under the Securities Act and in compliance with any applicable state security laws, or outside the United States in compliance with Regulation S or pursuant to another exemption from, or exception to, the registration requirements of the Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Germany

Any offer or solicitation within Germany made in connection with the Shares must be in full compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) (the “GSPA”). This prospectus does not constitute a public offering within the meaning of the GSPA and has not been and will not be submitted for approval to the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*). This prospectus and any other document relating to the Shares, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the Shares to the public in Germany, any public marketing of the Shares or any public solicitation for offers to subscribe for or otherwise acquire the Shares. This prospectus and other offering materials relating to the offer of the Shares are strictly confidential and may not be distributed to any person or entity other than the designated recipients hereof.

Italy

The Offering has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) (the Italian securities and exchange commission) pursuant to the Italian securities legislation and, accordingly, each Manager represents and agrees that it has not offered, sold or delivered any Shares nor distributed any copies of this prospectus or any other document relating to the Shares, and will not offer, sell or deliver any Shares nor distribute any copies of this prospectus or any other document relating to the Shares in the Republic of Italy (“Italy”) in a solicitation to the public at large (*sollecitazione all’investimento*), and that the Shares in Italy shall only be:

- offered or sold to professional investors (*operatori qualificati*) within the meaning of Article 30, second paragraph, and Article 100 of Legislative Decree No 58 of 24 February 1998 (the “Financial Services Act”) and as defined in Articles 25 and 31, second paragraph, of CONSOB Regulation No 11522 of 1 July 1998, as amended; or
- offered or sold in circumstances where an exemption from the rules governing solicitations to the public at large applies, pursuant to Article 100 of the “Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No 11971 of 14 May 1999, as amended, and shall in any event be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations.

Moreover and subject to the foregoing, each Manager represents and agrees that the Shares may not be offered, sold or delivered and neither this prospectus nor any other material relating to the Shares may

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be distributed or made available in Italy unless such offer, sale or delivery of Shares or distribution or availability of copies of this prospectus or any other material relating to the Shares in Italy:

- is conducted in compliance with Article 129 of Legislative Decree No 385 of 1 September 1993 (the “**Italian Banking Act**”) and the implementing guidelines of the Bank of Italy, pursuant to which the issue or the offer of Shares in Italy may need to be followed by the filing of an appropriate notice with the Bank of Italy and any relevant limitations or procedural requirements that the Bank of Italy and/or CONSOB may impose upon the offer or sale of the Shares; and
- is made by: (a) investment firms (as defined in the Financial Services Act), banks or financial intermediaries enrolled in the special register provided for by Article 107 of the Italian Banking Act, as amended to the extent that such entities are permitted to engage in the placement and/or purchase of financial instruments in Italy in accordance with the Financial Services Act, the Italian Banking Act, the Regulation No 11522, the Regulation No 11971 and the relevant implementing regulations; (b) foreign banks authorised to place and distribute securities in Italy pursuant to Articles 15 and 16 of the Italian Banking Act and the relevant implementing regulations; or (c) financial institutions authorised to place and distribute securities in Italy with a registered office in an EU member state when the controlling shareholding is held by one or more banks having a registered office in the same EU member state.

Australia

Neither this prospectus nor any other prospectus or other disclosure document (as defined in the Corporations Act 2001 of the Commonwealth of Australia (the “**Act**”)) in relation to the Shares has been lodged with the Australian Securities and Investments Commission (“**ASIC**”), the Australian Stock Exchange (“**ASX**”) or any other government agency in Australia. Each Manager has represented, warranted and agreed that it:

- has not offered or invited applications for, and will not offer or invite applications for, the issue, sale or purchase of the Shares in Australia (including an offer or invitation which is received by a person in Australia); and
- has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive prospectus, advertisement or other offering material relating to the Shares in Australia, unless: (i) the offeree or invitee is either a “sophisticated investor” or a “professional investor” in accordance with section 708(8) or 708(11) of the Act; or (ii) the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Act, and such action complies with all applicable laws, regulations and directives and does not require any document to be lodged with ASIC, ASX or any other government agency in Australia.

Japan

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948 as amended, the “**SEL**”) and no securities registration statement has been filed pursuant thereto. The Shares may not be offered or sold, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the SEL and other applicable laws, regulations and ministerial ordinances of Japan.

Belgium

The Offering has not been notified to the Belgian Banking, Finance and Insurance Commission (*Commission Bancaire, Financière et des Assurances*) pursuant to Article 18 of the Belgian law of 22 April 2003 on the public offering of securities (the “**Law on Public Offerings**”) nor has this prospectus been, nor will it be, approved by the Belgian Banking, Finance and Insurance Commission pursuant to Article 14 of the Law on Public Offerings. Accordingly, the Offering may not be advertised, the Shares may not be offered or sold, and neither this prospectus nor any other information circular, brochure or similar document may be distributed, directly or indirectly, to any person in Belgium other than: (i) institutional investors referred to in Article 3,2 of the Belgian Royal Decree of 7 July 1999 on the public character of financial transactions (the “**Royal Decree**”), acting for their own account; or (ii) investors wishing to acquire Shares for an amount of at least EUR 250,000 (or its equivalent in foreign currencies) per transaction, as specified in Article 3,1 of the Royal Decree.

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United Arab Emirates (Excluding the Dubai International Financial Centre)

The Offer Shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (the “UAE”) other than in compliance with the laws of the UAE. The information in this prospectus does not, and is not intended to, constitute a public offer, sale, promotion, advertisement or delivery of securities in the UAE in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 of the UAE, as amended) or otherwise, and should not be construed as such. This prospectus is being issued to a limited number of (institutional/ sophisticated) investors: (a) upon their request and confirmation that they understand, acknowledge and agree that this prospectus is strictly private and confidential and that this prospectus, the placement and the securities have not been reviewed, deposited, approved, licensed or registered by or with the Central Bank of the UAE, the Emirates Securities and Commodities Authority or any other authority or governmental agency in the UAE, nor has the placement/marketing entity for the UAE received authorisation or licensing from the Central Bank of the UAE, the Emirates Securities and Commodities Authority or any other authority in the UAE to market or sell any securities within the UAE, and (b) on the condition that this prospectus will not and must not be provided to any person other than the original recipient, is not for general circulation in the UAE and may not be reproduced or used for any other purpose. This document is provided for the benefit of the recipient only, and should not be delivered to, or relied on by, any other person. The Offer Shares may not be offered or sold directly or indirectly to the public in the UAE.

No marketing of any securities has been or will be made from within the UAE and no subscription to any securities may or will be consummated within the UAE. The placement/marketing entity for the UAE is not a licensed broker or dealer or investment adviser under the laws applicable in the UAE, and does not advise individuals resident in the UAE as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this prospectus is intended to constitute UAE investment, legal, tax, accounting or other professional advice. This prospectus is for information only and nothing in this prospectus is intended to endorse or recommend a particular course of action. Prospective investors should consult an appropriate professional for specific advice rendered on the basis of their situations.

The Dubai International Financial Centre

This statement relates to an “exempt offer” in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This statement is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this prospectus nor taken steps to verify the information set out in it, and has no responsibility for it. The securities to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. Any prospective investor who does not understand the contents of this prospectus should consult an authorised financial adviser. For the avoidance of doubt, the Shares are not interests in a “fund” or “collective investment scheme” within the meaning of either the Collective Investment Law (DIFC Law No. 1 of 2006) or the Collective Investment Rules Module of the Dubai Financial Services Authority Rulebook.

Transfer Restrictions on Rule 144A Shares

Each purchaser of Shares within the United States pursuant to Rule 144A, by accepting delivery of this prospectus and other such information as it deems necessary, will be deemed to have represented, warranted, agreed and acknowledged that:

- it is: (a) a QIB; (b) acquiring such Shares for its own account or for the account of a QIB; and (c) aware, and each beneficial owner of such Shares has been advised, that the sale of such Shares to it is being made in reliance on Rule 144A;
- it understands that such Shares have not been and will not be registered under the Securities Act or any Securities regulatory authority of any state or territory of the United States and may not be offered, sold, pledged or otherwise transferred except: (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB; (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or (c) pursuant to an exemption from registration under the Securities

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Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States;

- it understands that such Shares, unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THIS SHARE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS SHARE.

The Company and the Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

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MATERIAL TAX CONSIDERATIONS FOR INVESTORS

General

The Directors urge investors to consult their own tax advisers regarding tax consequences of acquiring, holding and disposing of Shares. The comments below are of a general and non-exhaustive nature and are based on the Directors’ understanding of the current revenue law and practice in the Netherlands, the United States and the United Kingdom, which is subject to change. The following summary does not therefore constitute legal or tax advice relating to an investment in the Shares and applies only to persons holding Shares as beneficial owners as an investment.

Prospective investors should consult their professional advisers on the potential tax consequences of subscribing for, purchasing, holding, converting or selling Shares under the laws of their country and/or state of citizenship, domicile or residence.

Dutch Tax Aspects

The following is a general summary of certain Dutch tax consequences of the acquisition, holding and disposal of Shares. It is not intended to be applicable to all categories of investors and is included for general information purposes only. Prospective investors should consult their tax adviser with regard to the tax consequences of the acquisition, holding and disposal of Shares in their particular circumstances.

This summary does not purport to describe all possible Dutch tax considerations or consequences that may be relevant to a holder of Shares. In particular, this summary does not address tax considerations applicable to investors who will receive or have received Shares as employment income or deemed employment income or otherwise as compensation.

Except as otherwise indicated, this summary (including the rates and other figures) only addresses Dutch national legislation and regulations as in effect at the date of this prospectus and as interpreted in published case law on the date hereof. Therefore, the summary is subject to change after that date, including changes that could have retroactive effect. Prospective investors should note particularly that a change in legislation and/or regulations may thus invalidate part or all of this summary.

Withholding Tax

Dividends distributed by the Company generally are subject to Dutch dividend withholding tax at a rate of 15%. The Company is responsible for the withholding of such dividend withholding tax at source; the dividend withholding tax is for the account of the holder of Shares.

The expression “dividends distributed” includes, amongst other things:

- distributions of profits in cash or in kind whatever they be named or in whatever form;
- liquidation proceeds, or proceeds of the repurchase of Shares by the Company or one of the Company’s subsidiaries, to the extent such proceeds exceed the average paid-in capital of the Shares recognised for purposes of Dutch dividend withholding tax;
- the par value of shares issued by the Company or an increase of the par value of the Shares, to the extent that no contribution recognised for purposes of Dutch dividend withholding tax has been made or will be made; and
- partial repayment of the paid-in capital:
 - a) not recognised for purposes of Dutch dividend withholding tax; or
 - b) recognised for the purposes of Dutch dividend withholding tax, to the extent that the Company has net profits (*zuivere winst*), unless: (i) the holders of Shares have resolved in advance at a General Meeting to make such repayment; and (ii) prior to the repayment the par value of the Shares concerned has been reduced by an equal amount by way of an amendment of the Articles of Association.

Individuals and entities who are resident or deemed to be resident in the Netherlands for Dutch tax purposes (either Dutch-resident individuals or Dutch-resident entities, as defined below), including individuals who have made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of the Netherlands, are generally entitled to a full credit for any Dutch dividend



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withholding tax against their Dutch income tax or corporate income tax liability and to a refund of any residual dividend withholding tax.

The Company is allowed to refrain from withholding this tax with respect to dividends that are paid to:

- holders of Shares that are entities (including but not limited to non-transparent partnerships, associations, foundations and non-transparent mutual funds for joint account (*open fondsen voor gemene rekening*)), which are taxable under the Dutch Corporate Income Tax Act 1969 and which are resident or deemed to be resident in the Netherlands for Dutch tax purposes (“Dutch-resident entities”); and
- holders of Shares that are entities that are not resident or deemed to be resident in the Netherlands for Dutch tax purposes (“**non-Dutch-resident entities**”) and that have an enterprise or a deemed enterprise which, in whole or in part, is carried out through a permanent establishment, a deemed permanent establishment (a statutorily defined term) or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, or to whom, Shares are attributable or deemed to be attributable,

provided that such holders of Shares are entitled to the Dutch participation exemption (*deelnemingsvrijstelling*) in respect of their shareholding in the Company. The Dutch participation exemption is generally applicable if a holder owns at least 5% of the Company’s nominal paid-up share capital. The dispensation of withholding dividend tax is also available if such a holder of Shares owns less than 5% of the Company’s nominal paid-up share capital, but in the hands of such a holder the Shares qualify for the participation exemption on the basis of specific tag-along or extension rules.

An exemption from Dutch dividend withholding tax applies with respect to dividends that are paid to a holder of Shares that is an entity which:

- owns at least 5% of the Company’s nominal paid-up share capital (the dispensation of withholding dividend tax is also available if a holder of Shares owns less than 5% of the Company’s nominal paid-up share capital, but the holder of Shares would qualify for the participation exemption on the basis of specific tag-along or extension rules had the holder been subject to Dutch corporate income tax with respect to the Shares);
- is a resident in another EU member state for tax purposes and, under the terms of a double taxation agreement concluded with a third state, is not considered to be resident for tax purposes outside the European Union by that other state;
- takes one of the forms listed in the Annex to the Directive of 23 July 1990 on the common system of taxation applicable in the case of parent companies and subsidiaries of different EU member states (90/435/EEC), as amended, or a form that is designated by ministerial regulation;
- is subject to one of the profit taxes mentioned in Article 2, paragraph c of that Directive, without the possibility of an option or of being exempt.

If a holder of Shares is resident in a country other than the Netherlands and does not qualify for the abovementioned exemptions and a double taxation convention is in effect between the Netherlands and such other country, such holder may, depending on the terms of that double taxation convention, be eligible for a full or partial exemption from, or refund of, Dutch dividend withholding tax.

If a holder of Shares:

- is a legal entity;
- is a resident of another EU member state for Dutch tax purposes;
- is not subject to a tax levied by reference to profits by that member state; and
- would not have been subject to Dutch corporate income tax had the holder of Shares been a resident of the Netherlands for Dutch corporate income tax purposes,

such a holder of Shares (an “**EU Exempt Holder**”) will generally be eligible for a full refund of Dutch dividend withholding tax on dividends distributed by the Company.

On 25 April 2006, the Dutch government published a legislative proposal (no. 30 533) comprising amongst other things the introduction of a new exempt regime for investment institutions (“**New Exempt Regime**”) in addition to the existing regime on fiscal investment institutions (the “**Existing Exempt**”).

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Regime”). If enacted, (a) investment institutions benefiting from the New Exempt Regime and (b) EU Exempt Holders performing functions comparable to Dutch entities qualifying for the New Exempt Regime or the Existing Exempt Regime would not be entitled to a credit for or refund of Dutch dividend withholding tax.

In general, the Company will be required to remit all amounts withheld as Dutch dividend withholding tax to the Dutch tax authorities. However, under certain circumstances, the Company is allowed to reduce the amount to be remitted to the Dutch tax authorities to a certain extent. Although this reduction reduces the amount of Dutch dividend withholding tax that the Company is required to pay to the Dutch tax authorities, it does not reduce the amount of tax that it is required to withhold on dividends.

Pursuant to legislation to counteract “dividend stripping”, a reduction in, exemption from, credit for or refund of Dutch dividend withholding tax is denied if the recipient of the dividend is not the beneficial owner as defined in this legislation. This legislation generally targets situations in which a Shareholder retains its economic interest in Shares but reduces the withholding cost on dividends by a transaction with another party. It is not required for these rules to apply that the recipient of the dividends is aware that a dividend stripping transaction took place. The Dutch State Secretary of Finance takes the position that the definition of beneficial ownership introduced by this legislation will also be applied in the context of a double taxation convention.

Taxes on Income and Capital Gains

Tax Residence

A holder of Shares will not be treated as resident in the Netherlands by reason only of the acquisition, holding or disposal of a Share.

Dutch-Resident Individuals

If Shares are owned by individuals who are resident or deemed to be resident in the Netherlands for Dutch tax purposes, including individuals who have opted to be resident in the Netherlands for the purposes of the Dutch Income Tax Act 2001 (“**Dutch-resident individuals**”), the taxation of income derived from the Shares and/or capital gains realised on the disposal of the Shares depends on various circumstances, including the tax status of the individual, the percentage of the interest in the Company’s nominal paid-up share capital held by the individual, and certain other factors.

Dutch-resident individuals will generally be subject to income tax at progressive rates with a maximum of 52% (“**box 1 taxation**”) with respect to benefits from Shares qualifying as profits from business activities (*winst uit onderneming*) or income from miscellaneous activities (*resultaat uit overige werkzaamheden*).

Benefits are considered profits from business activities if the Shares are attributable to an enterprise from which a Dutch-resident individual derives a share of the profit, whether as an entrepreneur (*ondernemer*) or as a person who has a co-entitlement to the net worth of such enterprise, without being an entrepreneur or a shareholder, as defined in the Dutch Income Tax Act 2001.

Benefits are considered income from miscellaneous activities if the Shares are attributable to miscellaneous activities, including, without limitation, activities which are beyond the scope of active portfolio investment activities (among others in the event that the holder of Shares has privileged information regarding the Shares).

A Dutch-resident individual holder of Shares will be subject to income tax, generally at a rate of 25% with respect to income and capital gains (deemed to be) realised from Shares, if he has a substantial interest (fictitious or actual) in the Company (“**box 2 taxation**”).

Generally, a holder of Shares has a substantial interest if he, alone or together with his partner, whether directly or indirectly:

- owns, or holds certain rights on, Shares representing 5% or more of the total issued and outstanding capital of the Company;
- holds rights to acquire Shares, whether or not already issued, representing 5% or more of the total issued and outstanding capital of the Company; or
- owns, or holds certain rights on, profit-participating certificates that relate to 5% or more of the annual profit of the Company or to 5% or more of the liquidation proceeds of the Company.

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A holder of Shares will also have a substantial interest if his partner or one of certain relatives of the Shareholder or of his partner has a (fictitious) substantial interest.

Generally, a holder of Shares has a fictitious substantial interest (*fictief aanmerkelijk belang*) in the Company if: (i) he has disposed of, or is deemed to have disposed of, all or part of a substantial interest; or (ii) he is an individual and has transferred an enterprise in exchange for Shares on a non-recognition basis.

A Dutch-resident individual who does not have a substantial interest (fictitious or actual) in the Company and who is not subject to box 1 taxation with respect to income from his Shares, is annually taxed on deemed income in the amount of 4% of his net investment assets for the year at an income tax rate of 30% (“**box 3 taxation**”).

The net investment assets for a certain year are calculated as the average of: (i) the fair market value of the investment assets less the allowable liabilities at the beginning of that year; and (ii) the fair market value of the investment assets less the allowable liabilities at the end of that year. The Shares are included as investment assets. Actual benefits derived from the net investment assets, including any income and capital gains realised on the disposal of the Shares, are not subject to Dutch income tax.

Dutch-Resident Entities

Dutch-resident entities are, in principle, subject to Dutch corporate income tax at the statutory rate of 25.5%, with a rate of 20% applying to the first EUR 25,000 of taxable profits and a rate of 23.5% applying to taxable profits between EUR 25,000 and EUR 60,000.

Any benefit derived or deemed to be derived from Shares held by Dutch-resident entities, including any capital gain on the disposal thereof, will generally be subject to corporate income tax, unless the Dutch participation exemption (*deelnemingsvrijstelling*) is applicable. The Dutch participation exemption is generally applicable if a Dutch-resident entity owns at least 5% of the Company’s nominal paid-up share capital. If a holder of Shares owns less than 5%, such a holder may nevertheless be entitled to the participation exemption on the basis of specific tag-along or extension rules.

Income and capital gains deriving from the Shares will be effectively exempt from Dutch corporate income tax in the hands of Dutch-resident entities that are qualifying pension funds or investment institutions.

Non-Dutch-Resident Holders

A non-Dutch-resident holder of Shares will not be subject to Dutch taxes on income and capital gains deriving from Shares unless:

- the holder has a substantial interest (fictitious or actual) in the Company and such Shares cannot be attributed to a business of the holder;
- the holder derives profits from an enterprise, whether as entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or shareholder, which enterprise is in whole or in part carried out through a permanent establishment or a permanent representative in the Netherlands, to which the Shares are attributable; or
- the holder is an individual and:
 - a) is entitled other than by way of the holding of securities to a share in the profits of an enterprise effectively managed in the Netherlands to which the Shares are attributable; or
 - b) the activities of the holder in relation to his Shares can be considered as miscellaneous activities, as defined under “*Dutch-resident individuals*”, carried out in the Netherlands.

If the non-Dutch-resident holder is taxable in the Netherlands in one of the three circumstances mentioned above, he will, in principle, be taxed in the same way as Dutch-resident taxpayers, as described above.

If a tax treaty is in force between the Netherlands and the state of residence of the non-Dutch-resident holder of Shares and if such holder qualifies as a resident under that tax treaty, capital gains on the Shares will, in general, not be taxable in the Netherlands, except in so far as they are attributable to a permanent establishment or permanent representative in the Netherlands.

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Non-Dutch-resident pension funds which are non-resident taxpayers for Dutch corporate income tax purposes can qualify for the above-mentioned corporate income tax exemption for Dutch-resident pension funds, provided the conditions formulated by the Dutch State Secretary for Finance in the Decree of 26 January 2000, nr. DB99/3511 are met.

Dutch Gift, Estate and Inheritance Taxes

Dutch-Resident Holders

Gift, estate and inheritance taxes will arise in the Netherlands with respect to a transfer of Shares by way of a gift by, or on the death of, a holder of Shares who is resident or deemed to be resident in the Netherlands at the time of the gift or his death. For the purposes of Dutch gift, estate and inheritance taxes an individual who holds Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. Additionally, for the purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident in the Netherlands if, among other circumstances, he has been resident in the Netherlands at any time during the year preceding the date of the gift.

Non-Dutch-Resident Holders

No Dutch gift, estate or inheritance taxes will arise on the transfer of Shares by way of a gift by, or on the death of, a holder who is neither resident nor deemed to be resident in the Netherlands, unless:

- the holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that, in whole or in part, is or was carried out through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise Shares are or were attributable, or are or were deemed to be attributable;
- the holder at the time of the gift is or at the time of his death was entitled to a share in the profits of an enterprise effectively managed in the Netherlands, other than by way of the holding of securities, or through an employment contract, to which enterprise the Shares are or were attributable, or are or were deemed to be attributable; or
- in the case of a gift of Shares by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, the individual dies, within 180 days after the date of the gift, whilst being resident or deemed to be resident in the Netherlands.

Dutch Turnover Tax

No Dutch turnover tax will arise by reason only of the acquisition, ownership and disposal of Shares.

Other Dutch Taxes and Duties

No Dutch capital tax, registration tax, customs duty, transfer tax, stamp duty or other similar documentary tax or duty will be payable by a holder of Shares in respect of the acquisition, holding and disposal of Shares.

US Tax Aspects

To ensure compliance with the Internal Revenue Service Circular 230 disclosure requirements, the Directors inform readers of this prospectus that the United States federal tax advice contained in this prospectus: (i) is written in connection with the promotion or marketing by others of the transactions or matters addressed in this prospectus; and (ii) is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding US tax penalties. Each taxpayer, with respect to the subject matter addressed in this prospectus, should seek advice based on the taxpayer's particular circumstances from an independent tax adviser.

The following discussion summarises certain material US federal income tax consequences to US holders (as defined below) with respect to the purchase, ownership and disposition of the Shares. This summary does not purport to be a complete analysis of all tax considerations that may be applicable to a decision to acquire the Shares by investors and does not address foreign, state, local or other tax laws or United States federal tax consequences (for example, estate or gift tax) other than those pertaining to the income tax (but not including the alternative minimum tax). With respect to this summary of US federal income tax consequences, this summary only applies to US holders who purchase Shares in the initial

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Offering at the original Offer Price and hold the Shares as capital assets within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”). This summary does not apply to persons who directly or indirectly alone control more than 5% or together with one or more associated or connected persons control more than 10% of the Company’s share capital.

This summary does not address the tax consequences applicable to all categories of investors who are US holders, some of which may be subject to special rules (for example: (1) banks, regulated investment companies, insurance companies, broker-dealers in securities or currencies, tax-exempt organisations or traders in securities who elect to mark to market; (2) US holders holding the Shares as part of a straddle, hedge, conversion transaction or other integrated investment; (3) US holders whose functional currency is not the US dollar; (4) US holders that own (directly or indirectly) 10% or more of the Company’s voting stock under US federal income tax laws; or (5) US holders that are treated as partnerships for US federal income tax purposes). This summary is based on current law and is for general informational purposes only. Future legislative, judicial or administrative changes or interpretations could be retroactive and could affect the information, beliefs and conclusions in this discussion. There can be no assurance that the Internal Revenue Service (the “IRS”) will not challenge one or more of the tax consequences discussed in this summary. The tax treatment applicable to each prospective investor may vary depending on his particular tax situation or status.

For purposes of this discussion a US holder refers to a US person that is a beneficial owner of the Shares.

A US person is defined as:

- a citizen or resident of the United States;
- a corporation or other entity (other than an entity that is treated as a partnership for US federal income tax purposes) created or organised in the United States or under the laws of the United States or of any political subdivision thereof;
- an estate whose income is includible in gross income for US federal income tax purposes regardless of its source; or
- any trust if: (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust; or (ii) the trust has a valid election in effect under applicable US treasury regulations to be treated as a US person.

If a partnership holds the Shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Prospective investors who are partners of a partnership holding Shares should consult their tax advisers.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISERS WITH RESPECT TO THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SHARES IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES, AS WELL AS THE EFFECT AND APPLICABILITY OF ANY STATE, LOCAL OR FOREIGN TAX LAWS

Taxation of Distributions

Subject to the discussion below relating to the passive foreign investment company rules, cash distributions made with respect to the Shares will constitute dividends for US federal income tax purposes to the extent paid out of the current or accumulated earnings and profits. US holders generally will be subject to US federal income tax on the receipt of such dividends, and dividends received by US holders that are corporations generally will not be eligible for a dividends received deduction. To the extent a distribution exceeds the current and accumulated earnings and profits, it will be treated as a tax-free return of capital to the extent of the US holder’s tax basis in the Shares and thereafter as capital gain from the sale or exchange of such Shares. The Company does not maintain calculations of its earnings and profits under US Federal income tax principles. If it does not report to a US holder the portion of a distribution that exceeds its earnings and profits, US holders should assume that the distribution will generally be taxable as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. The amount of any distribution of property other than cash will be the fair market value of that property on the date of distribution. See “Material Tax Considerations for Investors—US Tax Aspects—Sales, Exchanges or Other Taxable Dispositions of

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Shares” on page 147 of this prospectus for a further discussion of the US federal income tax consequences resulting from a sale of the Shares.

Under current law, non-corporate shareholders that meet certain holding period requirements generally are subject to United States federal income tax at a reduced highest marginal tax rate of 15% on dividends received from “qualified foreign corporations” prior to 1 January 2011. For purposes of this reduced tax rate, a foreign corporation is treated as a “qualified foreign corporation” if the corporation is eligible for the benefits of a comprehensive income tax treaty with the United States (including the double tax treaty between the United States and the Netherlands (the “**Treaty**”)) or the stock of the foreign corporation is readily tradable on an established securities market in the United States. A qualified foreign corporation does not include a PFIC (as defined below). The Directors expect that the Company should qualify for benefits under the Treaty provided that the Shares are regularly traded on Eurolist by Euronext. On the basis of the US Department of Treasury Technical Explanation of the Treaty, the Shares generally will be considered regularly traded if at least 6% of the average outstanding Shares are traded in a taxable year. As discussed in this prospectus, the Selling Shareholders will retain a significant portion of Shares immediately after the Offering, and it is not expected that these Shares will be traded. Although the Directors anticipate that a sufficient number of the Company’s Shares will be traded for the Company to be treated as a “qualified foreign corporation” (subject to the discussion below under “Passive Foreign Investment Companies”), there can be no assurance that the Company will so qualify because of the highly factual nature of this requirement and the fact that testing must occur every 12 months. Additionally, whether a US holder will be eligible to claim this reduced rate of tax on dividends is dependent on certain factors including the length of time the US holder has held Shares and whether the dividend has been taken into account in determining the US holder’s net investment income under Section 163(d)(4)(B) of the Code.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISERS CONCERNING THE ELIGIBILITY OF DIVIDENDS PAID WITH RESPECT TO THE SHARES FOR THE REDUCED RATE OF TAX.

The amount of any distribution paid in a currency other than US dollars (a “**foreign currency**”) including the amount of any withholding tax thereon, will be included in the gross income of a US holder in an amount equal to the US dollar value of the foreign currencies calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the foreign currencies are converted into US dollars. If the foreign currencies are converted into US dollars on the date of receipt, a US holder generally should not be required to recognise foreign currency gain or loss in respect of the dividend. If the foreign currencies received in the distribution are not converted into US dollars on the date of receipt, a US holder will have a basis in the foreign currencies equal to its US dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currencies will be treated as ordinary income or loss.

Except as discussed in this prospectus and subject to certain conditions and limitations, generally income tax withheld by the Netherlands on dividends paid by the Company to US holders may be deducted from taxable income or credited against a US holder’s US Federal income tax liability. However, it is not clear under current law whether US holders will be allowed to claim a foreign tax credit with respect to the full amount of the withholding taxes imposed by the Netherlands on dividends paid by the Company. In general, upon making a distribution to Shareholders, the Company is required to remit all amounts withheld as dividend withholding tax to the Dutch tax authorities and, in such circumstances, the full amount of the taxes so withheld would generally (subject to certain limitations and conditions) be eligible for the US holder’s foreign tax deduction or credit. Currently, the Company may, with respect to dividends received from qualifying non-Dutch subsidiaries, credit taxes withheld from those dividends against the Netherlands’ withholding tax imposed on a dividend paid by the Company up to a certain maximum amount. This credit reduces the amount of dividend withholding tax that the Company is required to pay to the Dutch taxing authorities but does not reduce the amount of tax the Company is required to withhold from dividends paid to US holders. In these circumstances, it is possible that under US federal income tax law the portion of taxes that the Company is not required to pay to the Netherlands’ tax authorities with respect to dividends paid to US holders would not qualify as a creditable tax for US foreign tax credit purposes.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISERS REGARDING THE GENERAL CREDITABILITY OR DEDUCTIBILITY OF NETHERLANDS’ WITHHOLDING TAXES IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES.

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In addition, a US holder is subject to a statutorily imposed limitation on its ability to claim a foreign tax credit. For purposes of calculating this limitation, dividends received by a US holder with respect to the Shares will be treated as foreign source income. This limitation is calculated separately with respect to specific classes of income. Also, the amount of any qualified dividend income paid by the Company to a US holder that is subject to the reduced dividend income tax rate of 15% discussed above must be reduced by the “rate differential portion” for purposes of calculating the US holder’s foreign tax credit limitation. Assuming dividends paid by the Company to a US holder qualify for the reduced tax rate on dividends (but, absent this reduced tax rate such dividends would be taxed at the current highest marginal tax rate applicable to individuals of 35%), such US holder would be required to reduce the amount of the dividends paid by the Company by approximately 57.14% for purposes of calculating such US holder’s foreign tax credit limitation.

THE RULES RELATING TO A US HOLDER’S ABILITY TO CLAIM FOREIGN TAX CREDITS AND THE TIMING THEREOF ARE COMPLEX AND HIGHLY DEPENDENT UPON THE FACTS OF EACH PROSPECTIVE INVESTOR. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS REGARDING THE AVAILABILITY OF A FOREIGN TAX CREDIT UNDER THEIR PARTICULAR SITUATIONS.

A pro rata distribution of additional Shares to US holders with respect to their Shares generally will not be subject to US Federal income tax unless US holders can elect that the distribution be payable in cash.

Sales, Exchanges or Other Taxable Dispositions of Shares

Subject to the discussion below relating to passive foreign investment companies, a US holder will generally recognise gain or loss for US federal income tax purposes upon the sale or exchange of Shares in an amount equal to the difference between the US dollar value of the amount realised from such sale or exchange and the US holder’s tax basis for those Shares. Selling expenses incurred by such US holder will reduce the amount of gain or increase the amount of loss recognised by such US holder upon a taxable disposition of the Shares. Such gain or loss generally may be capital gain or loss and should generally be long-term capital gain or loss if the US holder held the Shares for more than one year immediately prior to such disposition under US federal tax law principles. Long-term capital gains of individuals are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Such gain or loss should generally be treated as US sourced income or losses.

If a US holder receives foreign currency upon a sale or exchange of Shares, gain or loss, if any, recognised on the subsequent sale, conversion or disposition of such foreign currency will be ordinary income or loss and will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. However, if such foreign currency is converted into US dollars on the date received by the US holder, the US holder generally should not be required to recognise any gain or loss on such conversion.

Passive Foreign Investment Companies

The treatment of US holders with respect to the ownership and sale of the Shares described above may be different if the Company is a “passive foreign investment company” (“**PFIC**”) at any time during the US holder’s holding period and the US holder did not make a “QEF Election” (as described below) with respect to its Shares or otherwise eliminate any of the “PFIC taint” with respect to its Shares to the extent provided in the Code.

Generally

In general, a non-US corporation will be a passive foreign investment company or “PFIC” in any taxable year in which either:

- 75% or more of its gross income constitutes “passive income”; or
- on average 50% or more of its assets produce, or are held for the production of, passive income.

For purposes of the PFIC rules, “passive income” generally includes interest, dividends, annuities and other investment income. The PFIC statutory provisions also contain a look-through rule that states that, for purposes of determining whether a non-US corporation is a PFIC, such non-US corporation shall be treated as if it “received directly its proportionate share of the income” and as if it “held its proportionate

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share of the assets” of any other corporation in which it owns at least 25% of the value of the stock. Under the look-through rule, the Company would be deemed to own its proportionate share of the assets and to have received its proportionate share of the income of its subsidiaries for purposes of the two PFIC tests (that is, the 75% income and 50% asset tests) described above. The PFIC rules contain an exception for companies in their “start-up year”. A corporation will not be treated as a PFIC for the first taxable year the corporation has gross income if: (i) no predecessor of such corporation was a PFIC; (ii) the corporation establishes that it will not be a PFIC for either of the two years immediately following the start-up year; and (iii) the corporation is in fact not a PFIC for either of those two years.

The Directors do not believe that the Company will be a PFIC; however, the Company will not obtain a ruling from the IRS or an opinion of counsel with respect to whether it is a PFIC. If the Company were characterised as a PFIC, a US holder of Shares would be subject to certain adverse federal income tax consequences, unless a “QEF election” or “mark-to-market” election (each as described below) is made. If the Company is determined to be a PFIC, US holders generally will be subject to a special tax and an interest charge at the time of the sale of, or receipt of an “excess distribution” with respect to their Shares and a portion of any gain on the disposition of their Shares could be re-characterised as ordinary income. Such US holder is treated as receiving an “excess distribution” if the amount of the distribution is more than 125% of the average distribution with respect to the Shares, as the case may be, during the three preceding taxable years (or shorter period during which the taxpayer held the Shares). In general, the special tax and interest charges are based on the value of the tax deferral of the taxes that are deemed due during the period the US holder owned the Shares, computed by assuming that the excess distribution or gain (in the case of a sale) with respect to the Shares was taxed in equal portions throughout the US holder’s period of ownership at the highest marginal tax rate. The interest charge is computed using the applicable rate imposed on underpayments of US federal income tax throughout the US holder’s holding period (excluding tax years prior to the tax year during which the Company became a PFIC). In general, if a US person owns stock in a non-US corporation during any taxable year in which such corporation is a PFIC, the stock will generally be treated as stock in a PFIC for all subsequent years. In addition, a distribution paid by the Company to US holders that are individuals that is characterised as a dividend and is not characterised as an excess distribution would not be eligible for the reduced 15% rate of tax for qualified dividends discussed above.

Additionally, a US person that directly or indirectly owns stock of a PFIC is treated as owning a proportionate amount by value of any stock owned by that PFIC. If the PFIC owns shares in another PFIC, the excess distribution rules apply separately to the US person with respect to its interest in such lower-tier PFIC on an indirect basis. Accordingly, if the Company is a PFIC, the Company’s non-US subsidiaries may be treated as lower-tier PFICs to the extent such subsidiaries meet either the passive income or passive asset tests described in this prospectus and US holders of the Company will be treated as indirect holders of the shares of such subsidiaries.

If the Company is treated as a PFIC in any taxable year, it may be possible for US persons who own Shares to mitigate certain of the negative tax consequences to them under the PFIC rules. In particular, under certain limited circumstances, a US person may be able to:

- make a timely qualified electing fund election, which is referred to as a QEF election, with respect to its shareholdings (including of shares indirectly owned in subsidiaries);
- avail itself of a protective QEF election with respect to the Shares it owns (and shares it owns indirectly in subsidiaries); or
- make a mark-to-market election with respect to the first taxable year the Company is considered a PFIC during its holding period with respect to the Shares.

The availability of these elections is uncertain as a matter of law and in certain cases requires that the Company provides certain information. There can be no assurance that such information will be made available to persons who own Shares. If the Company is a PFIC each US holder will be required to make an annual report of distributions received and gains realised with respect to the Shares on IRS Form 8621.

THE RULES REGARDING THE CLASSIFICATION OF A FOREIGN ENTITY AS A PFIC ARE EXTREMELY COMPLEX. PROSPECTIVE INVESTORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO WHETHER AN INVESTMENT IN THE SHARES WILL CONSTITUTE AN INVESTMENT IN A PFIC AND THE CONSEQUENCES RESULTING THEREFROM.

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Information Reporting and Back-Up Withholding

Unless a US holder is an exempt recipient, such as a corporation, payments with respect to the Shares may be subject to information reporting and may also be subject to US federal back-up withholding tax at the applicable rate if such US holder fails to supply an accurate taxpayer identification number or otherwise fails to comply with the applicable US information reporting or certification requirements. Any amounts so withheld generally will be allowed as a credit against the US holder’s US federal income tax liability.

EACH US HOLDER SHOULD CONSULT ITS TAX ADVISER AS TO ITS QUALIFICATION FOR EXEMPTION FROM BACKUP WITHHOLDING AND THE PROCEDURE FOR OBTAINING SUCH EXEMPTION.

UK Tax Aspects

The comments below are of a general nature and are based on current UK law (including the 1980 Income and Capital Gains Tax Convention between the United Kingdom and the Netherlands (the “**Convention**”)) and the published practice of Her Majesty’s Revenue & Customs (“**HMRC**”) at the date of this prospectus, both of which may be subject to change, possibly with retrospective effect. Except as otherwise stated, the summary only discusses certain UK tax consequences of holding the Shares for the absolute beneficial owners of the Shares: (i) who are individuals resident or ordinarily resident in the UK for tax purposes and who are domiciled in the UK for UK tax purposes, or who are companies treated as resident in the UK for the purposes of UK corporation tax (a “**UK Holder**”); (ii) who are not resident in the Netherlands; and (iii) who do not have a permanent establishment or fixed base or other presence in the Netherlands with which the holding of the Shares is connected. In addition, the summary: (i) only addresses the tax consequences for UK Holders who hold the Shares as capital assets, and does not address the tax consequences which may be relevant to certain other categories of UK Holders, for example, dealers; and (ii) assumes that the UK Holder does not either directly or indirectly control 10% or more of the voting power of the Company. This summary assumes that: (i) there will be no register in the UK in respect of the Shares; and (ii) the Shares will not be paired with shares issued by a company incorporated in the UK.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular UK Holder. Accordingly, prospective investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under UK law and HMRC practice, of the acquisition, ownership and disposal of the Shares in their own particular circumstances, by consulting their own tax advisers.

United Kingdom Withholding Tax

Dividend payments in respect of the Shares will not be subject to UK withholding tax.

Effect of Netherlands Withholding Taxes

As discussed in “—Dutch Tax Aspects” above, dividend payments in respect of the Shares will be subject to Netherlands withholding taxes. A UK Holder should generally be entitled to a credit for Netherlands tax properly withheld from such payments (and not recoverable from the Dutch tax authorities) against a UK Holder’s liability to income tax or corporation tax on such amounts, but any excess of the Netherlands withholding tax over the UK tax payable on the aggregate amount of the dividend will generally not be refundable. The amount of the credit for Netherlands withholding tax cannot exceed the credit that would have been allowed had all reasonable steps been taken under Netherlands domestic law and under the Convention to minimise the amount of tax payable in the Netherlands, including obtaining relief at source and any available refunds.

Taxation of Dividends

A UK Holder that is resident (or, in the case of an individual only, ordinarily resident) in the UK for tax purposes or a UK Holder who is not resident in the UK for tax purposes but who carries on a trade, profession or vocation through a branch, agency or permanent establishment in the UK in connection with which the Shares are held, will, in general, be subject to UK income tax or corporation tax (as the case may be) on the gross amount of any dividend paid before the deduction of any Netherlands withholding taxes, subject to the availability of any credit for Netherlands tax withheld at source (as to which see above).



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A UK Holder who is an individual and who is resident and domiciled in the UK for tax purposes, will generally be subject to UK income tax on the following basis. In the case of an individual holder who is liable to UK income tax on the dividend at the dividend ordinary rate (currently 10%), the credit for Netherlands tax deducted at source may equal or exceed his UK income tax liability in respect of the dividend, in which case he will have no further UK tax to pay on the dividend. In the case of an individual holder who is liable to UK income tax on the dividend at the dividend upper rate (currently 32.5%), the UK tax will be chargeable on the gross dividend with credit for Netherlands tax withheld at source (as discussed above).

A UK Holder who is an individual and who is resident but not ordinarily resident or domiciled in the UK for tax purposes will generally be subject to UK income tax on the dividend paid on the Shares only to the extent that the dividend is remitted, or treated as remitted, to the UK.

A corporate UK Holder will generally be subject to UK corporation tax on the gross dividend, with credit given for Netherlands tax withheld at source (as discussed above).

Provision of Information

It should be noted that persons in the United Kingdom paying “foreign dividends” to, or receiving “foreign dividends” on behalf of, another person may be required to provide certain information to HMRC regarding the identity of the payee or the person entitled to the “foreign dividend” and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

Certain payments on or under the Shares may constitute “foreign dividends” for this purpose.

Taxation of Disposals

The disposal or deemed disposal either by a UK Holder of Shares that is resident (or, in the case of an individual only, ordinarily resident) in the UK for tax purposes or, in certain circumstances, by a UK Holder who is not resident in the UK for tax purposes but who carries on a trade, profession or vocation through a branch, agency or permanent establishment in the UK in connection with which the Shares are held, may give rise to a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains, depending on the holder’s circumstances and subject to any available exemption or relief.

A UK Holder who is an individual and who is resident and domiciled in the UK for tax purposes will generally be liable to UK capital gains tax on any chargeable gain made on the disposal of the Shares, subject to any available reliefs (such as the annual exempt amount and any available taper relief).

A UK Holder who is an individual and who is resident but not domiciled in the UK for tax purposes will generally be liable to UK capital gains tax only to the extent that the chargeable gains made on the disposal of the Shares are remitted or treated as remitted to the UK.

An individual holder of the Shares who ceases to be resident or ordinarily resident in the UK for UK tax purposes for a period of less than five years of assessment and who disposes of such Shares during that period may also be liable for UK capital gains tax upon return to the UK despite the fact that the individual may not have been resident or ordinarily resident in the UK for UK tax purposes at the time of the disposal. Special rules apply to such holders.

A corporate UK Holder will generally be subject to UK corporation tax on any chargeable gain arising from a disposal of the Shares, subject to any available reliefs (such as any indexation allowance).

Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

Assuming that no document effecting a transfer of, or containing an agreement to transfer, one or more of the Shares is either: (i) executed in the UK; or (ii) relates to any property situate, or to any matter or thing done or to be done, in the UK (which may include involvement of UK bank accounts in payment mechanics), then no UK ad valorem stamp duty should be payable on such a document.

Since the Shares are not registered in a register kept in the UK, no SDRT should be payable in respect of any agreement to transfer the Shares.

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GENERAL INFORMATION

The Company

The Company was incorporated as AMG Advanced Metallurgical Group N.V., a *naamloze vennootschap*, under Dutch law by notarial deed dated 21 November 2006 and it operates under Dutch law. The Company is registered in the commercial register of the Chamber of Commerce Amsterdam under number 34261128. The Company’s registered address is Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands. The telephone number of its registered office is +31 (0)20-52 14 704 and its fax number is +31 (0)20-52 14 825.

Subsidiaries

On Admission, the Company will be the holding company of its group, which includes the subsidiaries and significant investments in undertakings (held directly or indirectly by the Company) set forth in the table below.

Name	Country of incorporation	Percent. held (directly or indirectly) by Company
ABS Apparate- und Behälterbau GmbH	Germany	19.9
ALD Holcroft Vacuum Technologica Co., Inc.	United States	50
ALD Lindgren Inc.	Canada	100
ALD Own & Operate GmbH	Germany	100
ALD Polska s.z.o.o	Poland	100
ALD Thermal Treatment, Inc.	United States	100
ALD Thermo Technologies Far East	Japan	100
ALD Vacuum Technologies GmbH	Germany	100
ALD Vacuum Technologies Inc.	United States	100
ALD Vacuum Technologies Ltd.	United Kingdom	100
Alpoco Developments Limited	United Kingdom	100
Aurora Partnership	United States	50.3
Bécancour Silicon Inc.	Canada	50.3
Benda-Lutz-Alpoco Sp.z o.o.	Poland	51
Bostlan S.A.	Spain	25
Castle Crushing Limited	United Kingdom	100
Companhia Industrial Fluminense	Brazil	100
Ester-Technologie GmbH	Germany	50
FNE Forschungsinstitut für Nichteisen-Metalle Freiberg GmbH	Germany	24.9
Fremat GmbH & Co KG	Germany	24.9
Fundo Holdings AS	Norway	50.3
Fundo Wheels AS	Norway	23.7 ⁽¹⁾
GfE Gesellschaft für Elektrometallurgie mbH	Germany	100
GfE Materials Technology	United States	100
GfE Metalle und Materialien GmbH	Germany	100
H.M.I. Limited	United Kingdom	100
Industrial Adhesives Limited	Canada	50.3
London & Scandinavian Metallurgical Co Limited	United Kingdom	100
Metal Alloys (South Wales) Limited	United Kingdom	100
Metalloys Limited (dormant)	United Kingdom	100
Metallurg Delaware Holding Company	United States	100
Metallurg Europe Limited	United Kingdom	100
Metallurg, Inc.	United States	100 ⁽²⁾
Metallurg Vanadium Corporation	United States	100
Monopol 487. GmbH	Germany	51
M. & A. Powders Limited (dormant)	United Kingdom	100
NorWheels AS	Norway	50.3
OOO ALD Vakuumpye Technologii	Russia	100
Produits Chimiques de Lucette S.A	France	100
S.A. Vickers Limited (dormant)	United Kingdom	100
Shieldalloy Metallurgical Corporation	United States	100

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Name	Country of incorporation	Percent. held (directly or indirectly) by Company
Société Industrielle et Chimique de l'Aisne	France	100
Sudamin France SAS	France	100
Sudamin Holdings S.A.	Belgium	100
Sudamin S.A.	Belgium	100
Technologie- und Gründerzentrum Hanau GmbH	Germany	2.5
The Aluminium Powder Company Limited	United Kingdom	100
Timminco Adhesives Corporation	United States	50.3
Timminco Colorado Corporation	United States	50.3
Timminco Corporation	United States	50.3
Timminco de Mexico S.A. de CV	Mexico	50.3
Timminco Holdings Corporation	United States	50.3
Timminco Limited	Canada	50.3 ⁽³⁾
Timminco Properties Inc.	United States	50.3
Timminco Pty Limited	Australia	50.3
Timminco S.A.	Switzerland	50.3
Timminco Technologies Corporation	United States	50.3
VACUHEAT GmbH	Germany	100
VACUHEAT Verwaltungsgesellschaft mbH	Germany	100
Zentrum für Material- und Umwelttechnik GmbH	Germany	24.9
Z.E.R.O—Japan Co. Ltd.	Japan	10

- (1) Put and call options subsist over the shares in Fundo that are not held by the Company. See note 7 (“Acquisitions of subsidiaries and minority interests”) to the Company’s combined historical financial information for the years ended 31 December 2006 and 2005 on page F-36 of this prospectus.
- (2) See “General Information—Metallurg Options” on page 154 of this prospectus.
- (3) See “General Information—Timminco Shares and Options” on page 152 of this prospectus.

Timminco Shares and Options

Timminco Shares Held by Directors and Senior Managers

The table below sets forth the numbers of Timminco Shares in which the Directors and Senior Managers are interested as at the date of this prospectus (excluding indirect interests arising through interests in Shares).

Name	Number of Timminco Shares
Mr. René Boisvert	40,000
Mr. John Fenger	316,500
Mr. Jack Messman	130,000
Dr. Heinz Schimmelbusch	211,000
Mr. John Walsh	352,000
Total	1,049,500

The Timminco Share Option Plan (the “Timminco Plan”)

The Timminco Plan was established under the laws of Ontario, Canada, on 26 March 2004 and last amended on 7 May 2007. It is administered by the human resources, compensation and pensions committee of Timminco’s board of directors.

Grant of Options

The board of directors of Timminco may from time to time grant an option to purchase a stated number of Timminco Shares to any director or full-time officer or employee of Timminco or any of its affiliates. The board may also determine the exercise price per share for the option, which must not be less than the fair value of the Timminco Shares at the date of grant (the closing board lot sale price per Timminco Share on the Toronto Stock Exchange on the preceding day). 8,307,175 authorised but unissued

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Timminco Shares (representing approximately 8.25% of Timminco's share capital on a fully diluted basis) are reserved for issuance under the Timminco Plan, and any Timminco Shares not purchased under an expired option become available for regrant.

Limits on Grant

There is no limit to the number of options a person may hold. However, the aggregate number of options under all Timminco's share plans (although the Timminco Plan is currently the only one) must not be such as to result in:

- the number of Timminco Shares reserved for issuance to insiders (as defined below) under the Timminco Plan at any time exceeding 10% of the issued and outstanding Timminco Shares capital;
- the issuance to insiders pursuant to options in any one-year period of more than 10% of the number of issued and outstanding Timminco Shares; or
- the issuance to any one insider pursuant to options in any one-year period of more than 5% of the number of issued and outstanding Timminco Shares.

For this purpose, an "insider" is principally a holder of 10% or more of the voting rights in Timminco or a director or officer of Timminco who either has access to material non-public information about Timminco or is also a director of a major subsidiary of Timminco. The above percentages are calculated using the undiluted issued and outstanding Timminco Share capital, excluding (in the cases of the yearly limits) Timminco Shares issued under Timminco's share plans in the preceding year. Options may be granted in breach of the above restrictions, provided that the required regulatory and shareholder approvals are obtained no later than Timminco's next annual general meeting and no Timminco Shares are issued pursuant to the options until these approvals have been obtained.

Exercise of Options

Each option becomes fully vested and exercisable in respect of one quarter of the Timminco Shares to which it relates on each of the first four anniversaries following the date of grant, provided that the option holder is still an employee or director of Timminco or one of its subsidiaries.

Options are exercisable for a period of specified by Timminco's board no more than seven years from the date of its grant. They also cease to be exercisable as follows.

- If an option holder dies, his personal representatives may for a period of one year after his death exercise any options that were exercisable on the date of his death.
- If an option holder ceases to be a director of Timminco for any reason other than death, or retires from being an employee, he may for a period of three years after the date of his retirement or cessation exercise any options that were exercisable on that date.
- If an option holder has his employment by Timminco and its affiliates terminated for cause, his options terminate immediately.
- If an option holder ceases to be employed by Timminco and its affiliates for any other reason, he may for a period of up to one year (depending on the circumstances) exercise any options that were exercisable on the date of cessation, and in addition the board of Timminco may extend the period during which these options may be exercised up to a date no later than the fifth anniversary of the date of their grant.

However, if an option would expire during, or within five days after, a trading black-out imposed by Timminco, the exercise period is extended until ten days after the black-out.

Assignment

An option holder may assign his options to his spouse, a trustee or custodian, a personal holding company or other entity controlled by him or his spouse or a registered retirement income fund or savings plan. Options may not otherwise be assigned, negotiated or transferred (except on the holder's death).

Corporate Events, Amendments and Termination

Subject to regulatory requirements, the board of Timminco may amend, suspend or discontinue the Timminco Plan at any time. However, the approval of Timminco's shareholders is required for any

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amendment that would: increase the number of Timminco Shares reserved for issue under the Timminco Plan; allow for an option price below the fair value of the Timminco Shares at the date of grant, increase either of the aggregate limits set out above on grants to insiders and the number of Timminco Shares available for issue to insiders; or reduce the option price or extend the exercise period of any option already granted for the benefit of insiders. Moreover, no action may be taken with respect to a granted option without the consent of the holder, unless Timminco’s board determines that it does not materially alter or impair the option.

On a proposed merger, reorganisation or sale of substantially all the assets of Timminco, or on a subdivision, consolidation, reclassification or other change affecting the Timminco Shares or a bonus issue of shares, the board of Timminco may, subject to regulatory and shareholder approval if required, as they determine appropriate in order to preserve as nearly as possible the original intent of the Timminco Plan, adjust the number or class of Timminco Shares subject to an option or the applicable option price. In addition, if Timminco proposes to take any of the above steps, the board may terminate any option on 30 days’ notice, in which case any options exercisable on the notice date may be exercised during the notice period.

Outstanding Options over Timminco Shares

The table below sets forth summary details of the outstanding options over Timminco Shares (including those held by Directors and Senior Managers) as at the date of this prospectus (showing any options that have been assigned in accordance with the rules of the Timminco Plan against the name of the original recipient). All these options have been granted under the Timminco Plan. If all these options (assuming they would have been exercisable then) had been exercised on the date of this prospectus, 4,794,000 new Timminco Shares would have been issued as a result, causing the dilution of the Company’s holding in the enlarged Timminco Share capital to approximately 47.8%.

Date of grant	26 March 2004	10 November 2005	8 May 2006	15 December 2006	31 January 2007	Total holding
Exercise price per share	C\$0.96	C\$0.59	C\$0.29	C\$0.40	C\$0.40	—
Mr. René Boisvert		300,000			100,000	400,000
Mr. Lucien Carrier		150,000				150,000
Mr. John Crow	12,500 ⁽¹⁾					12,500
Mr. Robert Dietrich			200,000	200,000		400,000
Mr. Keith D’Souza	100,000	100,000			100,000	300,000
Mr. John Fenger		200,000				200,000
Mr. Jay Kellerman		50,000				50,000
Mr. Dominic Leblanc		50,000				50,000
Dr. Richard Lister		12,500				12,500
Mr. Jack Messman	50,000	25,000				75,000
Mr. Tim Pretzer	350,000					350,000
Dr. Heinz Schimmelbusch	480,000	20,000			500,000	1,000,000
Mr. S. Shook	144,000					144,000
Mr. Arthur Spector	430,000	20,000			500,000	950,000
Mr. J. Thomas Timmins	50,000	25,000				75,000
Mr. John Walsh				500,000		500,000
Mr. Michael Winfield		50,000				50,000
Mr. Mickey Yaksich	50,000	25,000				75,000
Total	1,689,000	1,065,000	200,000	700,000	1,200,000	4,794,000

(1) Exercisable until 26 May 2008.

Metallurg Options

The Metallurg, Inc. 1998 Equity Compensation Plan (the “Metallurg Plan”)

The Metallurg Plan became effective on 20 November 1998 under the laws of New York, United States. It is administered by a committee appointed by the board of Metallurg. Awards under the Metallurg Plan may consist of incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights, and performance units.

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Grant of Awards

The committee has sole authority to select employees of Metallurg and its subsidiaries, non-employee directors and key advisors (those who render services other than in connection with the offer or sale of securities in a capital-raising transaction) to receive awards and the number of Metallurg Shares that are subject to each award. 500,000 authorised but unissued Metallurg Shares (representing approximately 8.3% of Metallurg's share capital on a fully diluted basis) are reserved for issuance under the Metallurg Plan, and any Metallurg Shares not purchased under an expired option become available for regrant.

Individual Limits

There is no limit to the number of awards a person can hold or the number of Metallurg Shares subject to those awards. However, the maximum aggregate number of Metallurg Shares that may be awarded under the Metallurg Plan to any individual during any calendar year is 100,000.

Stock Options

Incentive stock options may be granted only to employees of Metallurg or a parent or subsidiary of it. Nonqualified stock options may be granted to employees, non-employee directors and key advisors. If on the grant of an incentive stock option the aggregate fair market value (determined by reference to the market on which the Metallurg Shares are listed or, if they are not listed, by the committee) exceeds US\$100,000, then any amount of the option in excess of that amount, will be treated as a nonqualified stock option.

For each option, the committee determines the exercise price per share and the term of the option, which may not exceed ten years from the date of the grant (or five years in the case of a grant to an employee who holds more than 10% of the total voting rights of Metallurg, or any parent or subsidiary). The committee also determines how each option will become exercisable and specifies this in the grant instrument. The committee has absolute discretion to accelerate the exercisability of any outstanding options at any time.

Except as provided below, an option may only be exercised while the recipient is employed by Metallurg (or its subsidiaries) or is serving as a key advisor or member of its board. If the recipient ceases to be employed by Metallurg for any reason other than disability, death, or termination for cause (being breach of his employment contract, disloyalty or disclosure of trade secrets or confidential information), any option shall terminate unless exercised within 90 days after the date on which the recipient ceases to be so employed. If a recipient's employment is terminated for cause any option held by him will terminate on the date his employment is terminated. If the recipient ceases to be employed because he is disabled, any option will terminate on the earlier of the date of expiration of the option term and one year after the date on which the recipient ceases to be employed by Metallurg. If a recipient dies while employed by Metallurg or within 90 days after his employment is terminated (other than for cause or by reason of disability), any option will terminate on the earlier of the date of expiration of the option term and one year after the date on which the recipient ceases to be employed by Metallurg.

Restricted Stock Awards

The committee may issue or transfer Metallurg Shares to an employee or key advisor under an award of restricted stock, upon such terms as the committee deems appropriate. The committee determines whether the restricted stock awards will be transferred for consideration or not. The period during which the restricted stock will remain subject to restrictions will be designated in the grant instrument as the restriction period. The committee also determines the number of Metallurg Shares to be issued or transferred pursuant to a restricted stock award and the restrictions applicable to such shares. All restrictions imposed on Restricted Stock lapse on the expiration of the restriction period and the satisfaction of all conditions imposed by the committee.

If the Recipient ceases to be employed by Metallurg (or its subsidiaries) during the restriction period, or if specified conditions are not met, the restricted stock award terminates with regard to all Metallurg Shares in respect of which restrictions have not lapsed. The committee may provide for complete or partial exceptions as appropriate.

During the restriction period, a recipient may not sell, assign, transfer, pledge or otherwise dispose of shares of restricted stock except as provided above. Unless the committee determines otherwise, the recipient will have the right to vote and receive dividends during the restriction period.

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Stock Appreciation Rights

The committee may grant stock appreciation rights to any employee or key advisor separately or in tandem with any option. However, in the case of an incentive stock option, stock appreciation rights may be granted only at the time of the grant of the incentive stock option. Unless the committee determines otherwise, the base amount of each stock appreciation right is equal to the exercise price per share of the related option or, if there is no related option, the fair market value of a Metallurg Share at the date of grant.

All stock appreciation rights are exercisable during the period specified by the committee in the grant instrument. In the case of tandem stock appreciation rights, the number of stock appreciation rights granted to a recipient that are exercisable during a specified period may not exceed the number of Metallurg Shares that the recipient may purchase upon the exercise of the related option during that period. When the related option is exercised the related stock appreciation rights terminate, and when the related stock appreciation rights are exercised the option terminates in respect of an equal number of Metallurg Shares. When a recipient exercises stock appreciation rights, he may receive in settlement of them an amount of cash, Metallurg Shares or a combination equal to the value of the stock appreciation for the number of stock appreciation rights exercised. As with options, stock appreciation rights may only be exercised while the recipient is an employee of Metallurg (or its subsidiaries) or to the extent permitted under the provisions that apply to options following termination of employment.

Performance Units

The committee may grant performance units to any employee or key advisor. Each performance unit represents the right of the recipient to receive an amount based on the value of the performance unit, if certain targets are met. The committee will establish a performance period over which the achievement of performance goals will be measured. Payments with respect to performance units will be made in cash, Metallurg Shares or a combination. All rights will be forfeited if the recipient ceases to be employed by Metallurg (or its subsidiaries) during the performance period.

Transfers of Awards and Metallurg Shares

Except as provided below, only the recipient may exercise rights under an award during the recipient's lifetime. The committee may provide in a grant instrument that a recipient may transfer nonqualified stock options, with the same terms and conditions as applied to the option before, to family members or such other persons as the committee may determine, provided the transferor receives no consideration. A recipient may not transfer those rights except by will or by the laws of intestacy or in circumstances as specified by Metallurg. Metallurg has a pre-emption right if, at any time prior to a public offering of Metallurg Shares, an individual wishes to sell or otherwise dispose of Metallurg Shares received under the Metallurg Plan. In addition, if a recipient ceases to be an employee of Metallurg for any reason, Metallurg has the right to purchase all or some of his Metallurg Shares received under the Metallurg Plan.

Miscellaneous

All awards under the Metallurg Plan are subject to applicable tax withholding requirements. Recipients have a limited right, if the committee permits, to elect to withhold shares to satisfy this tax liability.

If there is a merger, reorganisation, liquidation or sale of substantially all the assets of Metallurg, all outstanding unexercised options and stock appreciation rights must be assumed, or replaced with comparable options or rights, by the surviving corporation (if any). Following any of these events, Metallurg may also compulsorily purchase all outstanding options and stock appreciation rights or, after giving recipients the chance to exercise their options, terminate them.

The board of Metallurg may amend or terminate the Metallurg Plan at any time provided any requisite shareholder approval is obtained. The Metallurg Plan will terminate on 21 November 2008.

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Outstanding Options over Metallurg Shares

The table below sets forth summary details of the outstanding options over Metallurg Shares (including those held by Directors and Senior Managers) as at the date of this prospectus. All these options have been granted under the Metallurg Plan. If all these options (assuming they would have been exercisable then) had been exercised on the date of this prospectus, 195,000 new Metallurg Shares would have been issued as a result, causing the dilution of the Company’s holding in the enlarged Metallurg Share capital to approximately 96.2%.

Date of grant	20 November 1998	16 February 2001	7 November 2001	9 November 2001	Total holding
Exercise price per share	US\$30.00	US\$30.00	US\$30.00	US\$30.00	—
Mr. M. Emmi	—	15,000	—	—	15,000
Mr. Hoy Frakes	—	—	17,500	—	17,500
Mr. Eric E. Jackson	35,000	—	—	—	35,000
Mr. N. Kindwall	15,000	—	—	—	15,000
Mr. B. Nues	25,000	—	—	—	25,000
Mr. S. Plum	15,000	—	—	—	15,000
Mr. Itamar Resende	17,500	—	—	—	17,500
Dr. Heinz Schimmelbusch . . .	25,000	—	—	—	25,000
Mr. Arthur Spector	15,000	—	—	—	15,000
Mr. M. Winfield	—	—	—	15,000	15,000
Total	132,500	15,000	17,500	15,000	195,000

Other Directorships

The tables below set forth all the companies (other than the Company and its subsidiaries) in which the Directors have been a member of an administrative, management or supervisory body and all the partnerships in which they have been a partner in the five years up to the date of this prospectus.

Companies

Name	Current appointments	Appointments in last 5 years
Management Board		
Dr. Heinz Schimmelbusch	Allied Resource Corporation OJSC Mining and Metallurgical Company Norilsk Nickel PFW Aerospace AG Puralube Inc. Safeguard International Management, LLC	Emetra Limited Safeguard Scientifics, Inc. Stuart Benson (UK) Limited
Mr. Arthur R. Spector	NationsHealth, Inc. PFW Aerospace AG Puralube Inc. Safeguard International Management, LLC	Docucorp International Millstream II Acquisition Corporation Neoware Systems, Inc.
Mr. William J. Levy	—	PQ Corporation Stuart Benson (UK) Limited USDATA Corporation
Mr. Eric E. Jackson	Intellifast GmbH GfE Medical AG	
Dr. Reinhard Walter	Pax AG P/S Kunststoffwerke AG Spiele Max AG	PFW Aerospace AG PFW UK Holdings Limited

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Name	Current appointments	Appointments in last 5 years
<i>Supervisory Board</i>		
Mr. Pedro Pablo Kuczynski	Taiwan Greater China Fund Westfield Capital	Grupo Sindicato Pesquero del Peru SA Southern Peru Copper Corporation Tenaris SA
Mr. Jack L. Messman	Celerant Consulting Investments Limited Radio Shack Corporation Safeguard Scientifics Inc.	Celerant Consulting Holdings Limited Novell, Inc.
Dr. Andrei Bougrov	AIG-Interros Russian Century Fund, Ltd I/ST Equity Partners, LLC Interros Holding Company JSC Publishing House Prof-Media JSC RAO Unified Energy System of Russia JSC Rosbank OJSC Mining and Metallurgical Company Norilsk Nickel	JSC Territorial Generating Company 1 JSC Open Investments JSC Power Machines JSC Russian Utilities Systems
General Wesley Clark	Adam Aircraft Coffeyville Resources James Lee Witt & Associates Magnum Jet LLC Prysmian Sri Rodman & Renshaw, LLC Summit Global Logistics Wesley K. Clark & Associates	Stephens, Inc.
Mr. Norbert Quinkert	Motorola GmbH PFW Aerospace AG Quinkert Herbold Fischer Executive Search GmbH QSC AG WISTA Management GmbH	
Mr. Guy de Selliers	Allied Resources Inc. Allied Technologies HB Advisers Limited OJSC Mining and Metallurgical Company Norilsk Nickel Partners in Hope OJSC Shatoura Furniture Company Solvay S.A. OJSC Wimm Bill Dann	

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Name	Current appointments	Appointments in last 5 years
Senior Managers		
Ms. Amy Ard	—	—
Mr. René Boisvert	—	—
Mr. John Fenger	—	Allied Efa bf Allied Resource Corporation Promeks AS
Mr. Hoy Frakes	—	—
Dr. Matthias Häberle	—	Bw FuhrparkService GmbH
Mr. Werner Katzschner	—	ACCUREC GmbH Katalysator Werke Hüls
Mr. Guido Löber	—	—
Mr. Karl-Uwe von Osten	—	—
Mr. Tim Pretzer	—	—
Mr. Itamar Resende	—	—
Mr. Charles-Antoine Rougier . .	CAR Holding SARL	—
Mr. Richard Seemann	—	—
Dr. Ernst Wallis	—	Vogt & Schweitzer Markenverbund Holding GmbH & Co. KG VISTA N.V.
Mr. John Walsh	—	Alanx Wear Solutions Inc. Ceramic Protection Corp.

Partnerships

Name	Current appointments	Appointments in last 5 years
Management Board		
Dr. Heinz Schimmelbusch	Safeguard International Fund, L.P.	—
Mr. Arthur R. Spector	SIF Management, L.P. Safeguard International Fund, L.P.	—
Mr. William J. Levy	SIF Management, L.P.	—
Mr. Eric E. Jackson	—	—
Dr. Reinhard Walter	—	—
Supervisory Board		
Mr. Pedro Pablo Kuczynski	—	—
Mr. Jack L. Messman	—	—
Dr. Andrei Bougrov	—	Finkom-Investment and Management, L.P.
General Wesley Clark	Four Season Ventures	—
Mr. Norbert Quinkert	—	—
Mr. Guy de Selliers	—	—

Senior Managers

None

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Business Addresses of Directors and Senior Managers

The table below sets forth the business addresses of the Directors and the Senior Managers.

Name	Business address
Management Board	
Dr. Heinz Schimmelbusch	435 Devon Park Drive, Building 400, Wayne, PA 19087, USA
Mr. Arthur R. Spector	435 Devon Park Drive, Building 400, Wayne, PA 19087, USA
Mr. William J. Levy	435 Devon Park Drive, Building 400, Wayne, PA 19087, USA
Mr. Eric E. Jackson	435 Devon Park Drive, Building 400, Wayne, PA 19087, USA
Dr. Reinhard Walter	ALD Vacuum Technologies GmbH, Wilhelm-Rohn-Straße 35, D-63450 Hanau, Germany
Supervisory Board	
Mr. Pedro Pablo Kuczynski	2665 South Bayshore #715, Miami, Florida 33133, USA
Mr. Jack L. Messman	22 Pelham Road, Weston, MA 02493, USA
Dr. Andrei Bougrov	#9, Bolshaya Yakimanka Street, Moscow, 119180, Russia
General Wesley Clark	116 Ottenheimer Plaza, Little Rock, AR 72201, USA
Mr. Norbert Quinkert	10 Unterschweinstiege, 60549 Frankfurt, Germany
Mr. Guy de Selliers	Hatch Corporate Finance, Portland House, Bressenden Place, London, SW1E 5BH, UK
Senior Managers	
Ms. Amy Ard	435 Devon Park Drive, Building 400, Wayne, PA 19087, USA
Mr. René Boisvert	6500 Yvon Trudeau, Bécancour, Quebec, Canada
Mr. John Fenger	435 Devon Park Drive, Building 400, Wayne, PA 19087, USA
Mr. Hoy Frakes	60870 Southgate Road, Cambridge, OH 43762 USA
Dr. Matthias Häberle	ALD Vacuum Technologies GmbH, Wilhelm-Rohn-Strasse 35, D-63450 Hanau, Germany
Mr. Werner Katzschner	ALD Vacuum Technologies GmbH, Wilhelm-Rohn-Strasse 35, D-63450 Hanau, Germany
Mr. Guido Löber	GfE Metalle und Materialien GmbH, Höfener Straße 45, D-90431 Nürnberg, Germany
Mr. Karl-Uwe von Osten	GfE Metalle und Materialien GmbH, Höfener Straße 45, D-90431, Nürnberg, Germany
Mr. Tim Pretzer	3595 Moline Street, Aurora, CO 80010, USA
Mr. Itamar Resende	Metallurg Europe, Fullerton Road, Rotherham, South Yorkshire, S60 1DL, UK
Mr. Charles-Antoine Rougier . . .	Sudamin France SA, 136 Bureaux de la Colline, 92210 Saint-Cloud, France
Mr. Richard Seemann	ALD Vacuum Technologies GmbH, Wilhelm-Rohn-Strasse 35, D-63450 Hanau, Germany
Dr. Ernst Wallis	GfE Metalle und Materialien GmbH, Höfener Straße 45, D-90431, Nürnberg, Germany
Mr. John Walsh	150 King Street, Suite 2401, Toronto, Ontario, Canada

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Material Contracts

General

Apart from the contracts described in “Related Party Transactions” on page 116 of this prospectus and the contracts described below, there are no material contracts (other than contracts in the ordinary course of business) into which the Company has entered in the two years immediately preceding the date of this prospectus or other contracts (other than contracts in the ordinary course of business) entered into by the Company which contain any provision under which the Company has any obligation or entitlement which is material to the Company as at the date of this prospectus. The Underwriting Agreement into which the Company will enter before Admission, which is described in “Plan of Distribution” on page 132 of this prospectus, will also be a material contract.

Credit Facilities

On 24 June 2007, the Company and Credit Suisse, London Branch, an affiliate of the Sole Bookrunner, entered into a commitment letter in relation to the Credit Facilities. The Credit Facilities are: (i) a five-year amortising term loan facility, under which the Company may borrow up to US\$100 million in various currencies for the purpose of refinancing certain of the Company’s existing financial indebtedness; and (ii) a five-year revolving credit facility, under which the Company may borrow up to US\$175 million in various currencies for the purpose of financing working capital and general corporate purposes (including capital expenditure and certain permitted acquisitions).

The availability of the Credit Facilities will be subject to: (i) execution of a credit agreement and other finance and security documents (in form and substance satisfactory to the Company and Credit Suisse, London Branch) incorporating the terms and conditions set out in the commitment letter by 24 July 2007; (ii) Admission and (iii) other conditions precedent customary for facilities of this nature. The Credit Facilities will be secured by first-priority security over shares held in substantially all the Company’s subsidiaries (including all material subsidiaries except Timminco and its subsidiaries) and over the assets of the Company and such subsidiaries, with certain security criteria to be agreed which will dictate which assets will be secured.

The terms of the commitment letter provide for the accession of certain subsidiaries of the Company as borrowers, guarantors and/or security providers. A commitment fee of 0.625% per annum on the aggregate undrawn and uncanceled of the revolving credit facility amount is payable quarterly in arrear.

The interest rate on borrowings under the Credit Facilities will be equal to both LIBOR or EURIBOR plus the applicable margin and mandatory costs (if any). The margin is 1.75% per annum for both the term loan facility and the revolving credit facility. Provided that no event of default has occurred and a period of 12 months has expired since the date of first drawdown of the Credit Facilities, the margin for each facility will vary by reference to the ratio of the Company’s consolidated net debt to its EBITDA. A letter of credit fee will accrue on the aggregate outstanding amount of letters of credit at a rate per annum equal to the margin for the revolving credit facility. A similar fee may be payable in relation to any bank guarantees issued under the revolving credit facility.

The credit agreement will contain financial covenants relating to the maintenance of ratios of total net debt to EBITDA and EBITDA to total net interest, customary representations and warranties for facilities of this nature and customary undertakings and restrictive covenants, including restrictions on encumbrances, disposals, incurring financial indebtedness, change of business, mergers and acquisitions, redemption of shares and granting credit. The agreement will provide for voluntary prepayment and cancellation for no penalty (but subject to the payment of breakage costs). Mandatory prepayment and cancellation of the Credit Facilities will be required in the event of a change of control of the Company (being the acquisition or owning of a 30% interest in the Company by any person other than Safeguard) or the disposal of substantially all its business or assets and the credit agreement will contain mandatory prepayment provisions relating to lender illegality, disposal proceeds and report proceeds. The repayment obligations pursuant to the Credit Facilities will be able to be accelerated upon the occurrence of events of default.

Fees and expenses incurred by the Company in connection with the Credit Facilities will be paid from cash in hand.

DLJ WIN I, LLC is a fund managed by an affiliate of the Sole Bookrunner and of Credit Suisse, London Branch. DLJ WIN I, LLC is one of the Selling Shareholders, holding 6,340 Shares, and also holds

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a 1.43% ownership stake in Safeguard, the majority Selling Shareholder (holding 15,982,665 Shares), and a 15.98% ownership stake in Safeguard Co-Investment Partnership, L.P., another Selling Shareholder (holding 837,070 Shares). See “The Selling Shareholders” on page 114 of this prospectus.

Purchase of Land in Berlin by ALD

On 13 June 2007, ALD entered into a purchase agreement (the “**CNH Purchase Agreement**”) to purchase, through its subsidiary Monopol 487. GmbH (“**Monopol**”), assets in Berlin, Germany from CNH Baumaschinen GmbH (“**CNH**”). The CNH Purchase Agreement remains subject to several conditions precedent and will terminate if these have not been satisfied by the end of September 2007. The principal asset is a hereditary building right which includes rights over a factory building and a multifunctional building that the Company intends to use to produce solar silicon melting and crystallisation furnaces following the acquisition.

Pursuant to a share purchase agreement dated 13 June 2007 (the “**Monopol SPA**”), ALD and Cello Vermögensverwaltungs- und Beteiligungsgesellschaft mbH (“**Cello**”) acquired respectively 51% and 49%, of the shares in Monopol from CNH, for a total purchase price of EUR 100 (net of value added tax). Before completion of the Monopol SPA, CNH established Monopol as a special purpose company with a share capital of EUR 1,000,000 and undertook to make voluntary contributions of EUR 14,500,000 into Monopol’s capital reserve.

Pursuant to the CNH Purchase Agreement, CNH has agreed to sell to Monopol a hereditary building right which it holds relating to real estate in Berlin-Spandau, Germany, together with certain other assets for a total purchase price of EUR 100 (net of value added tax). The hereditary building right is encumbered with, inter alia, a land charge in the amount of DEM 11,600,000 (EUR 5,930,987) in favour of the State of Berlin. Monopol will assume this land charge as well as CNH’s rights and obligations under the existing hereditary building right contract with Liegenschaftsfonds Berlin & Co. KG, the owner of the real estate encumbered with the hereditary building right. These obligations include the payment of ground rent of EUR 396,384 per annum, which will be reduced to EUR 248,503.20 per annum; the latter amount will be increased to EUR 258,503.20 per annum with effect from 1 January 2013 and increased by a further EUR 10,000 per annum every five years thereafter. The hereditary building right expires on 31 December 2038.

Monopol undertook to the State of Berlin in the CNH Purchase Agreement that ALD or companies nominated by ALD and Cello and accepted by the State of Berlin would establish at least 70 permanent jobs at the site by the end of 2007 and a further 80 by the end of 2008 and would maintain these 150 permanent jobs until the end of 2009. In the event of a breach of this undertaking, Monopol is required to pay to CNH a penalty of EUR 50,000 multiplied by the number of jobs under 150 provided at the site at that time. Monopol has also undertaken to CNH in separate service and lease agreements to continue the provision of certain services needed by CNH and to let the office and other space to CNH, in both cases until 31 December 2011 and CNH has the option to extend the provisions of these services and the lease for a further five years.

The acquisition is being made on the basis of limited warranties. Under the terms of the CNH Purchase Agreement, Monopol indemnifies CNH from any liabilities relating to environmental contamination of the site and CNH gives no warranties in respect of the site’s condition. Although CNH stated in the CNH Purchase Agreement that it is not aware of any contamination at the site, ALD has not carried out general environmental investigations into the site and there can be no assurance that it will not incur significant unforeseen costs for environmental liability.

ALD as a party to the CNH Purchase Agreement guarantees the performance of all obligations of Monopol under that agreement, even though ALD holds only 51% of the shares of Monopol. If the CNH Purchase Agreement is terminated or otherwise avoided, ALD and Cello are obliged to pay EUR 15,500,000 (plus interest) to CNH upon demand as joint and several debtors. Any claims of Monopol against CNH arising out of or in connection with the CNH Purchase Agreement will lapse one year after the date of that agreement.

All agreements and statements in respect of this transaction become null and void if CNH does not comply with its obligations to pay up the share capital of Monopol in full and make the voluntary contributions of EUR 14,500,000 into Monopol’s capital reserve.



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Interests of Persons Involved in the Offering

Other than:

- the interests of the Directors disclosed in “Management and Corporate Governance—Share Option Schemes” on page 108 of this prospectus and “Management and Corporate Governance—Directors’ and Senior Managers’ Interests in Shares, Timminco Shares and Common Shares in the Capital of Metallurg (“Metallurg Shares”)” on page 111 of this prospectus;
- the interests of the Selling Shareholders disclosed in “The Selling Shareholders” on page 114 of this prospectus; and
- the interests of the Managers disclosed in “Plan of Distribution” on page 132 of this prospectus,

the Directors are not aware of any interests material to the Offer which are held by persons involved in the Offer.

Documents Incorporated by Reference

The following documents, which are available as described in the following paragraph, are incorporated in this prospectus by reference:

- the Dutch original (and prevailing text) of the Articles of Association dated 26 June 2007, together with an English translation; and
- the individual audited historical financial information (translated into English in cases where the original information was not in English) of each of: (i) Metallurg Holdings on the basis of US GAAP for the years ended 31 December 2005 and 2004; (ii) GfE on the basis of US GAAP for the year ended 31 December 2005 and German GAAP for the year ended 31 December 2004; (iii) Sudamin on the basis of Belgian GAAP for the year ended 31 December 2005 and Belgian GAAP for the year ended 31 December 2004; (iv) Timminco on the basis of Canadian GAAP for the years ended 31 December 2005 and 2004; and (v) ALD on the basis of IFRS for the year ended 31 December 2005 and US GAAP for the quarter ended 31 December 2004 and the year ended 30 September 2004.

Availability of Documents

Copies of the following documents are available and can be obtained free of charge for 12 months from the date of publication of this prospectus at the Company’s head office at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands, during normal business hours and in electronic form from the Company’s website at www.amg-nv.com:

- the Articles of Association, last amended on 26 June 2007;
- the audited historical financial information of the Company for the financial years ended 31 December 2006 and 2005 on the basis of IFRS;
- the unaudited interim consolidated historical financial information of the Company for the quarter ended 31 March 2007 (with unaudited combined historical financial information for the quarter ended 31 March 2006 for comparison purposes) on the basis of IFRS;
- the individual audited historical financial information (translated into English in cases where the original information was not in English) of each of: (i) Metallurg Holdings on the basis of US GAAP for the years ended 31 December 2005 and 2004; (ii) GfE on the basis of US GAAP for the year ended 31 December 2005 and German GAAP for the year ended 31 December 2004; (iii) Sudamin on the basis of Belgian GAAP for the year ended 31 December 2005 and Belgian GAAP for the year ended 31 December 2004; (iv) Timminco on the basis of Canadian GAAP for the years ended 31 December 2005 and 2004; and (v) ALD on the basis of IFRS for the year ended 31 December 2005 and US GAAP for the quarter ended 31 December 2004 and the year ended 30 September 2004; and
- the report dated 25 June 2007 prepared by Roskill for the Company on economic and industry data.

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Copies of this prospectus may be obtained free of charge for 12 months from the date of publication of this prospectus by sending a request by email to the Company at amg-investorrelations@fortisintertrust.com or in writing to the Company, the Sole Bookrunner or the Paying Agent at the following addresses:

AMG Advanced Metallurgical Group N.V.
Prins Bernhardplein 200
1097 JB Amsterdam
The Netherlands

Credit Suisse Securities (Europe) Limited
One Cabot Square
London
E14 4QJ
United Kingdom

ING Bank N.V.
Van Heenvlietlaan 220
1083 CN Amsterdam
The Netherlands

Alternatively, copies of this prospectus in electronic form may be obtained free of charge for the same period through the website of Euronext Amsterdam N.V. (www.euronext.com) by Dutch residents only.

Independent Auditors

The Company's audited combined historical financial information as at and for the years ended 31 December 2006 and 2005 appearing in this prospectus has been audited by Ernst & Young, independent auditors, as stated in their report thereon appearing on page F-1 of this prospectus. Ernst & Young is located at Europalaan 28c, 5232 BC 's-Hertogenbosch, The Netherlands and the partner responsible for the aforementioned audit is a member of the Royal Netherlands Institute of Registered Accountants (*Koninklijk Nederlands Instituut van Registeraccountants*). The Company's interim consolidated historical financial information as at and for the quarter ended 31 March 2007 and its combined historical financial information as at and for the quarter ended 31 March 2006, which has been provided for comparison purposes, has not been audited but has been reviewed by Ernst & Young as stated in their report on page F-85 of this prospectus. Ernst & Young has also reviewed but not audited the summary individual historical financial information of certain of Company's subsidiaries for the financial years ended 31 December 2005 and 2004 that is included in this prospectus.

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SUMMARY OF FINANCIAL DATA FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

The summary individual historical financial information is set forth below. Ernst & Young performed agreed upon procedures to reconcile this historical financial information for the years ended 31 December 2005 and 2004 for certain subsidiaries of the Company, namely: Metallurg Holdings, GfE, Sudamin, Timminco and ALD with the respective statutory financial statements of these subsidiaries of the Company. For each company and for each year this information includes: a summary balance sheet; a summary profit and loss statement; and (except for Sudamin, which was not required to produce any under Belgian GAAP, and for GfE for the year ended 31 December 2004, for which it was not required to produce one under German GAAP) a summary cash flow statement.

The individual audited financial information of each of: (i) Metallurg Holdings on the basis of US GAAP for the years ended 31 December 2005 and 2004; (ii) GfE on the basis of German GAAP for the years ended 31 December 2005 and 2004; (iii) Sudamin on the basis of Belgian GAAP for the years ended 31 December 2005 and 2004; (iv) Timminco on the basis of Canadian GAAP for the years ended 31 December 2005 and 2004; and (v) ALD on the basis of IFRS for the year ended 31 December 2005 and on the basis of US GAAP for the quarter ended 31 December 2004 and the year ended 30 September 2004 will be available free of charge at www.amg-nv.com, and is incorporated into this prospectus by reference.

The individual historical financial statements of Metallurg Holdings for the financial years ended 31 December 2005 and 2004 have been audited by PricewaterhouseCoopers LLP of 300 Madison Avenue, New York, NY 10017, United States (“**PwC**”), which is a US independent registered public accounting firm. Each of the reports of PwC in respect of such years expresses unqualified opinions and is incorporated by reference in this prospectus, in the form and context in which it is included, with the consent of PwC. PwC has given its consent for the purposes of the Prospectus Directive. Such consent is different from a consent filed with the US Securities and Exchange Commission under Section 7 of the Securities Act, which is applicable only to transactions involving securities registered under that act. As the offered securities have not been and will not be registered under that act, PwC has not filed a consent under Section 7 of the Securities Act.

The individual historical financial statements of GfE for the financial years ended 31 December 2005 and 2004 have been audited by Ernst & Young AG of Mittlerer Pfad 15, 70499 Stuttgart, Germany (“**Ernst & Young AG**”), which is a member of the German Institute of Certified Accountants (*Institut der Wirtschaftsprüfer in Deutschland e.V.*). Each of the reports of Ernst & Young AG in respect of such years expresses unqualified opinions and is incorporated by reference in this prospectus, in the form and context in which it is included, with the consent of Ernst & Young AG.

The individual historical financial statements of Sudamin for the financial years ended 31 December 2005 and 2004 have been audited by BDO Atrio, Bedrijfsrevisoren Réviseurs d’Entreprises, of The Corporate Village, Da Vincilaan 9—Box B.6, Elsinore Building, B-1935 Zaventem, Belgium (“**BDO**”), which is a member of the Belgian Institute of Certified Auditors (*Instituut der Bedrijfsrevisoren / Institut des Réviseurs d’Entreprises*). Each of the reports of BDO in respect of such years expresses unqualified opinions and is incorporated by reference in this prospectus, in the form and context in which it is included, with the consent of BDO.

The individual historical financial statements of Timminco for the financial years ended 31 December 2005 and 2004 have been audited by KPMG LLP of 4100 Yonge Street, Toronto, Ontario, Canada (“**KPMG**”), which is a member of the Canadian Institute of Chartered Accountants. Each of the reports of KPMG in respect of such years expresses unqualified opinions and is incorporated by reference in this prospectus, in the form and context in which it is included, with the consent of KPMG.

The individual historical financial statements of ALD for the financial periods ended 31 December 2005 and 2004 and 30 September 2004 have been audited by Ernst & Young AG. Each of the reports of Ernst & Young AG in respect of such years expresses unqualified opinions and is incorporated by reference in this prospectus, in the form and context in which it is included, with the consent of Ernst & Young AG.

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Metallurg Holdings and Consolidated Subsidiaries
Consolidated Balance Sheets

	As at 31 December	
	2005	2004
	(Amounts in US\$ thousands, except share data)	
ASSETS		
Current Assets:		
Cash and cash equivalents	12,590	23,426
Accounts receivable, less allowance for doubtful accounts (\$660 in 2005 and \$1,967 in 2004)	53,392	45,944
Inventories	81,721	62,551
Note receivable—related party	8,017	—
Prepaid expenses and other current assets	12,112	12,432
Total current assets	167,832	144,353
Investments in affiliate	2,159	2,112
Property, plant and equipment, net	48,969	52,502
Notes receivable—related party	—	7,280
Other assets	19,966	13,083
Total	238,926	219,330
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities:		
Short-term debt	11,248	8,060
Current portion of long-term debt	2,670	3,810
Accounts payable	36,397	32,411
Accrued expenses	17,950	15,705
Current portion of environmental liabilities	2,813	1,938
Taxes payable	4,893	1,853
Total current liabilities	75,971	63,777
Long-term Liabilities:		
Long-term debt	180,124	175,452
Long-term debt—related parties	—	10,686
Accrued pension liabilities	24,518	24,523
Environmental liabilities, net	14,508	19,202
Other liabilities	2,044	2,041
Total long-term liabilities	221,194	231,904
Total liabilities	297,165	295,681
Commitments and Contingencies:		
Minority Interest	590	652
Shareholders' Deficit:		
Common stock—par value \$.01 per share, authorised 30,000 shares, no shares issued and outstanding	—	—
Series A Voting Convertible Preferred Stock—par value \$.01 per share, authorised 10,000 shares, issued and outstanding 5,202.335 shares	—	—
Series B Non-Voting Convertible Preferred Stock—par value \$.01 per share, authorised 10,000 shares, issued and outstanding 4,524 shares	—	—
Additional paid-in capital	59,911	59,911
Accumulated other comprehensive loss	(14,966)	(16,565)
Accumulated deficit	(103,774)	(120,349)
Total shareholders' deficit	(58,829)	(77,003)
Total	238,926	219,330

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Metallurg Holdings and Consolidated Subsidiaries
Consolidated Statements of Operations
and Comprehensive Income (Loss)

	Year ended 31 December	
	2005	2004
	(Amounts in US\$ thousands)	
Sales	488,312	351,763
Commission income	380	348
Total revenue	488,692	352,111
Cost of sales	397,091	304,631
Gross profit	91,601	47,480
Selling, general and administrative expenses	37,385	34,768
Restructuring and asset impairment charges	1,215	736
Total operating expenses	38,600	35,504
Operating income (loss)	53,001	11,976
Other:		
Other income, net	3,759	134
Loss on extinguishment of debt	(10,234)	—
Interest income	1,460	1,433
Interest expense	(26,077)	(22,159)
Income (loss) before income tax provision (benefit), minority interest and discontinued operations)	21,909	(8,616)
Income tax provision (benefit)	5,346	2,119
Income (loss) before minority interest and discontinued operations	16,563	(10,735)
Minority interest	12	(54)
Income (loss) from continuing operations	16,575	(10,789)
Discontinued operations (net of tax provision of \$171 and \$697 in 2004 and 2003, respectively)	—	338
Loss on sale of discontinued operations, net of tax	—	(1,162)
Net income (loss)	16,575	(11,613)
Other comprehensive income (loss):		
Foreign currency translation adjustment	(131)	6,334
Minimum pension liability adjustment, net of tax	425	2,149
Deferred gain (loss) on derivatives, net of tax	1,305	196
Comprehensive income (loss)	18,174	(2,934)

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Metallurg Holdings and Consolidated Subsidiaries
Statements of Consolidated Cash Flows

	As at 31 December	
	2005	2004
	(Amounts in US\$ thousands)	
Cash Flows from Operating Activities:		
Net income (loss)	16,575	(11,613)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortisation	9,129	8,061
Deferred income taxes	341	516
Interest expense paid in kind	4,137	3,287
Amortisation of original issue discounts on notes	115	—
Restructuring and asset impairment charges	1,215	736
Write-off of deferred financing costs	4,160	—
Loss on sale of discontinued operations	—	1,162
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(7,740)	(5,896)
(Increase) decrease in inventories	(18,614)	(16,560)
Increase in other current assets	(240)	(1,221)
Increase (decrease) in accounts payable and accrued expenses	8,262	7,807
Restructuring payments	(113)	(2,420)
Environmental payments	(3,819)	(4,511)
Other assets and liabilities, net	(784)	1,144
Discontinued operations—operating activities	—	(719)
Net cash provided by (used in) operating activities	12,264	(20,227)
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(3,817)	(3,055)
Proceeds from sale of discontinued operation	—	8,255
Repayment from former subsidiary	—	—
Receipt from (loan to) buyer of discontinued operation	914	(1,370)
Other, net	155	20
Discontinued operations—investing activities	—	33
Net cash (used in) provided by investing activities	(2,748)	3,883
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt	166,431	24,675
Repayment of long-term debt	(177,444)	(2,709)
Net borrowing of short-term debt	3,188	2,399
Payment for deferred financing fees	(12,804)	(4,591)
Capital contributions	—	—
Discontinued operations—financing activities	—	1,139
Net cash (used in) provided by financing activities	(20,629)	20,913
Effects of exchange rate changes on cash and cash equivalents	(83)	300
Net (decrease) increase in cash and cash equivalents	(10,836)	4,869
Cash and cash equivalents—beginning of year	23,426	18,557
Cash and cash equivalents—end of year	12,590	23,426
Supplemental Cash Flow Information:		
Cash paid (received) for income taxes	2,966	(111)
Cash paid for interest	17,869	17,241

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GfE
Consolidated Balance Sheet

	As at 31 December	
	2005	2004
	(Amounts in EUR thousands)	
ASSETS		
FIXED ASSETS		
Intangible Assets		
Franchises, trademarks, and similar rights and licences to such rights	84	203
Tangible Assets		
Land and buildings	2,549	2,676
Technical equipment, plant and machinery	3,474	3,457
Other equipment, furniture and fixtures	352	527
Advance payments and construction in progress	523	223
	6,899	6,883
Financial Assets		
Investments in affiliated companies	—	—
Investments	24	34
Loans to companies in which an interest is held	1,309	1,304
Other loans	1	126
	1,334	1,464
	8,317	8,550
CURRENT ASSETS		
Inventories		
Raw materials, supplies and production materials	3,885	1,682
Work in process	4,377	3,309
Finished goods and merchandise	5,204	5,187
Payments on account	12	30
Receivables and Other Assets	13,478	10,208
Trade accounts receivable	5,245	4,858
Receivables due from affiliated companies	4	2
Other assets	937	781
	6,186	5,641
Cash on hand and cash in banks	3,906	1,034
	23,570	16,883
PREPAID EXPENSES AND DEFERRED CHARGES	255	202
DEFICIT NOT COVERED BY EQUITY	15,171	18,309
	47,314	43,944
LIABILITIES		
EQUITY		
Authorised Capital	3,068	3,068
Capital Surplus	—	—
Accumulated Loss	(18,238)	(21,370)
Interests held by other shareholders	0	(7)
Deficit not covered by equity	15,171	18,309
	—	—
ACCRUALS		
Accruals for pensions and similar obligations	17,381	17,858
Tax accruals	—	665
Other accruals	6,457	6,294
	23,837	24,817
LIABILITIES		
Liabilities due to banks	1,628	2,163
Trade accounts payable	6,578	5,335
Liabilities due to affiliated companies	13,050	9,959
Liabilities due to shareholders	974	805
Other liabilities	1,201	818
	23,431	19,080
DEFERRED INCOME	45	47
	47,314	43,944

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GfE
Group Profit and Loss Statement

	Year ended 31 December	
	2005	2004
	(Amounts in EUR thousands)	
Sales	76,227	47,956
Increase in finished goods and work in process	2,262	1,013
Other operating income	2,995	2,433
	<u>81,484</u>	<u>51,402</u>
Cost of materials		
Cost of raw materials, supplies, production materials and purchased goods	(39,120)	(22,073)
Cost of purchased services	(3,983)	(2,838)
Personnel expenses		
Wages and salaries	(13,141)	(13,150)
Social security, pension and other benefit costs thereof for pension 1.194 (prior year: 1.772)	(3,463)	(4,169)
Depreciation and amortisation on intangible assets and tangible fixed assets	(1,221)	(1,446)
Other operating expenses	<u>(15,054)</u>	<u>(12,366)</u>
	<u>(75,983)</u>	<u>56,042</u>
Income from affiliated companies	—	(189)
Other interest and similar income	15	13
Write downs of financial assets and marketable securities	10	—
Interest and similar expenses thereof due to affiliated companies 1.349 (prior year: 916)	<u>(1,507)</u>	<u>(1,159)</u>
	<u>(1,502)</u>	<u>(1,335)</u>
Result from ordinary operations	<u>3,999</u>	<u>(5,975)</u>
Extraordinary expenses = extraordinary result	<u>(1,411)</u>	<u>—</u>
Taxes on income	—	(1,200)
Other taxes	543	(110)
	<u>543</u>	<u>(1,310)</u>
Net income for the year (prior year: net loss for the year)	3,131	(7,285)
Loss carried forward from previous fiscal year	(21,370)	(14,294)
Loss attributable to other shareholders	—	209
Group net loss	<u>(18,238)</u>	<u>(21,370)</u>

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GfE
Group Cash Flow Statement

	Year ended 31 December 2005
	(Amounts in EUR thousands)
Cash flow from operating activities	
Period result (including minority interest of minority shareholders) according to group profit and loss statement	3,131
Extraordinary result according to group profit and loss statement	1,411
Period result (including minority interest of minority shareholders) before extraordinary items	4,542
Write-offs (+)/write-ups (–) of fixed assets	1,232
Increase (+)/decrease (–) in long-term reserves	(477)
Other non-cash expenses (+)/income (–)	307
	5,604
Increase (+)/decrease (–) in short-term reserves	(284)
Profit (–)/loss (+) from asset disposal	36
Increase (–)/decrease (+) in inventories, trade accounts receivable as well as in other assets	(5,590)
Increase (=)/decrease (–) in trade accounts payable as well as in other liabilities	1,938
Cash flow from operating activities	1,704
Cash flow from investments	
Income (+) from fixed asset disposals	144
Payments (–) for fixed asset investments	(1,322)
Payments (–) for intangible asset investments	(49)
Payments (–) for financial asset investments	(28)
Cash flow from investments	(1,255)
Cash flow from financing activity	
Payments (–) to minority shareholders	(202)
Income (+) loans Company Safeguard Portfolio	3,091
Income (+)/payments (–) from shareholder loans	169
Income (–) from the repayment of loans and (financial) credits	(574)
Cash flow from financing activity	2,484
Financial funds at the end of the period	
Net change in cash and cash equivalents	2,933
Net change in cash and cash equivalents due to consolidation	(100)
Financial funds at the beginning of the period	417
Financial funds at the end of the period	3,250
Composition of financial funds	
Liquid funds	3,906
Short-term liabilities due to financial institutions	(656)
Financial funds at the end of the period	3,250

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Sudamin
Consolidated Balance Sheet after Appropriation

	As at 31 December	
	2005	2004
	(Amounts in EUR thousands)	
ASSETS		
FIXED ASSETS	6,086	6,526
Formation expenses	—	4
Intangible assets	110	172
Positive consolidation differences	3,955	4,944
Tangible assets	2,007	1,390
Land and buildings	643	677
Plant, machinery and equipment	1,211	488
Furniture and vehicles	112	142
Leasing and other similar rights	—	1
Other tangible assets	—	—
Assets under construction and advance payments	41	82
Financial assets	14	16
Companies accounted for using the equity method		
– participating interests		
– amounts receivable		
Other enterprises	14	16
– participating interests and shares		
– amounts receivable	14	16
CURRENT ASSETS	20,744	24,830
Amounts receivable after one year	193	105
Trade debtors		
Other amounts receivable		
Deferred taxation	193	105
Stocks and contracts in progress	9,080	8,949
Stocks	9,080	8,949
– raw materials and consumables	4,473	4,531
– work in progress	1	14
– finished goods	4,270	3,806
– goods purchased for resale	336	525
– immovable property acquired or constructed for resale		
– advance payments		73
Contracts in progress		
Amounts receivable within one year	8,830	13,051
Trade debtors	8,345	6,370
Other amounts receivable	485	6,681
Investments	2,205	1,373
Own shares		
Other investments and deposits	2,205	1,373
Cash at bank and in hand	315	1,130
Deferred charges and accrued income	121	222
TOTAL ASSETS	26,830	31,356

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Sudamin

Consolidated Balance Sheet after Appropriation (Continued)

	As at 31 December	
	2005	2004
	(Amounts in EUR thousands)	
LIABILITIES		
CAPITAL AND RESERVES	4,826	2,043
Capital	62	62
Issued capital	62	62
Uncalled capital (–)		
Share premium account		
Revaluation surpluses		
Consolidated reserves (+)(–)	4,882	2,099
Negative consolidation differences		
To charge positive consolidation differences		
Translation differences (+)(–)	(118)	(118)
Investment grants		
MINORITY INTERESTS		
Minority interests		
PROVISIONS, DEFERRED TAX AND LATENT TAXATION LIABILITIES	988	710
Provisions for liabilities and charges	972	446
Pensions and similar obligations	378	291
Taxation		
Major repairs and maintenance		
Other liabilities and charges	594	155
Deferred tax and latent taxation liabilities	16	264
CREDITORS	21,016	28,603
Amounts payable after one year	7,965	14,696
Financial debts	7,685	14,458
– subordinated loans	578	13,833
– unsubordinated debentures		
– leasing and other similar obligations		
– credit institutions	6,400	
– other loans	707	625
Trade debts		
– suppliers		
– bills of exchange payable		
Advances received on contracts in progress		
Other amounts payable	280	238
Amounts payable within one year	12,833	9,538
Current portion of amounts payable after one year	1,710	42
Financial debts	6,747	6,480
– credit institutions	6,745	6,480
– other loans	2	
Trade debts	2,363	1,682
– suppliers	2,216	1,549
– bills of exchange payable	147	133
Advances received on contracts in progress	105	59
Amounts payable regarding taxes, remuneration and social security	1,791	1,157
– taxes	567	230
– remuneration and social security	1,224	927
Other amounts payable	117	118
Accrued charges and deferred income	218	4,369
TOTAL LIABILITIES	26,830	31,356

Sudamin
Income Statement

	Year ended 31 December	
	2005	2004
	(Amounts in EUR thousands)	
Operating income	45,985	41,068
Turnover	44,959	39,962
Increase (+); Decrease (–) in stocks of finished goods, work and contracts in progress	732	942
Fixed assets—own construction	2	
Other operating income	292	164
Operating charges (–)	(43,083)	(38,216)
Raw materials, consumables and goods for resale	30,564	26,046
Purchases	30,374	27,730
Increase (–); Decrease (+) in stocks	190	(1,684)
Services and other goods	4,195	4,079
Remuneration, social security costs and pensions	6,617	6,164
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	398	408
Increase (+); Decrease (–) in amounts written of stocks, contracts in progress and trade debtors	464	753
Increase (+); decrease (–) in provisions for liabilities and charges	128	92
Other operating charges	717	674
Operating charges capitalised as reorganisation costs (–)		
Amounts written down on positive consolidation differences		
Operating profit (+)	2,902	2,852
Operating loss (–)		
Financial income	3,554	973
Income from financial fixed assets		
Income from current assets	211	723
Other financial income	3,343	250
Financial charges (–)	(2,300)	(2,169)
Interests and other debt charges	730	436
Amounts written on positive consolidation differences	989	1,164
Increase (+); decrease (–) in amounts written off current assets other than those mentioned under II.E.		(8)
Other financial charges	581	577
Profit on ordinary activities before taxation (+)	4,156	1,656
Loss on ordinary activities before taxation (–)		
Extraordinary income	653	
Adjustments to depreciation of and to other amounts written off intangible and tangible fixed assets		
Adjustments to amounts written off consolidation differences		
Adjustments to amounts written off financial fixed assets		
Adjustments to provisions for extraordinary liabilities and charges	100	
Gain on disposal of fixed assets	553	
Other extraordinary income		
Extraordinary charges (–)	(787)	(309)
Extraordinary depreciation of and amounts written off formation expenses, intangible and tangible fixed assets		
Extraordinary amounts written on positive consolidation differences		159
Amounts written off financial fixed assets		

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Sudamin
Income Statement (Continued)

	Year ended 31 December	
	2005	2004
	(Amounts in EUR thousands)	
Provisions for extraordinary liabilities and charges (Increase +, decrease -)	450	150
Loss on disposal of fixed assets	226	
Other extraordinary charges	111	
Extraordinary charges capitalised as reorganisation costs(-)		
Negative consolidation differences (-)		
Profit for the financial period before taxation (+)	4,022	1,347
Loss for the financial period before taxation (-)		
Transfer from deferred tax and latent taxation liabilities (+)	252	111
Transfer to deferred tax and latent taxation liabilities (-)		
Income taxes (-)(+)	(1,491)	(1,006)
Income taxes (-)	(1,491)	(1,006)
Adjustment of income taxes and write-back of tax provisions		
Profit for the financial period (+)	2,783	452
Loss for the financial period (-)		
Share in the result of the companies accounted for using the equity method		
(+)(-)		
Profits (+)		
Losses (-)		
Consolidated profit (+)	2,783	452
Consolidated loss (-)		
Share of third parties (+)(-)		
Share of the group (+)(-)	2,783	452

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Timminco
Consolidated Balance Sheets

	As at 31 December	
	2005	2004
	(Amounts in C\$ thousands)	
ASSETS		
Current assets		
Cash	2,480	568
Accounts receivable	22,157	24,507
Inventories	38,148	47,147
Prepaid expenses and deposits	1,871	4,560
Future income taxes	713	652
	<u>65,369</u>	<u>77,434</u>
Long-term receivables	296	724
Capital assets	48,590	50,353
Investment in Fundo Wheels AS	10,584	6,514
Employee future benefits	1,837	1,012
Deferred financing costs	749	161
Future income taxes	3,555	7,714
Intangible assets	4,812	—
Goodwill	18,396	24,508
	<u>154,188</u>	<u>168,420</u>
LIABILITIES		
Current liabilities		
Bank indebtedness	26,153	9,471
Accounts payable and accrued liabilities	27,470	25,704
Current portion of long-term bank debt	1,341	27,322
Future income taxes	51	1,971
Current portion of long-term provisions	2,715	1,885
	<u>57,730</u>	<u>66,353</u>
Long-term bank debt	4,357	—
Employee future benefits	16,788	16,497
Future income taxes	1,747	—
Long-term provisions	3,829	3,822
	<u>84,451</u>	<u>86,672</u>
SHAREHOLDER'S EQUITY		
Capital stock	84,191	79,802
Warrants	1,393	1,393
Contributed surplus	1,362	1,021
Deficit	(16,257)	(462)
Foreign currency translation adjustments	(952)	(6)
	<u>69,737</u>	<u>81,748</u>
	<u>154,188</u>	<u>168,420</u>

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Timminco
Consolidated Statements of Operations

	Year ended 31 December	
	2005	2004
	(Amounts in C\$ thousands except earnings per share information)	
Sales	184,348	123,631
Expenses		
Cost of goods sold	166,852	112,298
Selling and administrative	15,012	10,851
Amortisation of capital assets	6,644	4,867
Amortisation of intangible assets	688	—
Amortisation of deferred financing costs	320	106
Interest	2,699	1,721
Foreign exchange loss (gain)	11	(1,292)
Loss before the undernoted	(7,878)	(4,920)
Environmental remediation costs	(171)	(42)
Gain (loss) on sale of capital assets	(238)	660
Reorganisation costs	(4,592)	(2,781)
Other income	90	129
Equity earnings of Fundo Wheels AS	521	74
Loss before income taxes	(12,268)	(6,880)
Income taxes		
Current	1,420	264
Future	2,107	(237)
	3,527	27
Net loss	(15,795)	(6,907)
Loss per common share—basic and diluted	(0.22)	(0.15)
Weighted average number of common shares outstanding—basic and diluted .	72,848,367	44,661,874
Consolidated Statements of Deficit		
Retained earnings (deficit) at beginning of year	(462)	6,445
Net loss	(15,795)	(6,907)
Deficit at end of year	(16,257)	(462)

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Timminco
Consolidated Statements of Cash Flows

	Year ended 31 December	
	2005	2004
	(Amounts in C\$ thousands)	
Cash flows from operating activities		
Net loss	(15,795)	(6,907)
Adjustments for items not requiring cash		
Amortisation of capital assets	6,644	4,867
Amortisation of intangible assets	688	—
Amortisation of deferred financing costs	320	106
Stock-based compensation	341	276
Reorganisation costs	4,592	2,781
Environmental remediation costs	171	42
Benefits plan expense	2,034	948
Loss (gain) on disposal of capital assets	238	(660)
Future income taxes and tax benefit of share issue costs	2,101	(237)
Equity earnings of Fundo Wheels AS	(521)	(74)
Defined benefit pension plan contributions	(1,852)	(893)
Expenditures charged against provision for reorganisation	(1,677)	(849)
Expenditures charged against other long-term provisions	(44)	(189)
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	2,342	(755)
Decrease in inventories	8,284	94
Decrease in prepaid expenses and deposits	2,220	1,817
Increase in accounts payable and accrued liabilities	2,458	3,865
	12,544	4,232
Cash flows from investing activities		
Capital expenditures	(3,464)	(3,151)
Acquisition costs for the purchase of Bécancour Silicon Inc.	(370)	(1,560)
Investment in Fundo Wheels AS	(102)	(6,276)
Decrease (increase) in long-term receivables	436	(543)
Proceeds on disposal of capital assets	29	330
Decrease (increase) in restricted cash	—	200
Other	101	18
	(3,370)	(10,982)
Cash flows from financing activities		
Increase in bank indebtedness	16,682	4,396
Decrease in long-term bank debt	(21,624)	(4,049)
Decrease in loan from related party	(1,407)	—
Issuance of capital stock and warrants	(5)	7,052
Expenditures charged against deferred financing costs	(908)	(134)
	(7,262)	7,265
(Decrease) increase in cash	1,912	515
Cash at beginning of year	568	53
Cash at end of year	2,480	568
Supplemental information		
Cash paid during the period:		
Interest	2,507	1,302
Income taxes	669	139
Supplementary disclosure of non-cash investing and financing activities:		
Common stock issued on the acquisition of Bécancour Silicon Inc.	—	28,436
Common stock issued on the acquisition of shares in Fundo Wheels AS	4,393	—

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ALD
Consolidated Balance Sheet as at 31 December 2005
(IFRS)

	As at 31 December 2005 (Amounts in EUR thousands)
ASSETS	
Current assets	81,630
Liquid funds	23,597
Trade accounts receivable	13,475
Receivables due from affiliated companies	9,592
Work in process not yet brought to account	15,885
Tax receivables	517
Other assets	8,528
Inventories	10,036
Long-term assets	31,098
Goodwill	5,861
Other intangible assets	3,459
Tangible assets	15,676
Investments in affiliated companies	217
Other financial assets	168
Deferred taxes	5,717
Total assets	112,728
LIABILITIES AND EQUITY	
Current liabilities	41,820
Financial liabilities	976
Trade accounts payable	11,048
Payments on account of services not yet rendered	16,007
Accruals	4,639
Tax liabilities	1,525
Other current liabilities	7,625
Long-term liabilities	41,925
Financial liabilities	13,237
Accruals for pensions	17,536
Other long-term accruals	3,631
Deferred taxes	7,521
Equity	28,983
Authorised capital	7,863
Capital surplus	10,889
Foreign currency translation differences	(1,846)
Retained earnings	12,077
Total equity except for interests held by other shareholders	28,983
Interests held by other shareholders	—
Total liabilities and equity	112,728

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ALD
Consolidated Balance Sheet as at 31 December and 30 September 2004
(US GAAP)

	As at 31 December 2004	As at 30 September 2004
	(Amounts in EUR thousands)	
ASSETS		
Liquid funds	12,583	11,712
Liquid funds not available	6,291	9,777
Work in process not yet brought to account	9,628	7,369
Receivables	6,971	7,015
Inventories	5,995	4,694
Prepaid expenses	248	459
Short-term deferred taxes	1,315	679
Other assets	8,257	9,236
Short-term restricted assets	51,288	50,941
Intangible Assets	3,057	3,259
Tangible Assets	14,104	15,102
Financial Assets	237	243
Long-term deferred taxes	476	461
Long-Term restricted assets	17,874	19,065
Total assets	69,162	70,006
LIABILITIES		
Liabilities due to banks	1,814	1,966
Trade accounts payable	8,197	7,097
Payments on account for services not yet rendered	3,711	3,383
Short-term accruals	7,248	9,302
Short-term deferred taxes	—	127
Other short-term liabilities	1,930	1,647
Short-term liabilities	22,900	23,522
Accruals for pensions	17,101	15,949
Other long-term liabilities	6,181	7,083
Long-term liabilities	23,282	23,032
Total liabilities	46,182	46,554
Minority interest	1,554	1,174
Authorised capital	7,862	7,862
Capital surplus	10,889	8,962
Retained earnings	5,760	7,214
Accumulated other comprehensive income	(3,085)	(1,760)
Equity	21,426	22,278
Total liabilities	69,162	70,006

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ALD
Group Profit and Loss Statement as at 31 December 2005
(IFRS)

	Year ended 31 December 2005
	(Amounts in EUR thousands)
Sales	102,710
Cost of sales	73,035
Gross profit on sales	29,675
Marketing expenses	9,623
General administration costs	4,378
Research and development costs	1,516
Other operating expenses	4,188
Other operating income	2,807
Result from ordinary operations	12,777
Financial expenses	1,823
Financial income	761
Financial result	(1,062)
Loss/income from at-equity consolidation (net)	(26)
Financial result and result from investments	(1,088)
Result before taxes on income	11,689
Taxes on income	4,612
Net income for the year	7,077
thereof allocated to:	
Shareholders of the parent company	7,077
Minorities	—

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ALD
Group Profit and Loss Statement as at 31 December and 30 September 2004
(US GAAP)

	3 months ended 31 December 2004	Year ended 30 September 2004
	(Amounts in EUR thousands)	
Sales	17,076	73,952
Cost of production of the services rendered for the realisation of sales . . .	(11,849)	(55,568)
Gross profit on sales	5,227	18,384
Marketing expenses	(2,447)	(10,759)
General administration costs	(1,142)	(4,336)
Research and development costs	(287)	(1,954)
Restructuring income/expenses	102	(1,407)
Other operating income/expenses	(839)	(2,364)
Other taxes	—	(238)
Result from ordinary operations	614	(2,674)
Loss/income from at-equity consolidation (net)	(6)	484
Exchange rate differences	(127)	(843)
Interest and similar expenses	(140)	(613)
Other interest and similar income	143	370
Financial income and income from investments	(130)	(602)
Result before taxes on income	484	(3,276)
Current taxes	(24)	(948)
Deferred taxes	393	2,916
Taxes on income	369	1,968
Consolidated net income/loss for the year before minority interests	853	(1,308)
Minority interest in the result	(380)	(801)
Consolidated net income/loss for the year	473	(2,109)
Result per share (EUR)	5.99	(0.27)

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ALD
Group Cash Flow Statement as at 31 December 2005
(IFRS)

	Year ended 31 December 2005
	(Amounts in EUR thousands)
Net income (loss) for the year	7,077
Interest income	(761)
Interest expense	1,823
Taxes on income	4,612
Result before interest and taxes on income	12,751
Payments for taxes on income	(1,266)
Interests received	679
Depreciation	2,706
Income from at-equity consolidation (net)	26
Result from fixed assets disposals	175
Change in other accruals	5,155
Change in pension accruals	(9)
Other non-cash items	(864)
Changes in inventories	(3,697)
Changes in trade accounts receivable and other assets	(8,883)
Changes in trade accounts payable and other liabilities	13,741
Cash flow from operational activities	20,514
Income from asset disposals	10
Investments in tangible fixed assets	(2,335)
Investments in intangible fixed assets	(834)
Investments in financial assets	(4)
Purchases of minority interests in subsidiaries	(3,500)
Purchases of interest in subsidiaries (advance payments)	(5,000)
Reduction of short-term financial loans	(3,000)
Cash flow from investments	(14,663)
Cash flow from the issuance of mezzanine capital	9,600
Reduction of long-term financial loans	(4,944)
Cash flow from financial loans	1,551
Interests paid	(843)
Cash flow from financing activities	5,364
Increase/decrease of liquid funds	11,215
Liquid funds at the beginning of the financial year	12,584
Effect of exchange rate changes on cash and cash equivalents	(201)
Liquid funds at the end of the financial year	23,598

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ALD

Group Cash Flow Statement as at 31 December and 30 September 2004
(US GAAP)

	3 months ended 31 December 2004	Year ended 30 September 2004
	(Amounts in EUR thousands)	
Cash flow from operating activities		
Group income (loss) for the year	473	(2,109)
Adjustment of the result for the year by non-cash items		
Depreciation	595	2,585
Deferred taxes	(778)	(2,916)
Losses from fixed asset disposals	(38)	(240)
Net appropriations to accruals for pensions	1,152	909
Other non-cash items	(585)	641
	346	979
Changes in working capital		
Receivables	44	3,401
Work in process not yet brought to account	(2,259)	27
Inventories	(1,301)	1,478
Other assets	979	(2,802)
Trade accounts payable	1,101	(1,120)
Payments on account for services not yet rendered	328	1,346
Short-term reserves	(2,054)	177
Other short-term liabilities	283	(1,377)
Active deferred charges	211	(59)
Change working capital	(2,688)	1,071
Net cash flow from operational activities	(1,849)	(59)
Cash flow from investments		
Investments in intangible assets	(50)	(34)
Income from asset disposals	59	—
Investments in fixed assets	(256)	(1,143)
Investments in financial assets	—	6,049
Net cash flow from investments	(247)	4,872
Cash flow from financing activities		
Minority shareholders	380	801
Change in short-term liabilities to banks	(152)	124
Reduction of loans/long-term liabilities	(902)	(1,767)
Net cash flow from financing activities	(674)	(842)
Differences from currency translation	155	48
Increase/decrease of liquid funds	(2,615)	4,019
Liquid funds at the beginning of the financial year	21,489	17,470
Increase/decrease of liquid funds	(2,615)	(4,019)
Liquid funds at the end of the financial year	18,874	21,489
Additional details regarding the cash flow		
Payments for:		
Interest	140	613
Taxes on income	79	88

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DEFINITIONS

“ACO”	an Administrative Consent Order
“Additional Shares”	Shares held by Safeguard that may be made available pursuant to the Over-Allotment Option
“Additional UK Plan”	the LSM Additional Pension Plan
“Admission”	the listing of the Shares on Eurolist by Euronext
“AFM”	the Netherlands Authority for the Financial Markets (<i>Autoriteit Financiële Markten</i>)
“ALD”	ALD Vacuum Technologies GmbH
“ALD Holding”	pertus zwölfte GmbH, intended shortly to be renamed ALD Holding GmbH
“ALD International”	ALD International LLC
“AMG” or “Company”	AMG Advanced Metallurgical Group N.V., a <i>naamloze vennootschap</i> organised under the laws of the Netherlands, together, where the context requires, with its subsidiaries and subsidiary undertakings and associated undertakings
“Articles of Association”	the articles of association of the Company as most recently amended on 26 June 2007
“August 2006 Note”	the promissory note issued by Bécancour to Safeguard on 31 August 2006 in acknowledgement of a loan of US\$3.0 million
“BDO”	BDO Atrio, Bedrijfsrevisoren Reviseurs d’Entreprises, of The Corporate Village, Da Vincilaan 9—Box B.6, Elsinore Building, B 1935 Zaventem, Belgium
“Bécancour”	Bécancour Silicon Inc.
“Belgian GAAP”	generally accepted accounting principles as used in Belgium
“BHI”	Bécancour Holding, Inc.
“BLP”	Bécancour, L.P.
“Canadian GAAP”	generally accepted accounting principles as used in Canada
“Cello”	Cello Vermögensverwaltungs- und Beteiligungsgesellschaft mbH
“CIF”	Companhia Industrial Fluminense
“CNH”	CNH Baumaschinen GmbH
“CNH Purchase Agreement”	the purchase agreement dated 13 June 2007 between CNH, Monopol, Cello and ALD relating to the purchase of assets in Berlin, Germany
“Co-Lead Manager”	ING Bank N.V.
“Credit Facilities”	the term loan and revolving credit facility to be granted by Credit Suisse, London Branch to the Company pursuant to a commitment letter dated 24 June 2007 of which further details are given in “General Information—Material Contracts” on page 161 of this prospectus
“Daily Official List”	the Daily Official List (<i>Officiële Prijscourant</i>) of Euronext Amsterdam
“Directors”	the members of the Management Board and/or the members of the Supervisory Board, as applicable
“Dutch Corporate Governance Code”	the Dutch corporate governance code published on 9 December 2003 by a committee commissioned by the Dutch government (<i>Commissie Tabaksblat</i>)
“Dutch FSA”	the Dutch Financial Supervision Act (<i>Wet op het financieel toezicht</i>)
“EBITDA”	earnings before interest, taxes, depreciation and amortisation and further adjusted for non-recurring items



“Enterprise Chamber”	the Enterprise Chamber (<i>Ondernemingskamer</i>) of the Amsterdam Court of Appeal
“Ernst & Young”	Ernst & Young Accountants
“Ernst & Young AG”	Ernst & Young AG of Mittlerer Pfad 15, 70499 Stuttgart, Germany
“EU”	the European Union
“€” or “EUR” or “euro”	the currency of the European Monetary Union
“Euroclear Nederland”	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. of Damrak 70, 1012 LM, Amsterdam, The Netherlands, the central institution within the meaning of the Giro Act
“Eurolist by Euronext”	Euronext Amsterdam’s Eurolist by Euronext
“Euronext Amsterdam”	Euronext Amsterdam N.V.
“EWW”	Elektrowerk Weisweiler GmbH
“FEAM”	the Brazilian environmental protection agency (<i>Fundação Estadual do Meio Ambiente</i>)
“FNE”	FNE Forschungsinstitut für Nichteisen-Metalle Freiberg GmbH
“FSMA”	the UK Financial Services and Markets Act 2000
“FSMA Order”	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
“Fundo”	Fundo Wheels AS
“General Meeting”	a general meeting of the Shareholders of the Company
“German GAAP”	generally accepted accounting principles as used in Germany
“GfE”	GfE Gesellschaft für Elektrometallurgie mbH
“Giro Act”	the Dutch Securities Giro Act (<i>Wet giraal effectenverkeer</i>)
“IFRS”	International Financial Reporting Standards
“KPMG”	KPMG LLP of 4100 Yonge Street, Toronto, Ontario, Canada
“Listing Date”	the date on which trading of the Shares on Eurolist by Euronext will commence, which is expected to be on or about 11 July 2007
“LME”	the London Metal Exchange
“Lock-Up Deeds”	deeds to be entered into before Admission between the Managers and each of Dr. Heinz Schimmelbusch and Mr. Arthur Spector as further described in “Plan of Distribution—Lock-Up Arrangements” on page 133 of this prospectus
“LSM”	London & Scandinavian Metallurgical Co Limited together, where the context requires, with its subsidiaries
“Management Board”	the management board (<i>Raad van Bestuur</i>) of the Company, the members of which are listed on page 96 of this prospectus
“Managers”	the Sole Bookrunner and the Co-Lead Manager
“March 2007 Note”	the promissory note issued by Bécancour to ALD International on 1 March 2007 in acknowledgement of a loan of C\$4.5 million
“MDHC”	Metallurg Delaware Holding Company
“Metallurg”	Metallurg, Inc.
“Metallurg Holdings”	Metallurg Holdings, Inc.
“Metallurg Plan”	the Metallurg Holdings, Inc. 1998 Equity Compensation Plan
“Metallurg Shares”	common shares in the capital of Metallurg
“Monopol”	Monopol 487. GmbH
“Monopol SPA”	the share purchase agreement dated 13 June 2007 between CNH, ALD and Cello relating to the acquisition of shares in Monopol



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“MVC”	Metallurg Vanadium Corporation
“New Shares”	9,333,409 Shares to be newly issued pursuant to the Offering
“NJDEP”	the New Jersey Department of Environmental Protection
“Norilsk”	Open Joint Stock Company Mining and Metallurgical Company Norilsk Nickel
“NRC”	the United States Nuclear Regulatory Commission
“ODH”	the Ohio Department of Health
“OEM”	original equipment manufacturer
“OEPA”	the Ohio Environmental Protection Agency
“Offering”	the opportunity to acquire Shares being made available to institutional and certain other investors described in “The Offering” on page 128 of this prospectus
“Offer Price”	the initial offering price per Offer Share, currently expected to be in the range of EUR 20 to EUR 25
“Offer Shares”	the New Shares and the Sale Shares
“Old Shares”	shares in the capital of the Company with a nominal value of EUR 0.10 (before they were each split on 26 June 2007 into five Shares with a nominal value of EUR 0.02 each as described in “Description of Share Capital—Share Capital” on page 119 of this prospectus)
“OMNDM”	the Ontario Ministry of Northern Development and Mines
“Over-Allotment Option”	the option to be granted by Safeguard to the Managers exercisable within 30 calendar days after the Listing Date pursuant to which the Sole Bookrunner, on behalf of both Managers, may require Safeguard to sell Additional Shares at the Offer Price, to cover any over-allotments and any short positions resulting from any stabilisation transactions
“Own & Operate Facility”	a facility owned by the Company that provide vacuum case-hardening heat treatment services to customers on a fee-per-part, or tolling, basis
“Payment Claim”	the amount payable by ALD International to PFW Aerospace as consideration for the sale in March 2006 of the shares in ALD, payment of which is deferred until the end of December 2009
“PFW Aerospace”	PFW Aerospace AG (formerly Pfalz-Flugzeugwerke GmbH)
“PFW AG”	PFW Beteiligungs-Aktiengesellschaft
“PFW LLC”	Safeguard International Fund PFW, L.L.C.
“Prospectus Directive”	Directive 2003/71/EC
“PwC”	PricewaterhouseCoopers LLP of 300 Madison Avenue, New York, NY 10017, United States
“QIB”	a Qualified Institutional Buyer as defined under Rule 144A
“Qualified Investor”	a person that is a qualified investor within the meaning of Article 2(1)(c) of the Prospectus Directive
“REACH”	EU Regulation 2006/1907 on the Registration, Evaluation, Authorisation, and Restriction of Chemicals
“Regulation S”	Regulation S under the Securities Act
“Relevant Implementation Date”	the date on which the Prospectus Directive is implemented in that Relevant Member State
“Relevant Member State”	each Member State of the European Economic Area which has implemented the Prospectus Directive

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“Relevant Person”	a person in the United Kingdom that is a Qualified Investor and also: (i) an investment professional falling within Article 19(5) of the FSMA Order; or (ii) a high net worth entity or other person falling within Article 49(2)(a) to (d) of the FSMA Order
“Roskill”	Roskill Consulting Group Ltd. of 27a Leopold Road, London, SW19 7BB, United Kingdom
“Rule 144A”	Rule 144A under the Securities Act
“Safeguard”	Safeguard International Fund, L.P.
“Safeguard Interfund”	Safeguard International Interfund, L.P.
“Sale Shares”	3,731,343 existing Shares to be offered by the Selling Shareholders pursuant to the Offering
“Securities Act”	the US Securities Act of 1933, as amended
“Selling Shareholders”	the existing shareholders whose details are given in “The Selling Shareholders” on page 114 of this prospectus
“Senior Managers”	key members of the senior management team of the Company who are listed on page 100 of this prospectus
“Settlement Date”	the date on which payment for and delivery of the Offer Shares will be made, which is expected to be on or about 16 July 2007
“SG&A”	selling, general and administrative
“Shareholders”	holders of Shares from time to time
“Shares”	ordinary shares with a nominal value of EUR 0.02 each in the capital of the Company
“SICA”	Société Industrielle et Chimique de l’Aisne
“SMC”	Shieldalloy Metallurgical Corporation
“Sole Bookrunner”	Credit Suisse Securities (Europe) Limited of One Cabot Square, London, E14 4QJ, United Kingdom
“Subscription Period”	the period from 8:00 a.m. CET on 27 June 2007 to 5:00 p.m. CET on 10 July 2007
“Sudamin”	Sudamin Holdings S.A.
“Supervisory Board”	the supervisory board (<i>Raad van Commissarissen</i>) of the Company, the members of which are listed on page 98 of this prospectus
“Takeovers Directive”	Directive 2004/25/EC of the European Parliament and of the Counsel on Takeover Bids
“Timminco”	Timminco Limited
“Timminco Plan”	the Timminco Share Option Plan
“Timminco Shares”	common shares in the capital of Timminco
“TRC”	TRC Companies, Inc.
“UK Plan”	the LSM 2006 Pension Plan
“Underwriting Agreement”	the underwriting agreement to be entered into before Admission between the Company, the Selling Shareholders and the Managers in respect of the Offering
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US DLA”	the United States Defense Logistics Agency
“USEPA”	United States Environmental Protection Agency
“US GAAP”	generally accepted accounting principles as used in the United States

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GLOSSARY OF INDUSTRY TERMINOLOGY

“addition agent”	(1) a substance added to a solution for the purpose of altering or controlling a process, or (2) any material added to a charge of molten metal in a bath or ladle to bring the alloy to specifications
“alloy”	a substance having metallic properties and being composed of two or more chemical elements of which at least one is a metal
“aluminium additive”	an addition agent used in the aluminium industry to make aluminium alloys
“antimony trioxide”	SbO ₃ , a flame-retardant additive for use with resins
“arc furnace”	a furnace, sometimes called an electric arc furnace, in which metal is melted either directly by an electric arc between an electrode and the work or indirectly by an arc between two electrodes adjacent to the metal
“atomisation”	the disintegration of a molten metal into particles by a rapidly moving gas or liquid stream
“chromium metal”	Cr, an element that is an essential raw material used in the hardening of steel alloys and the production of specialty steels and some aluminium alloys
“contact materials”	alloys, some based on copper or silver, that have high thermal and electrical conductivities and low contact resistance
“dross”	the mass that forms on the surface of molten metal, largely because of oxidation but sometimes because of the impurities rising to the surface
“ductility”	the ability of a material to deform plastically without fracturing
“extrusion”	conversion of an ingot or billet into lengths of uniform cross-section by forcing metal to flow plastically through a die or orifice
“ferroalloy”	an alloy of iron that contains a sufficient amount of one or more other chemical elements to be useful as an agent for introducing these elements into molten metal, especially steel and cast iron
“ferrochrome”	FeCr, a ferroalloy of chromium and iron containing between 50% and 65% chromium
“ferronickel-molybdenum”	FeNiMo, a ferroalloy of iron, nickel and molybdenum
“ferrotitanium”	FeTi, a ferroalloy of iron and titanium, usually containing 70% titanium
“ferrovanadium”	FeV, a ferroalloy of iron and vanadium, usually containing 45% to 80% vanadium
“master alloy”	an alloy, rich in one or more desired addition elements, that is added to a metal melt to raise the percentage of a desired constituent
“masterbatches”	a product formed by chemically binding antimony trioxide within a polymer matrix, which combination is then extruded as thermoplastic granules (with a diameter of 2 to 3mm) that can have a very high antimony trioxide content (up to 90%) and can be produced using a range of polymers
“metallurgy”	the science and technology of metals and alloys
“multinary alloys”	alloys containing at least three elements, including at least one metal
“niobium oxide”	Nb ₂ O ₅ , a refractory oxide used in making niobium metal, high-temperature niobium master alloys, special glasses, piezoelectric and opto-electric devices





“optics industries”	industries representing a broad range of products and services, including optical design and engineering, fibre-optic components for telecommunications, lasers and semiconductors, metrology instrumentation, high-precision optical fabrication, high-volume precision plastic optics, precision positioning equipment, microscopes, telescopes, opto-electronics, image processing, and optical coatings
“pebble bed nuclear facilities”	an advanced nuclear reactor design, which uses pyrolytic graphite as the neutron-capture medium
“perchlorate”	ClO ₄ , the salts of perchloric acid
“primary aluminium”	aluminium extracted from minerals, free of reclaimed metal scrap
“rebar”	reinforcing bar, a common steel bar used to reinforce concrete and masonry
“roasting”	thermal decomposition, most usually of sulphur- or carbon-containing raw materials in presence of air to convert them to oxides
“silicones”	polymeric organic silicon compounds obtained as oils, greases, or plastics and used for water-resistant and heat-resistant lubricants, varnishes, and electrical insulators
“silicon metal”	a semi-metal produced by the reduction of quartz by carbon, in electric submerged-arc furnaces, with pre-baked or composite electrodes, used as an alloying element for aluminium alloys for casting and extrusions or as the basic raw material for silicones produced by the chemicals industry
“sintering”	the bonding of adjacent surfaces in of particles in a mass of powder or a compact by heating
“slag”	a non-metallic product resulting from the mutual dissolution of flux and non-metallic impurities in smelting, refining and certain welding operations
“solar-photovoltaic”	producing electricity from sunlight
“strontium aluminium”	SrAl, an aluminium alloy containing strontium, which improves strength, enhances mechanical properties and disperses porosity as it modifies the eutectic structure
“superalloys”	heat-resistant alloys based on nickel, iron-nickel, or cobalt that exhibit high strength and resistance to surface degradation at elevated temperatures
“tantalite”	a mineral consisting of tantalum oxide of iron and manganese that occurs with niobite or in coarse granite
“tantalum”	Ta, a hard grey lustrous metallic element that is highly resistant to corrosion
“titanium”	Ti, a light strong grey lustrous corrosion-resistant metallic element used in strong lightweight alloys
“vacuum arc”	an arc generated by the flow of electricity from one point to another while under a vacuum atmosphere
“vacuum arc remelting”	a consumable-electrode remelting process, performed in a vacuum chamber, in which heat is generated by an electric arc between the electrode and ingot
“vacuum carburising”	a process used to create a hard-wearing resistant surface layer on top of a ductile shock-resistant ferrous metal substrate
“vacuum induction melting”	a process for melting metal under vacuum conditions using electromagnetic induction
“vanadium oxide”	V ₂ O ₅ , the most prevalent oxide of vanadium, most widely used and traded in the metallurgical industry



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**AUDITORS’ REPORT ON THE COMBINED HISTORICAL FINANCIAL INFORMATION OF THE
COMPANY FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005**

Introduction

We report on the combined historical financial information for the years ended 31 December 2005 and 31 December 2006 set out on pages F-2 to F-84 in the Prospectus. This combined historical financial information has been prepared for inclusion in the Prospectus dated 26 June 2007 of AMG Advanced Metallurgical Group N.V., Amsterdam, the Netherlands (hereafter “the Company”), on the basis of the accounting policies set out in note 2 after combining Metallurg Holdings, Inc., ALD GmbH, GfE Gesellschaft für Elektrometallurgie mbH, Sudamin Holdings S.A. and Timminco Inc. This report is required by the EU Prospectus Directive, Annex I, 20.1 and has been prepared solely for the purpose of complying with the EU Prospectus Directive on historical information that should be included in the Prospectus and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the combined historical financial information on the basis of preparation set out in note 2. It is our responsibility to form an opinion on the combined historical financial information as to whether the combined historical financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion thereon.

Basis of opinion

We conducted our work in accordance with International Standards on Auditing. Our work included an assessment of evidence relevant to the amounts and disclosures in the combined historical financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the combined historical financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed. We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the combined historical financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the combined historical financial information gives, for the purposes of the Prospectus dated 26 June 2007, a true and fair view of the state of affairs of the Company as at 31 December 2005 and December 31, 2006 and of its results, cash flows and changes in equity for the years ended 31 December 2005 and 31 December 2006 in accordance with the basis of preparation set out in note 2.

’s-Hertogenbosch, 26 June 2007
for Ernst & Young Accountants

/S/ A.J.M. van der Sanden

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AUDITED COMBINED HISTORICAL FINANCIAL INFORMATION OF THE COMPANY FOR THE
YEARS ENDED 31 DECEMBER 2006 AND 2005

AMG Advanced Metallurgical Group N.V.

Combined Balance Sheet
As at 31 December

	Note	2006	2005
		In thousands of US Dollars	
Assets			
Property, plant and equipment	13	101,256	105,792
Intangible assets	14	44,898	42,367
Investments in associates	15	13,303	11,734
Deferred tax assets	12	21,731	16,639
Other assets		4,981	4,596
Total non-current assets		<u>186,169</u>	<u>181,128</u>
Inventories	16	159,651	153,332
Trade and other receivables	17	140,976	128,010
Derivative financial instruments	30	2,448	1,896
Prepayments		26,784	31,221
Cash and cash equivalents	18	54,610	50,317
Total current assets		<u>384,469</u>	<u>364,776</u>
Total assets		<u>570,638</u>	<u>545,904</u>
Equity			
Issued capital		59	—
Share premium		129,986	129,131
Other reserves		(15,313)	(3,593)
Retained earnings		(148,840)	(153,347)
Equity attributable to shareholders of the Company		<u>(34,108)</u>	<u>(27,809)</u>
Minority interests		<u>10,367</u>	<u>18,984</u>
Total equity	19	<u>(23,741)</u>	<u>(8,825)</u>
Liabilities			
Loans and borrowings	21	185,386	199,280
Related party debt	22	721	3,881
Employee benefits	24	94,245	105,485
Provisions	26	5,835	14,491
Other liabilities	27	9,579	8,031
Deferred tax liabilities	12	12,989	10,562
Total non-current liabilities		<u>308,755</u>	<u>341,730</u>
Loans and borrowings	21	22,659	7,779
Short term bank debt	23	53,180	41,749
Related party debt	22	14,815	5,457
Trade and other payables	28	93,841	78,414
Other liabilities	27	44,417	40,095
Derivative financial instruments	30	1,303	1,950
Advance payments		29,739	18,952
Current taxes payable	12	13,126	7,716
Provisions	26	12,544	10,887
Total current liabilities		<u>285,624</u>	<u>212,999</u>
Total liabilities		<u>594,379</u>	<u>554,729</u>
Total equity and liabilities		<u>570,638</u>	<u>545,904</u>

The notes are an integral part of this combined financial information.

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AMG Advanced Metallurgical Group N.V.
Combined Income Statement
For the year ended 31 December

	Note	2006	2005
		In thousands of US Dollars	
Continuing operations			
Revenue	8	927,808	906,711
Cost of sales		777,203	728,834
Gross profit		150,605	177,877
Selling, general and administrative expenses		97,236	100,095
Restructuring and asset impairment expense	26	19,341	20,961
Environmental Expenses	26	11,044	199
Other expenses		1,324	2,988
Pension Curtailment Gain	24	(15,159)	—
Other income	9	(1,264)	(6,413)
Operating profit	5	38,083	60,047
Loss on extinguishment of debt	21	—	10,234
Interest expense		36,559	33,207
Interest Income		(3,544)	(3,968)
Net finance costs	11	33,015	39,473
Share of profit of associates	15	(2,372)	447
Profit before income tax		2,696	21,021
Income tax expense	12	8,383	16,332
Profit for the year		(5,687)	4,689
Attributable to:			
Shareholders of the Company		4,507	16,874
Minority interests		(10,194)	(12,185)
		(5,687)	4,689
Earnings per share			
Basic earnings per share	20	10,015.55	—
Diluted earnings per share	20	1.29	—

The notes are an integral part of this combined financial information.

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AMG Advanced Metallurgical Group N.V.
Combined Statement of Changes in Equity

	Equity attributable to shareholders of the parent					Minority interests	Total Equity
	Issued capital	Share premium	Other reserves	Retained earnings	Total		
	In thousands of US Dollars						
Balance at 1 January 2005	—	126,915	(3,291)	(170,221)	(46,597)	32,193	(14,404)
Foreign currency translation	—	—	(1,607)	—	(1,607)	(643)	(2,250)
Gain on cash flow hedges, net of tax	—	—	1,305	—	1,305	—	1,305
Net income recognised directly in equity	—	—	(302)	—	(302)	(643)	(945)
Profit (loss) for the year	—	—	—	16,874	16,874	(12,185)	4,689
Total recognised income and expense for the year	—	—	(302)	16,874	16,572	(12,828)	3,744
Acquisition of minority interest	—	—	—	—	—	(2,233)	(2,233)
Issuance of shares for acquisition	—	2,056	—	—	2,056	1,719	3,775
Equity-settled share-based payments	—	160	—	—	160	133	293
Balance at 31 December 2005	—	129,131	(3,593)	(153,347)	(27,809)	18,984	(8,825)
Foreign currency translation	—	—	2,952	—	2,952	604	3,556
Loss on cash flow hedges, net of tax	—	—	(372)	—	(372)	—	(372)
Net income recognised directly in equity	—	—	2,580	—	2,580	604	3,184
Profit (loss) for the year	—	—	—	4,507	4,507	(10,194)	(5,687)
Total recognised income and expense for the year	—	—	2,580	4,507	7,087	(9,590)	(2,503)
Issuance of shares	59	—	—	—	59	—	59
Convertible debt	—	—	—	—	—	1,453	1,453
Equity-settled share-based payments	—	855	—	—	855	715	1,570
Warrant expiration	—	—	—	—	—	(1,195)	(1,195)
Acquisition of Treasury Shares ⁽¹⁾	—	—	(14,300)	—	(14,300)	—	(14,300)
Balance at 31 December 2006	59	129,986	(15,313)	(148,840)	(34,108)	10,367	(23,741)

(1) Note 19

The notes are an integral part of this combined financial information.

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AMG Advanced Metallurgical Group N.V.
Combined Statement of Cash Flows
For the year ended 31 December

	Note	2006	2005
		In thousands of US Dollars	
Cash flows from operating activities			
Profit for the period		(5,687)	4,689
Adjustments for:			
Depreciation and amortization	13, 14	18,529	18,272
Pension curtailment gain		(15,159)	—
Restructuring expense and impairment losses	13, 26	19,341	20,961
Environmental expense		11,844	151
Net finance costs	11	33,015	29,239
Share of loss (profit) of associates		2,372	(447)
Loss on sale or disposal of property, plant and equipment	13	2,617	692
Equity-settled share-based payment transactions	25	386	282
Income tax expense	12	8,383	16,332
Change in inventories	16	(6,359)	(21,591)
Change in trade and other receivables	17	(12,355)	(10,746)
Change in prepayments		2,933	(9,370)
Change in trade payables and provisions	28	(474)	53,125
Other		(1,644)	(4,276)
Interest paid		(28,650)	(22,012)
Income tax paid		(5,799)	(6,692)
Net cash flows from operating activities		<u>23,353</u>	<u>58,609</u>
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment	13	420	191
Cash received for note receivable		—	1,353
Acquisition of associates	7	(4,003)	(382)
Acquisition of property, plant and equipment	13	(24,292)	(13,659)
Related party loans	23	(11,046)	(14,312)
Net cash flows used in investing activities		<u>(38,921)</u>	<u>(26,809)</u>
Cash flows from (used in) financing activities			
Proceeds from issuance of debt	21	26,619	209,893
Payment of transaction costs	21	(207)	(13,487)
Repayment of borrowings	21	(11,878)	(219,883)
Issuance of Shares		59	—
Other		(121)	(4)
Net cash flows from (used in) financing activities		<u>14,472</u>	<u>(23,481)</u>
Net decrease in cash and cash equivalents		(1,096)	8,319
Cash and cash equivalents at 1 January		50,317	45,827
Effect of exchange rate fluctuations on cash held		5,389	(3,829)
Cash and cash equivalents at 31 December	18	<u>54,610</u>	<u>50,317</u>

The notes are an integral part of this combined financial information.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information

1 Reporting entity

AMG Advanced Metallurgical Group N.V. (the “Company”) is domiciled in the Netherlands. The address of the Company’s registered office is Prins Bernhardplein 200, 1097 JB Amsterdam. The combined financial information of the Company as at and for the year ended 31 December 2006 comprise the Company and the companies that will comprise its subsidiaries (together referred to as the “Company”) and the Company’s interest in associates and jointly controlled entities.

AMG was incorporated in the Netherlands as a public limited liability company on 21 November 2006 by Safeguard International Fund and did not have ownership interest in any company at that time. It is comprised of a group of companies that were contributed to the Company by Safeguard in March 2007. The subsidiaries that make up the combined entity are primarily located in Europe, North America and South America. The Company manufactures and sells high-quality specialty metals, alloys and metallic chemicals which are essential to the production of high-performance aluminum and titanium alloys, superalloys, steel and certain non-metallic materials for various applications in the aerospace, power supply, automotive, petrochemical processing and telecommunications industries (see note 6). The Company also designs, engineers and produces advanced vacuum furnace systems and operates vacuum heat treatment facilities. It sells vacuum furnace systems to customers in the aerospace, solar, energy, automotive, electronics, ceramics and specialty steel industries. The Company also provides vacuum heat services on a tolling basis to customers through its “Own & Operate” facilities equipped with vacuum heat treatment furnaces.

These financial statements represent the combined financial information of the Company. This combined financial information present the historic combined financial position, results of operations and cash flows of the subsidiaries of the Company as if they had operated on a consolidated basis under the control of the Company. Subsidiaries included in the combined financial information of the Company are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Percent. held (directly or indirectly) by Company</u>
ALD Lindgren Inc.	Canada	100
ALD Own & Operate GmbH	Germany	100
ALD Polska s.z.o.o	Poland	100
ALD Thermal Treatment, Inc.	United States	100
ALD Thermo Technologies Far East	Japan	100
ALD Vacuum Technologies GmbH	Germany	100
ALD Vacuum Technologies Inc.	United States	100
ALD Vacuum Technologies Ltd.	United Kingdom	100
Alpoco Developments Limited	United Kingdom	100
Aurora Partnership	United States	54.45
Bécancour Silicon Inc.	Canada	54.45
Benda-Lutz-Alpoco Sp.z o.o.	Poland	51
Castle Crushing Limited	United Kingdom	100
Companhia Industrial Fluminense	Brazil	100
Korin Grundstücksgesellschaft GmbH & Co. Projekt 30 KG	Germany	94.9
Fundo Holdings AS	Norway	54.45
GfE Gesellschaft für Elektrometallurgie mbH	Germany	100
GfE Materials Technology	United States	100
GfE Metalle und Materialien GmbH	Germany	100
H.M.I. Limited	United Kingdom	100
Industrial Adhesives Limited	Canada	54.45
Londal & Scandinavian Metallurgical Co Limited	United Kingdom	100
Metal Alloys (South Wales) Limited	United Kingdom	100
Metalloys Limited (dormant)	United Kingdom	100
Metallurg Delaware Holding Company	United States	100

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

1 Reporting entity (continued)

Name	Country of incorporation	Percent. held (directly or indirectly) by Company
Metallurg Europe Limited	United Kingdom	100
Metallurg, Inc.	United States	100
Metallurg Vanadium Corporation	United States	100
M. & A. Powders Limited (dormant)	United Kingdom	100
NorWheels AS	Norway	54.45
OOO ALD VT Russland	Russia	100
Produits Chimiques de Lucette S.A	France	100
S.A. Vickers Limited (dormant)	United Kingdom	100
Shieldalloy Metallurgical Corporation	United States	100
Société Industrielle et Chimique de l’Aisne	France	100
Sudamin France SAS	France	100
Sudamin Holdings S.A.	Belgium	100
Sudamin S.A.	Belgium	100
The Aluminium Powder Company Limited	United Kingdom	100
Timminco Adhesives Corporation	United States	54.45
Timminco Colorado Corporation	United States	54.45
Timminco Corporation	United States	54.45
Timminco de Mexico S.A. de CV	Mexico	54.45
Timminco Holdings Corporation	United States	54.45
Timminco Limited	Canada	54.45
Timminco Properties Inc.	United States	54.45
Timminco Pty Limited	Australia	54.45
Timminco S.A.	Switzerland	54.45
Timminco Technologies Corporation	United States	54.45
VACUHEAT GmbH	Germany	100
VACUHEAT Verwaltungsgesellschaft mbH	Germany	100

2 Basis of preparation

(a) Statement of compliance

The combined financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU (in this document further referred to as IFRS), with the exception of the application of International Accounting Standard (“IAS”) 27, *Consolidated and Separate Financial Statements*, which requires the consolidation of all subsidiaries under the control of the reporting entity. This is further discussed below.

All amounts included in combined financial information and notes are presented in US Dollars and rounded to the nearest Dollar in 1,000’s except where otherwise indicated

The intention of the issuer is to show in the combined historical financial information the financial position and operating results of the discrete parts of companies that will be included in the initial public offering.

The financial information, which has been prepared specifically for the purpose of this prospectus, therefore only includes the results, assets and liabilities of the issuer and its core subsidiaries that will be part of AMG NV, for each of the periods ended 31 December 2006 and 2005.

IFRS (specifically, IAS 27) does not provide for inclusion of certain entities that were not under the control of the reporting entity in the combined financial information. The historical financial information included herein therefore does not constitute a set of general purpose financial

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

2 Basis of preparation (continued)

statements under paragraph 3 of IAS 1 *Presentation of Financial Statements* and consequently the company does not make an explicit and unreserved statement of compliance with IFRS as contemplated by par. 14 of IAS 1.

However, except as described in the preceding paragraph, the historical combined financial information is prepared in all other material respects in accordance with recognition, measurement and presentation principles that are consistent with IFRS as adopted by the EU. The accounting principles are further described in Note 3.

An explanation of how the transition to IFRS (as adopted by the EU) has affected the reported financial position, financial performance and cash flows of the Company is provided in note 4.

(b) Basis of measurement

The combined financial information has been prepared on the historical cost basis except that the derivative financial instruments were measured at fair value. The methods used to measure fair values are discussed further in note 5.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial information are described in the following notes:

- Note 8—furnace construction contract revenue
- Note 12—utilisation of tax losses
- Note 14—measurement of the recoverable amounts of cash-generating units
- Note 24—measurement of defined benefit obligations
- Note 25—measurement of share-based payments
- Note 26—provisions
- Note 29—valuation of financial instruments

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts to the carrying amounts of assets and liabilities within the next financial year, are discussed below or in the relevant note:

Furnace construction contract revenue

Revenue related to furnace construction contracts is recorded based on the estimated percentage of completion of contracts as determined by management. Significant management judgement is required to determine this percentage of completion. Total percentage of completion revenue for the year ended 31 December 2006 was \$120,139 (2005: \$92,143).

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

2 Basis of preparation (continued)

Utilisation of tax losses

Deferred tax assets are recognised for all unused tax losses to the extent that it is probably that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. The carrying value of recognised tax losses at 31 December 2006 was \$10,166 (2005: \$6,750). There are significant unrecognised tax losses as described in more detail in Note 12.

Measurement of the recoverable amounts of cash-generating units

(i) Patents with indefinite lives

Throughout the past several years, the Timminco operation has acquired patents related to its silicon manufacturing process which are deemed to have indefinite lives. During the year, management tested the recoverability of those assets which is included in the balance sheet at 31 December 2006 of \$3,991 (2005: \$3,982). They are deemed to remain recoverable.

(ii) Goodwill

The determination of whether goodwill is impaired requires an estimate of the recoverable amount of the cash generating unit or group of cash generating units to which the goodwill has been allocated. The recoverable amount is defined as the higher of a cash generating unit's fair value less costs to sell and its value in use. For Metallurg and ALD, the recoverable amount was determined as fair value less costs to sell. The fair value less costs to sell requires the entity to estimate the future cash flows expected to arise from the cash generating units or group of cash generating units and discounting these cash flows with a risk adjusted discount rate. The Company only invests in projects that have projected returns that are greater than its cost of capital. Therefore, a value in use calculation, which contemplated additional investments, was not required. For Timminco, the recoverable amount was the value in use in 2005, as this amount exceeded the fair value less costs to sell, but was the fair value less costs to sell in 2006. The carrying amount of goodwill at 31 December 2006 was \$36,116 (2005: \$34,280).

Measurement of defined benefit obligations

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability at 31 December 2006 is \$94,245 (2005: \$105,485).

Provisions

Provisions have been recorded with respect to environmental, restructuring and warranty liabilities. These provisions require management's judgment with respect to the amounts recorded and the expected timing of payments. Amounts may change due to changes in circumstances surrounding environmental liabilities or warranties. Timing of payments can change with respect to environmental or restructuring as the execution of plans may require more or less time than anticipated. As at 31 December 2006, the provisions balance was \$18,379 (2005: \$25,378).

Valuation of financial instruments

Fair value of non-derivative financial instruments, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

2 Basis of preparation (continued)

the market rate of interest at the balance sheet date. Management's judgment is used to determine the appropriate discount rates used for these calculations.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in this combined financial information and in preparing an opening IFRS balance sheet at 1 January 2005 for the purposes of the transition to IFRS. The accounting policies have been applied consistently by Company entities.

(a) Basis of consolidation

(i) Consolidation Principles

The combined financial information of the Company has been prepared on a historical cost basis, except for derivative financial instruments and financial instruments held for trading which have been measured at fair value. The combined financial information of AMG NV has been prepared in accordance with International Financial Reporting Standards ("IFRS") with the exception of the application of International Accounting Standard ("IAS") 27, *Consolidated and Separate Financial Statements*, which requires the consolidation of all subsidiaries under the control of the reporting entity. IFRS (specifically, IAS 27) does not provide for inclusion of certain entities that were not under the control of the reporting entity in the financial statements. The historical financial information included herein therefore does not constitute a set of general purpose financial statements under paragraph 3 of IAS 1 *Presentation of Financial Statements* and consequently the company does not make an explicit and unreserved statement of compliance with IFRS as contemplated by par. 14 of IAS 1. The combined financial information of the Company include the accounts of all entities as if a direct or indirect controlling interest exists through voting rights or qualifying variable interests at the balance sheet dates.

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Net income is allocated to the shareholders of the Company and minority interests. The minority interests are disclosed separately in the combined statements of income and in the equity section of the combined balance sheets.

(ii) Associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The combined financial information includes the Company's share of the income and expenses of equity accounted investees from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee. See note 7 for further details.

(iii) Joint Ventures

Joint ventures are contractual arrangements where two or more parties undertake an economic activity that is subject to joint control, and jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interest in the joint venture under the equity method. The

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

combined financial information includes the Company's share of the income and expenses of equity accounted investees from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party.

(b) Foreign currency

(i) Functional and presentation currency

The local currency is the functional currency for the Company's significant operations outside the U.S., except certain operations in the United Kingdom and Brazil, where the U.S. Dollar is used as the functional currency. The determination of functional currency is based on appropriate economic and management indicators.

This combined financial information is presented in U.S. dollars, which is the Company's functional and reporting currency.

All financial information is presented in U.S. dollars and has been rounded to the nearest thousand, unless otherwise stated.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange rate at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to US Dollar at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US Dollar at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity. Since 1 January 2005, the Company's date of transition to IFRS, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

The Company has no foreign operations in hyperinflationary economies. The Company does not hedge its net investments in foreign operations.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings (including a finance lease in 2005), related party debt, short term bank debt and trade and other payables. The Company does not have any non-derivative financial instruments which are classified as held-to-maturity investments, available-for sale financial assets, or financial assets at fair value through profit or loss.

Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Trade and other receivables are recorded at the invoiced amount and do not bear interest. The Company provides an allowance for impairment for known and estimated potential losses arising from sales to customers based on a periodic review of these accounts. Impaired debts are derecognised when it is probable that they will not be recovered.

Cash and cash equivalents comprise cash balances and call deposits with maturities of 90 days or less.

The investments in associates of the Company are accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is not a subsidiary or a joint venture. Under the equity method, investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of an associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

Loans and borrowings are initially recorded at the fair value of the proceeds received less direct issuance costs. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Trade and other payables are accounted for at cost.

(ii) Derivative financial instruments

The Company views derivative instruments as risk management tools and does not use them for trading or speculative purposes. The Company uses derivative instruments, primarily forward contracts and caps, to manage certain foreign currency, commodity price and interest rate exposures. Such derivative financial instruments, except for contracts to buy or sell a business at a future date, are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Such derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For the purpose of hedge accounting, all hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

At the inception of a cash flow hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedge effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial periods for which they were designated.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement.

If the hedging instrument expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction or firm commitment occurs. If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement.

The Company enters into certain derivatives that economically hedge monetary assets and liabilities that do not qualify for hedge accounting. Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement.

(d) Derecognition of financial assets and liabilities

Financial Assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- The Company retains the right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment and the costs of major inspections are recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and construction in progress are not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- buildings and leasehold improvements 10-30 years
- machinery 2-13 years
- office furniture and equipment 3-13 years
- transportation equipment 3-5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Borrowing costs are not capitalised and are expensed as incurred.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

(iv) Exploration for and evaluation of mineral resources

A subsidiary of the Company recognizes the following expenditures as exploration and evaluation assets:

- (a) topographical, geological, geochemical and geophysical studies;
- (b) exploratory drilling, soil removal;
- (c) trenching;
- (d) sampling; and
- (e) activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

These amounts are currently not significant. As at 31 December 2006 and 2005, there was \$884 and \$838 respectively, included in non-current assets in the combined balance sheet. These costs are amortized over the estimated useful life of the mine on a systematic basis. However, the mine was not in operation throughout most of 2006 and therefore, there was no amortization recorded.

(f) Business Combinations and Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

Acquisitions prior to 1 January 2005

As part of its transition to IFRS, the Company elected to recognise only those business combinations that occurred on or after 1 January 2005. In respect of acquisitions prior to 1 January 2005, goodwill represents the amount recognised under the Company's previous accounting framework, which is either US GAAP or Canadian GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 January 2005 has not been reconsidered in preparing the Company's opening IFRS balance sheet at 1 January 2005 (see note 4).

Acquisitions on or after 1 January 2005

For acquisitions on or after 1 January 2005, goodwill represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

(g) Intangible assets

(i) Patents and technology

A subsidiary of the Company has patents for a certain manufacturing process. The patents are deemed to have an indefinite life in accordance with IAS 38 as they have no expiration and the Company intends to use this patented process for the foreseeable future. Further evidence is provided through the fact that the process will not be adapted due to competition and the industry is growing.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. These intangible assets include software that has useful lives of 3 - 5 years and rights of use that have lives of 5 years.

(h) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and the leased assets are not recognised on the Company's balance sheet. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

The Company adopted IFRIC 4 *Determining whether an Arrangement Contains a Lease*, which is mandatory for annual periods beginning on or after 1 January 2006, in this combined financial information.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined based on the average cost and specific identification methods, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Company estimates the net realizable value of its inventories at least quarterly and adjusts the carrying amount of these inventories as necessary.

Cost of inventories includes the transfer from equity of gains and loss on qualifying cash flow hedges in respect of purchases of raw materials.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

(j) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash generating unit or group of cash generating units is the greater of its value in use and its fair value less costs to sell. For testing goodwill for impairment the fair value less costs to sell has been determined by the company for the generating unit or group of cash generating unit's goodwill has been assigned to. However, if tangible assets with a definite remaining useful life had to be tested for impairment for which a fair value less costs to sell has been available which was below its corresponding carrying amount a value in use has been determined for the cash generating unit to which the asset belongs. Fair value differs from value in use. Fair value reflects the knowledge and estimates of knowledgeable, willing buyers and sellers. In contrast, value in use reflects the entity's estimates, including the effects of factors that may be specific to the entity and not applicable to entities in general. Thus, in assessing value in use shall be estimated for the asset or cash generating unit in its current condition by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss of the Company's investment in its associates. The Company determines at each balance sheet date whether there is any objective evidence that an investment in associate is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the higher of fair value less cost to sell and value in use of the associate and its carrying amount and recognises the amount in the income statement.

(k) Employee benefits

(i) Defined contribution plans

Certain subsidiaries provide defined contribution pension plans for their employees. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Defined benefit plans

The Company maintains defined benefit plans for its employees in the U.S., Canada, Germany, France, and the United Kingdom. In 2006, the Company underwent a significant restructuring plan and made significant changes to the primary defined benefit plans at LSM in the U.K. and to the largest defined benefit plan in the U.S. See note 24 for more details.

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is based on the appropriate Corporate bond yields for the maturity dates of and country where the obligation exists. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

All actuarial gains and losses as at 1 January 2005, the date of transition to IFRS, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 January 2005 in calculating the Company's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

On 1 June 2005, the Company entered into a Supplemental Executive Retirement Plan (the "SERP") with an officer of the Company (see note 24).

(iii) Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

A provision is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based payment transactions

Metallurg and Timminco have stock-based compensation plans, which are described in note 25. All the stock awards and stock options of Metallurg were granted before 7 November 2002. The Company has elected the IFRS 1 exemption not to apply IFRS 2 to equity instruments that were granted on or before 7 November 2002. The Company nevertheless needs to disclose certain information on the nature and extent of these arrangements. The Timminco stock-based compensation plan is accounted for using the Black-Scholes model, a fair-value method.

(1) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Environmental remediation costs and recoveries

Certain subsidiaries of the Company are currently faced with a number of environmental issues relating to environmental cleanup requirements, largely resulting from historical solid and hazardous waste handling and disposal practices their facilities. In accordance with the Company's environmental policy and applicable legal requirements, provisions associated with environmental remediation obligations are accrued when such losses are deemed probable and reasonably estimable. Such accruals generally are recognized no later than the completion of the remedial feasibility study and are adjusted as further information develops or circumstances change.

Provision is made for close down, restoration and for environmental rehabilitation costs in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the balance sheet date. The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is included in interest expense. The provision is reviewed on an annual basis for changes to obligations, legislation or discount rates that effect change in cost estimates or life of operations.

The subsidiaries of Company have been required, in certain instances, to create trust funds for the environmental rehabilitation. Once established, the subsidiaries have a 100% interest in these funds. Rehabilitation and restoration trust funds holding monies committed for use in satisfying environmental obligations are included on a discounted basis within other non-current assets on the balance sheet, only to the extent that a liability exists for these obligations.

Environmental expense recoveries are generally recognised in income upon final settlement with our insurance carriers.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

(ii) Restructuring

A provision for restructuring is recognised when the Company or a subsidiary of the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Provisions are not made for future operating costs.

(m) Convertible Debt

A subsidiary of the Company has convertible debt issued to a related party. On initial recognition of the compound instrument, the various components of the instrument are identified and the fair value of the liability and equity components of the debt are determined. The equity portion of the debt is credited directly to equity by the subsidiary of the Company. The Company considers this as minority interest at the Group level. Thereafter, the liability component is measured at amortised cost using the effective interest method.

(n) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue from product sales to the Company's customers is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfer of risks and rewards usually occurs when title and risk of loss pass to the customer. In the case of export sales, title may not pass until the product reaches a foreign port. In certain instances, the Company arranges sales for which the supplier invoices the customer directly. In such cases, the Company receives commission income, in its role as agent, which is recognized when the supplier passes title to the customer. The Company assumes no significant credit or other risk with such transactions.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Furnace construction contracts

Furnace construction contracts are reported using the percentage of completion (POC) method. Cumulative work done to date, including the Company's share of profit, is reported on a pro rata basis according to the percentage completed. The percentage of completion is measured as the ratio of contract costs incurred for work performed so far to total contract costs (cost-to-cost method). Contracts are reported in trade receivables and trade payables, as "gross amount due to/from customers for/from contract work (POC)". If cumulative work done to date (contract costs plus contract net profit) of contracts in progress exceeds progress payments received, the difference is recognized as an asset and included in amounts due from customers for contract work. If the net amount after deduction of progress payments received is negative, the difference is recognized as a liability and included in amounts due to customers for contract work. Anticipated losses on specific contracts are estimated taking account of all identifiable risks and are accounted for using the POC method. Contract income is recognized as the income stipulated in the contract and/or any change orders confirmed in writing by the client.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

(iv) Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Company.

(o) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

(p) Finance income and expenses

Finance income comprises interest income on funds invested, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, finance charges on finance leases, unwinding of the discount on provisions, foreign currency losses and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(q) Government grants

A certain subsidiary receives government grants related to early retirement provisions. Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Since the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(r) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. These amounts are calculated using tax rates enacted or substantively enacted at the balance sheet date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes at the balance sheet date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill,
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and
- differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

be available against which the deductible temporary differences, and the carry forward of unused tax credit and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

(s) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's format for primary segment reporting is based on operations and the secondary segment reporting is based on geographical segments.

(t) New standards

The following new standards, amendments to standards and interpretations are effective for the year ended 31 December 2006. If applicable, these standards and interpretations have been applied in preparing this combined financial information:

- IAS 19 *Employee Benefits* was amended whereby the Company is now required to provide additional disclosures about trends in assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit change. This has required additional disclosure, but has not had a recognition or measurement impact.
- IAS 21 *The Effects of Changes in Foreign Exchange Rates* was amended and as a result, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the combined financial information, regardless of the currency in which the monetary item is denominated. This change has had no impact on the combined financial information.
- IAS 39 *Financial Instruments: Recognition and Measurement* has been amended to discuss the treatment of several different financial instruments: financial guarantee contracts, hedges of forecast intra-group transactions, and the fair value option. As the Company did not have any of these instruments, these amendments did not have any impact on the combined financial information.
- IFRIC 4 *Determining whether an Arrangement contains a Lease* addresses whether arrangements contain a lease to which lease accounting must be applied. This accounting policy has not had a significant impact on the combined financial information.
- IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* established the accounting treatment for funds established to help finance decommissioning for assets. This interpretation had the impact of reducing the trust fund values recorded in the combined balance sheet to a discounted value.
- IFRIC 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* establishes a recognition date arising from the EU Directive relating to the disposal of Waste Electrical and Electronic Equipment. There was no impact on the combined financial information.

(u) Future changes in accounting policies

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006. They will, however, be implemented in future years.

- IAS 1 *Presentation of Financial Statements* has been amended to make new disclosures to enable users to evaluate the Company's objectives, policies and processes for managing capital. This is not expected to have any significant impact on the combined financial information, but will provide additional disclosure.
- IFRS 7 *Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

3 Significant accounting policies (continued)

instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1 required additional disclosures with respect to Company's financial instruments and share capital.

- IFRS 8 *Operating segments* requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.
- IFRIC 8 *Scope of IFRS 2 Share-based Payment* addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. It is to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. This is not expected to have a significant impact on the combined financial information.
- IFRIC 9 *Reassessment of Embedded Derivatives* requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. This is not expected to have any significant impact on the combined financial information.
- IFRIC 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Early adoption of IFRIC 10 is not expected to have any significant impact on the combined financial information.
- IFRIC 11 *IFRS 2: Company and Treasury shares transactions* clarifies IFRS 2 in stating whether cash-settled or equity-settled accounting treatment should be used for certain share-based arrangements. Adoption of IFRIC 11 is not expected to have any significant impact on the combined financial information.
- IFRIC 12 *Service Concession Arrangements* gives guidance on the accounting by operators for public-to-private service concession arrangements. Adoption of IFRIC 12 is not expected to have any impact on the combined financial information.

The implementation of these new standards will increase the level of disclosure provided in the footnotes to the financial statements, but they are not expected to have a significant impact on the results.

4 Explanation of transition to IFRS

As stated in note 2(a), the combined financial information in accordance with IFRS for the period ended 31 December 2006 represent the Company's first combined financial information in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2006, the comparative information presented in these financial statements for the year ended 31 December 2005 and in the preparation of an opening IFRS balance sheet at 1 January 2005, the Company's date of transition to IFRS.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (US GAAP and Canadian GAAP). An explanation of how the transition from US GAAP and Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables. In order to reach the complete combined financial information, the column ALD IFRS has been added.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

4 Explanation of transition to IFRS (continued)

Combined balance sheet
In thousands of US Dollars

		1-Jan-05						
		MHI US GAAP	TIMMINCO CAD GAAP	ALD IFRS	Presentation and disclosure	Recognition and measurement	Effect of transition to IFRS	IFRS
Assets								
Property, plant and equipment	a	67,460	41,979	19,478	(89)	52	(37)	128,880
Intangible assets	f	10,831	20,432	4,283	1,510	(93)	1,417	36,963
Investments in associates . .		2,145	5,431	322	—	—	—	7,898
Deferred tax assets	g	—	6,431	9,013	3,546	4,164	7,710	23,154
Other non-current assets . .	b-g	13,532	1,582	228	(8,244)	(830)	(9,074)	6,268
Total non-current assets . .		<u>93,968</u>	<u>75,855</u>	<u>33,324</u>	<u>(3,277)</u>	<u>3,293</u>	<u>16</u>	<u>203,163</u>
Inventories	b	88,467	39,304	8,600	(1,130)	856	(274)	136,097
Trade and other receivables	c	69,449	20,431	22,615	—	19	19	112,514
Prepayments for current assets		13,951	4,346	19,299	(565)	(546)	(1,111)	36,485
Derivative financial instruments		—	—	—	863	—	863	863
Cash and cash equivalents .		28,281	474	17,071	—	1	1	45,827
Total current assets		<u>200,148</u>	<u>64,555</u>	<u>67,585</u>	<u>(832)</u>	<u>330</u>	<u>(502)</u>	<u>331,786</u>
Total assets		<u>294,116</u>	<u>140,410</u>	<u>100,909</u>	<u>(4,109)</u>	<u>3,623</u>	<u>(486)</u>	<u>534,949</u>
Equity								
Share premium		108,964	37,321	25,438	—	(44,808)	(44,808)	126,915
Reserves	h	(27,336)	(2)	(2,892)	—	26,939	26,939	(3,291)
Retained deficit	h	(186,156)	(210)	6,784	—	9,361	9,361	(170,221)
Equity attributable to shareholders		<u>(104,528)</u>	<u>37,109</u>	<u>29,330</u>	<u>—</u>	<u>(8,508)</u>	<u>(8,508)</u>	<u>(46,597)</u>
Minority interest		<u>644</u>	<u>31,044</u>	<u>2,234</u>	<u>270</u>	<u>(1,999)</u>	<u>(1,729)</u>	<u>32,193</u>
Total equity		<u>(103,884)</u>	<u>68,153</u>	<u>31,564</u>	<u>270</u>	<u>(10,507)</u>	<u>(10,237)</u>	<u>(14,404)</u>
Liabilities								
Loans and borrowings . . .		202,309	—	—	(3,169)	65	(3,104)	199,205
Loans and borrowings—related parties		10,686	—	—	—	—	—	10,686
Employee benefits	d	61,491	13,754	22,586	(844)	15,748	14,904	112,735
Provisions	e	19,202	3,186	864	(3,943)	(271)	(4,214)	19,038
Other long term liabilities .		3,440	—	4,232	3,854	7	3,861	11,533
Deferred tax liabilities . . .	g	1,610	—	7,729	799	1,403	2,202	11,541
Total non-current liabilities		<u>298,738</u>	<u>16,940</u>	<u>35,411</u>	<u>(2,459)</u>	<u>16,108</u>	<u>13,649</u>	<u>364,738</u>
Loans and borrowings . . .		24,117	30,674	6,608	—	—	—	61,399
Trade and other payables, including derivatives . . .		45,007	21,428	11,106	(1,650)	—	(1,650)	93,878
Other liabilities		—	—	6,310	23,612	828	24,440	30,750
Derivative financial instruments		—	—	—	744	—	744	744
Advance Payments		—	—	5,035	—	—	—	5,035
Current taxes payable . . .		1,397	1,643	1,513	768	(1,627)	(859)	3,694
Provisions	e	28,741	1,572	3,362	(24,550)	(2,023)	(26,573)	7,102
Total current liabilities . . .		<u>99,262</u>	<u>55,317</u>	<u>33,934</u>	<u>(1,920)</u>	<u>(1,978)</u>	<u>(3,898)</u>	<u>184,615</u>
Total liabilities		<u>398,000</u>	<u>72,257</u>	<u>69,345</u>	<u>(4,379)</u>	<u>14,130</u>	<u>9,751</u>	<u>549,353</u>
Total equity and liabilities .		<u>294,116</u>	<u>140,410</u>	<u>100,909</u>	<u>(4,109)</u>	<u>3,623</u>	<u>(486)</u>	<u>534,949</u>

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

4 Explanation of transition to IFRS (continued)

Combined balance sheet
In thousands of US Dollars

		31-Dec-05						
		MHI US GAAP	TIMMINCO CAD GAAP	ALD IFRS	Presentation and disclosure	Recognition and measurement	Effect of transition to IFRS	IFRS
Assets								
Property, plant and								
equipment	a	61,699	41,787	18,560	25	(16,279)	(16,254)	105,792
Intangible assets	f	9,468	19,959	11,035	1,409	496	1,905	42,367
Investments in associates . .		2,176	9,102	456	—	—	—	11,734
Deferred tax assets	g	20,124	3,057	6,769	(11,823)	(1,488)	(13,311)	16,639
Other non-current assets . .	b-g	0	2,479	(0)	(1,880)	3,997	2,117	4,596
Total non-current assets . .		<u>93,467</u>	<u>76,384</u>	<u>36,820</u>	<u>(12,269)</u>	<u>(13,274)</u>	<u>(25,543)</u>	<u>181,128</u>
Inventories	b	109,054	32,807	11,883	(6,514)	6,102	(412)	153,332
Trade and other receivables	c	68,425	19,055	46,119	(2,765)	(2,824)	(5,589)	128,010
Derivative financial								
instruments		—	—	—	1,896	—	1,896	1,896
Prepayments for current								
assets		14,762	2,222	10,709	4,828	(1,300)	3,528	31,221
Cash and cash equivalents .		19,602	2,133	27,939	643	—	643	50,317
Total current assets		<u>211,843</u>	<u>56,217</u>	<u>96,650</u>	<u>(1,912)</u>	<u>1,978</u>	<u>66</u>	<u>364,776</u>
Total assets		<u>305,310</u>	<u>132,601</u>	<u>133,470</u>	<u>(14,181)</u>	<u>(11,296)</u>	<u>(25,477)</u>	<u>545,904</u>
Equity								
Share premium		103,259	39,536	25,441	—	(39,105)	(39,105)	129,131
Reserves	h	(23,174)	1,192	(6,716)	—	25,105	25,105	(3,593)
Retained earnings	h	(157,594)	(7,333)	15,591	—	(4,011)	(4,011)	(153,347)
Equity attributable to								
equity holders of the								
parent		<u>(77,509)</u>	<u>33,395</u>	<u>34,316</u>	<u>—</u>	<u>(18,011)</u>	<u>(18,011)</u>	<u>(27,809)</u>
Minority interest		<u>591</u>	<u>26,578</u>	<u>—</u>	<u>713</u>	<u>(8,898)</u>	<u>(8,185)</u>	<u>18,984</u>
Total equity		<u>(76,918)</u>	<u>59,973</u>	<u>34,316</u>	<u>713</u>	<u>(26,909)</u>	<u>(26,196)</u>	<u>(8,825)</u>
Liabilities								
Loans and borrowings . . .		191,741	3,747	—	3,689	103	3,792	199,280
Loans and borrowings—								
related parties		1,577	—	—	2,304	—	2,304	3,881
Employee benefits	d	57,711	14,438	20,763	(1,580)	14,153	12,573	105,485
Provisions	e	14,508	3,293	4,299	(6,999)	(610)	(7,609)	14,491
Other long term liabilities .		3,213	—	15,673	(10,851)	(4)	(10,855)	8,031
Deferred tax liabilities . . .	g	—	1,502	8,905	1,928	(1,773)	155	10,562
Total non-current liabilities		<u>268,750</u>	<u>22,980</u>	<u>49,640</u>	<u>(11,509)</u>	<u>11,869</u>	<u>360</u>	<u>341,730</u>
Loans and borrowings . . .		24,958	23,645	1,156	(41,846)	(134)	(41,980)	7,779
Short term bank debt . . .		—	—	—	41,749	—	41,749	41,749
Loan payable—related								
party		6,981	—	—	(1,521)	(3)	(1,524)	5,457
Trade and other payables .		41,541	23,624	13,081	(1,430)	1,598	168	78,414
Trade and other payables—								
intergroup		422	—	—	(422)	—	(422)	—
Other liabilities		658	—	9,028	29,668	741	30,409	40,095
Derivative financial								
instruments		—	—	—	1,950	—	1,950	1,950
Advance Payments		—	—	18,952	—	—	—	18,952
Current taxes payable		13,303	44	1,806	(7,566)	129	(7,437)	7,716
Provisions	e	25,615	2,335	5,491	(23,967)	1,413	(22,554)	10,887
Total current liabilities . . .		<u>113,478</u>	<u>49,648</u>	<u>49,514</u>	<u>(3,385)</u>	<u>3,744</u>	<u>359</u>	<u>212,999</u>
Total liabilities		<u>382,228</u>	<u>72,628</u>	<u>99,154</u>	<u>(14,894)</u>	<u>15,613</u>	<u>719</u>	<u>554,729</u>
Total equity and liabilities .		<u>305,310</u>	<u>132,601</u>	<u>133,470</u>	<u>(14,181)</u>	<u>(11,296)</u>	<u>(25,477)</u>	<u>545,904</u>

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

4 Explanation of transition to IFRS (continued)

Notes to the reconciliation of equity

The impact on deferred tax of the adjustments described below is set out in note 12. The impact on equity of the adjustments described below is set out in the *Combined statement of changes in equity*.

Presentation and disclosure reclasses were made for the purposes of presentation of financial position and results in accordance with IAS 1 *Presentation of Financial Statements*. Major effect is represented by reclassification of \$3,169 and \$11,247 of loan acquisition costs from Loans and borrowings to Other non-current assets as at 1 January and 31 December 2005, respectively.

- (a) *Property, Plant & Equipment*. IFRS requires entities to use a component approach for reviewing the useful lives of assets. This methodology is not required under US GAAP. The application of this methodology led to changes in depreciation calculation. The effect of these changes is to increase *Property, plant and equipment* by \$1,621 and \$1,671 at 1 January 2005 and 31 December 2005, respectively, and to increase *Cost of sales* by \$354, for the year ended 31 December 2005. In addition, IFRS requires entities to translate fixed assets using the historical rate. Canadian GAAP allows for translation of fixed assets at a monetary rate. The effects of this change are to lower property, plant and equipment by \$1,569 at 1 January 2005 and \$1,342 at 31 December 2005. Finally, IFRS requires an impairment analysis to be performed using a value in use methodology. This methodology differs from Canadian GAAP in that it requires the determination of cash generating units and it requires that the cash flows for valuation be discounted. The application of this methodology resulted in an impairment in the which changed the balance sheet by \$16,608 at 31 December 2005 to lower the property, plant and equipment values with the corresponding impact of \$15,953 being shown in the restructuring and asset impairment expense.

The effect of changes in Presentation and disclosure resulted in a decrease of \$89 and an increase of \$25 to *Property, plant and equipment* at 1 January 2005 and 31 December 2005, respectively.

- (b) *Inventories*. The Company made adjustments to inventories under former GAAP in order to comply with IAS 2. As a result of the application of these changes, *Inventories* increased by \$856 and \$6,102 at 1 January 2005 and 31 December 2005, respectively.

The effect of changes in Presentation and disclosure resulted in a decrease of \$1,130 and \$6,514 to *Inventories* at 1 January 2005 and 31 December 2005, respectively.

- (c) *Trade and other receivables*. The Company made adjustments to receivables under former GAAP in order to comply with revenue recognition principles under IFRS. As a result of the application of these changes, *Trade and other receivables* increased by \$19 at 1 January 2005 and decreased by \$2,824 at 31 December 2005.

The effect of changes in Presentation and disclosure resulted in a decrease of \$2,765 to *Trade and other receivables* at 31 December 2005.

- (d) *Employee benefits*. In accordance with IFRS 1, the Company elected to eliminate the cumulative actuarial gains and losses existing at 1 January 2005 for all plans which amounted to \$28,427. This transition adjustment affected the opening balance sheet, but also caused changes in the pension expense for future years. The difference between the US GAAP and Canadian GAAP pension expense and the IFRS pension expense are primarily due to this IFRS 1 election. The effects are to increase liabilities for *Employee benefits* by \$15,748 at 1 January 2005 and by \$14,153 at 31 December 2005 and to decrease *Cost of sales* by \$344 and *Selling, general and administrative expenses* by \$1,358 for the year ended 31 December 2005.

The effect of changes in Presentation and disclosure resulted in a decrease of \$844 and \$1,580 to *Employee Benefits* at 1 January 2005 and 31 December 2005, respectively. These changes primarily relate to the treatment of pension assets in the balance sheet and result in a decrease in other non-current assets by \$916 and \$1,468 at 1 January 2005 and 31 December 2005.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

4 Explanation of transition to IFRS (continued)

(e) *Environmental.* Environmental obligations exist to restore certain sites for the effect of the Company’s U.S. operations. These obligations will be settled over periods in excess of one year and therefore are considered long-term. US GAAP does not allow discounting of environmental liabilities. However, IFRS requires that long-term liabilities, including environmental, are discounted over the period in which they are expected to be settled. In accordance with IFRS, provisions in respect of the estimate of such costs have been recalculated. The effects are to decrease *Provisions* (non-current and current in total) by \$1,450 at 1 January 2005, to increase the account by \$803 at 31 December 2005; to increase *Other non-current assets* by \$86 at 1 January 2005, by \$87 at 31 December 2005; and to increase *Finance expense* by \$10 thousand for the period ended 31 December 2005.

The effect of changes in Presentation and disclosure resulted in decreases of \$29,334 and \$30,966 to environmental *Provisions* (current and long-term) at 1 January 2005 and 31 December 2005, respectively. These changes primarily relate to the appropriate split of provisions and other current liabilities.

(f) *Intangible assets.* IFRS 1 allows entities to maintain the methodology used for purchase accounting for acquisitions that occurred prior to the transition date. Timminco purchased a subsidiary in 2004 and used the provisions of purchase accounting prescribed by Canadian GAAP. The transition adjustments related to the conversion to IFRS 1 had an impact on the purchase accounting for this subsidiary. The adjustments impact both the treatment of goodwill and intangible assets. The effects are to decrease *Intangible assets* by \$93 at 1 January 2005 and increasing this balance by \$496 at 31 December 2005.

The effect of changes in Presentation and disclosure resulted in an increase of \$1,510 and \$1,409 to Intangible assets at 1 January 2005 and 31 December 2005, respectively.

(g) The above changes (decreased) increased the deferred tax asset as follows:

	Note	1 January 2005	31 December 2005
		In thousands of US Dollars	
Property, plant and equipment		—	(6,509)
Intangible assets		(2,011)	(2,075)
Employee benefits	b	6,175	7,199
Charge to income statement		—	(103)
Increase in deferred tax asset		4,164	(1,488)
	Note	1 January 2005	31 December 2005
		In thousands of US Dollars	
Employee benefits		1,133	(1,894)
Property, plant and equipment	a	270	236
Charge to income statement		—	(115)
Increase (decrease) in deferred tax liability		1,403	(1,773)

The effect on the income statement for the year ended 31 December 2005 was to increase the previously reported tax charge for the period by \$6,023.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

4 Explanation of transition to IFRS (continued)

(h) The effect of the above adjustments on equity is as follows:

	Note	1 January 2005	31 December 2005
		In thousands of US Dollars	
Property, plant and equipment	a	2,264	18,435
Inventory	b	(875)	(3,121)
Employee benefits	c	17,458	15,068
Environmental remediation	d	(4,305)	(2,380)
Intangible assets	e	104	(496)
Deferred tax	f	853	(743)
Other		(5,262)	(567)
Total adjustment to equity		(10,237)	(26,196)
Attributable to:			
Equity holders of the parent		(8,508)	(18,011)
Minority interest		(1,729)	(8,185)
		(10,237)	(26,196)

As allowed under IFRS 1, the Company has chosen the first-time adoption exemption from IAS 21 regarding its foreign currency translation differences. In accordance with this exemption, the Company reset the cumulative translation adjustments for all its non-IFRS foreign locations to zero at 1 January 2005, which resulted in an adjustment to foreign currency translation of \$1,491 at 1 January 2005.

Reconciliation of profit for 2005

		MHI US GAAP	TIMMINCO CAD GAAP	ALD IFRS	Presentation and disclosure	Recognition and measurement	Effect of transition to IFRS	AMG IFRS
Revenue	8	630,604	152,290	127,823	1	(4,006)	(4,005)	906,711
Cost of sales		504,770	143,026	90,892	(3,225)	(6,629)	(9,854)	728,834
Gross profit		125,834	9,264	36,931	3,226	2,623	5,849	177,877
Selling, general, and administrative expenses . . .		60,790	13,465	19,311	8,411	(1,882)	6,529	100,095
Restructuring and asset impairment expense	13,26	1,215	3,793	—	—	15,953	15,953	20,961
Environmental Expenses	26	—	141	—	58	—	58	199
Other expenses		2,488	—	5,212	(4,712)	—	(4,712)	2,988
Other income	9	(3,759)	(74)	(3,493)	988	(75)	913	(6,413)
Operating profit		65,100	(8,062)	15,901	(1,519)	(11,373)	(12,892)	60,047
Loss on extinguishment of debt	21	10,234	—	—	—	—	—	10,234
Interest expenses		28,920	2,494	2,269	(579)	103	(476)	33,207
Interest income		(974)	9	(947)	(894)	(1,162)	(2,056)	(3,968)
Net finance costs	11	38,180	2,503	1,322	(1,473)	(1,059)	(2,532)	39,473
Share of profit of associates . .	15	—	430	(32)	49	—	49	447
Profit before income tax		26,920	(10,135)	14,547	3	(10,314)	(10,311)	21,021
Income tax expense	12	6,250	2,914	5,740	—	1,429	1,429	16,332
Profit for the period		20,670	(13,048)	8,807	3	(11,743)	(11,740)	4,689
Attributable to:								
Equity holders of the Company		20,658	(7,105)	8,807	(535)	(4,951)	(5,656)	16,874
Minority interest		12	(5,943)	—	536	(6,790)	(6,084)	(12,185)
Profit for the period		20,670	(13,048)	8,807	1	(11,741)	(11,740)	4,689

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

4 Explanation of transition to IFRS (continued)

Explanation of material adjustments to the cash flow statement for 2005

There were no material adjustments to the cash flows statement for IFRS other than those required by the adjustments posted to the balance sheet and income statement.

5 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(ii) Intangible assets

The fair value of intangible assets acquired in a business combination is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction based on active markets or the discounted cash flows generated by the respective asset.

(iii) Inventory

The fair value of work in process and finished goods inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(iv) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. For short term trade and other receivables, discounting is not required.

(v) Derivatives

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate caps is determined by reference to market values for similar instruments. The fair value of forward commodity contracts is calculated by reference to current forward prices on the London Metals Exchange (LME) for commodity contracts with similar maturity profiles.

(vi) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

5 Determination of fair values (continued)

(vii) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate which is generally based on government bonds. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

6 Segment reporting

The primary segment reporting format is determined to be business segments as the Company's risks and rates of return are affected primarily by differences in the products and services it provides. Secondary information is reported geographically.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Advanced Materials Unit—This unit manufactures and sells high-quality specialty metals, alloys and metallic chemicals which are essential to the production of high-performance aluminium and titanium alloys, superalloys, steel and certain non-metallic materials for various applications in the aerospace, power supply, automotive, petrochemical processing and telecommunications industries. It also manufactures and supplies engineered magnesium extrusion. These products are used in a broad range of specialized industrial applications in the aluminum, steel, lead, and automotive industries. These products are used as components in sporting goods, tools, luggage frames, storage containers, aerospace and nuclear applications. This unit operates in the U.S., Canada, Brazil, the United Kingdom, Germany and France.

Engineering Systems Unit—This unit is the leading global supplier of processes and services in the field of vacuum process technology. Core specialties of ALD are the development of processes and the design of plants, which are made to ALD's concept by partners in the supplier industry. ALD serves a demanding group of international customers with its branches in North America, Japan and Britain, and more than 70 representative offices around the world.

The Company's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in the geographical segments are based on the geographical location of its customers.



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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

6 Segment reporting (continued)
Year Ended 31 December 2006

	Advanced Materials	Engineering Systems	Other and Eliminations	Total
Revenue				
Revenue from external customers	\$760,853	\$166,955	—	\$927,808
Segment Result				
Operating Profit	13,497	24,586	—	38,038
Interest income	1,707	2,443	(1,048)	3,102
Interest expense	(34,541)	(3,066)	1,048	(36,559)
Share of (loss) profit of associates	(2,516)	144	—	(2,372)
Profit (loss) before income tax	(20,699)	23,395	—	2,696
Income tax expense (benefit)	(543)	8,926	—	8,383
Profit for period	(20,156)	14,469	—	(5,687)
Balance Sheet				
Segment assets	407,727	163,248	(13,640)	557,335
Investment in associates	11,350	1,953	—	13,303
Total assets	419,077	165,201	(13,640)	570,638
Segment liabilities	397,883	97,512	(13,640)	481,755
Employee benefits	69,920	24,325	—	94,245
Provisions	13,438	4,941	—	18,379
Total liabilities	481,241	126,778	(13,640)	594,379
Other Information				
Capital expenditures—Tangible Assets	16,249	6,665	—	22,914
Capital expenditures—Intangible Assets	—	1,378	—	1,378
Depreciation	13,927	4,602	—	18,529
Impairment losses on intangible assets and property, plant, and equipment	12,908	—	—	12,908

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

6 Segment reporting (continued)
Year Ended 31 December 2005

	Advanced Materials	Engineering Systems	Other and Eliminations	Total
Revenue				
Revenue from external customers	\$778,889	\$127,822	—	\$906,711
Segment Result				
Operating Profit	45,683	14,364	—	60,047
Interest Income	1,312	947	—	2,259
Interest Expense	(30,939)	(2,268)	—	(33,207)
Share of profit of associates	415	32	—	447
Profit (loss) before income tax	6,474	14,547	—	21,021
Income tax expense (benefit)	10,592	5,740	—	16,332
Profit for period	(4,118)	8,807	—	4,689
Balance Sheet				
Segment assets	401,499	133,014	(343)	534,170
Investment in associates	11,278	456	—	11,734
Total assets	412,777	133,470	(343)	545,904
Segment liabilities	349,981	74,228	(343)	423,866
Employee benefits	84,722	20,763	—	105,485
Provisions	21,215	4,163	—	25,378
Total liabilities	455,918	99,154	(343)	554,729
Capital expenditures—Tangible Assets	9,715	2,906	—	12,621
Capital expenditures—Intangible Assets	—	1,038	—	1,038
Depreciation	14,904	3,368	—	18,272
Impairment losses on intangible assets and property, plant, and equipment	15,995	—	—	15,995

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

6 Segment reporting (continued)
Geographical Segments
Year Ended 31 December 2006

	Europe	North America	Asia	South America	Africa, Australia and Other	Total
Revenue						
Revenue from external customers	\$382,473	\$354,827	\$126,535	\$38,779	\$25,163	\$927,777
Commission Income	—	—	—	—	31	31
Total Segment Revenue	382,473	354,827	126,535	38,779	25,194	927,808
Balance Sheet						
Investment in associates	5,363	7,872	—	68	—	13,303
Other segment assets	372,839	219,916	—	39,279	(74,699)	557,335
Total assets	378,202	227,788	—	39,347	(74,699)	570,638
Other Information						
Capital expenditure—Tangible Assets	12,899	8,007	—	2,008	—	22,914
Capital expenditure—Intangible Assets	1,378	—	—	—	—	1,378

Geographical Segments
Year Ended 31 December 2005

	Europe	North America	Asia	South America	Africa, Australia and Other	Total
Revenue						
Revenue from external customers	\$343,402	\$393,537	\$109,544	\$39,464	\$20,384	\$906,331
Commission Income	—	—	—	—	380	380
Total Segment Revenue	343,402	393,537	109,544	39,464	20,764	906,711
Balance Sheet						
Investment in associates	2,632	9,102	—	—	—	11,734
Other segment assets	304,633	235,950	—	33,616	(40,029)	534,170
Total assets	307,265	245,052	—	33,616	(40,029)	545,904
Other Information						
Capital expenditure—Fixed Assets	7,330	3,460	—	1,831	—	12,621
Capital expenditure—Intangible Assets	1,038	—	—	—	—	1,038

No single customer accounts for more than 5% of the total revenue of the Company.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

7 Acquisitions of associates

Acquisition of FNE

On 7 June 2006, GfE made a payment, valued at approximately \$2,700, to purchase a 24.9% share of ownership in FNE Forschungsinstitut für Nichteisen-Metalle Freiberg GmbH (“FNE”) from its current family ownership. The purchase agreement includes a call option under which GfE is entitled to purchase the remaining shares for a defined purchase price within the timeframe from 1 January 2007 through 1 January 2008. Additionally, the seller is entitled to a put option under which the purchase of the shares by GfE can be requested for the same consideration in the timeframe from 1 February 2008 through 31 March 2008. The purchase price for 100% of FNE, according to the purchase agreement, is approximately \$6,268. The payment made has been recorded as an investment in associates of \$1,650 and an option value of \$1,078. FNE has state-of-the-art production capabilities for rotatable targets, a key to large area coating requirements. GfE intends to strengthen its position in the growing large area coating materials market using the technological competence of FNE regarding research and development and production. As of 31 December 2006, this has been accounted for as an equity investment. Negative goodwill in the amount of \$164 was recognised on this transaction (Note 9).

Acquisition of ABS

On 9 October 2006, ALD GmbH made an investment of approximately \$1,420 to purchase 19.9% ownership in ABS Apparat und Behälterbau GmbH (“ABS”) from its current ownership. ABS is a high performance apparatus engineering enterprise with experience building apparatuses, heat-transfer agents and pressure and storage vessels. As of 31 December 2006, this has been accounted for as an equity investment.

Acquisition of Fundo Wheels

Fundo Wheels AS (“Fundo”), located in Hoyanger, Norway, is an original equipment manufacturer of cast aluminium wheels for high end European car manufacturers. On 22 March 2004, Timminco indirectly acquired a 24.4% interest in Fundo Wheels AS (“Fundo”), for \$4,706.

To complete the acquisition, Timminco acquired 100% of the shares of a Norwegian Company, Nor-Wheels AS (“Nor-Wheels”), which held 24.4% of the shares of Fundo. Nor-Wheels has become a subsidiary of Timminco and has assumed Timminco’s rights and obligations under the Call Option and Fees Agreement and other existing agreements with the controlling shareholder of Fundo, which is the Community of Hoyanger (the “Community”). Under these agreements, Nor-Wheels holds a call option to purchase the Community’s Fundo shares no sooner than 1 January 2008, on the satisfaction of certain conditions. As at 31 December 2006, the Community owns approximately 52.9% of Fundo. Beginning 1 January 2008, the Community may exercise a put option requiring Nor-Wheels to purchase the Community’s shares, at book value determined on the date of exercise. The Corporation accounts for the Fundo investment under the equity method as it does not have control over Fundo and neither Nor-Wheels nor the Community can exercise the call or the put option until 1 January 2008. The acquisition of the equity interest did not create any purchase discrepancy.

On 25 May 2005, Timminco acquired an additional 726 shares of Fundo from an unrelated third party. The purchase price was satisfied by the issuance of 5,750,000 common shares of Timminco from treasury, valued at \$3,488. The value was determined using the weighted average share price for the two days before and after the transaction announcement. The acquisition of the equity interest did not create any purchase discrepancy. As a result of the transaction, Timminco’s ownership interest increased from 24.4% to 47.1% of Fundo. However, it still does not have control over the entity.

In December 2006, Timminco acquired an additional 264 shares of Fundo from treasury for \$933. The Community also invested in Fundo such that Timminco’s ownership interest remained at 47.1%. The acquisition of the interest did not create any purchase discrepancy.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

8 Revenue

	Combined	
	2006	2005
Sales of goods	927,777	906,331
Rendering of services (commissions)	31	380
Total revenues	927,808	906,711

For construction contracts, the following has been recognized using the POC method:

	2006	2005
Contract revenue recognised as revenue in the period	120,139	92,143
Payments Received	102,567	73,335
Gross Amount due from customers for contract work	17,572	18,808

9 Other income

	Note	2006	2005
MACTEC settlement agreement	iv	—	3,710
Release of unused provisions	ii	232	531
Negative goodwill	i	164	—
Other miscellaneous income	iii	868	2,172
		1,264	6,413

In 2006, Other income of \$1,264 consists of: (i) negative goodwill of \$164 associated with the acquisition of FNE (See footnote 7); (ii) the release of unused provisions in the amount of \$232 (iii) other miscellaneous income of \$868 which includes (payroll processing for other companies) and license income earned of \$443. In 2005, Other income of \$6,413 consists of: (iv.) a \$2,500 settlement and \$1,210 in waived payables per legal agreement in 2005 for disputed services with MACTEC Engineering and Consulting (MACTEC) whereby MACTEC was to furnish engineering services and equipment in connection with the proposed design of a dry scrubber system at the Company’s plant in Cambridge, Ohio; (ii) release of provisions of \$531; (iii) other miscellaneous income of \$2,172 is mainly attributable to services and royalties earned of \$443 and the elimination of the liability to a related party.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

10 Personnel expenses

	Note	2006	2005
Wages and salaries		105,236	99,527
Contributions to defined contribution plans		4,721	2,457
Expenses related to defined benefit plans	24	8,087	7,946
Gain from curtailment of pension	24	(15,159)	—
Social security and other benefits		17,715	17,604
Share-based payment compensation	25	386	282
		<u>120,986</u>	<u>127,816</u>
Included in the following lines of the combined income statement:			
Cost of goods sold		83,486	78,098
Selling, general and administrative costs	25	52,659	49,718
Pension curtailment gain		(15,159)	—
		<u>120,986</u>	<u>127,816</u>

11 Finance income and expense

Recognised in profit or loss

	2006	2005
Interest income on bank deposits	1,519	1,948
Interest income on related party loans	1,583	311
Foreign Exchange Income	442	1,709
Finance income	<u>3,544</u>	<u>3,968</u>
Amortization of loan issuance costs	(2,383)	(1,631)
Amortization of rate cap instrument	(116)	(30)
Finance lease expense	(2)	(6)
Interest expense on loans and borrowings	(34,058)	(31,540)
Finance Expense	<u>(36,559)</u>	<u>(33,207)</u>
Extinguishment of debt	—	(10,234)
Net finance income and expense	<u>(33,015)</u>	<u>(39,473)</u>

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

12 Income tax

Significant components of income tax expense for the years ended:

	2006	2005
Current tax expense		
Current period	11,860	12,136
Adjustment for prior periods	(33)	(256)
Total current taxation charges for the year	11,827	11,880
Deferred tax expense		
Origination and reversal of temporary differences	(5,650)	(817)
Changes in previously unrecognised tax losses, tax credits and unrecognised temporary differences	3,789	4,731
Adjustment for prior periods	(1,583)	538
Total deferred taxation/(benefit) for the year	(3,444)	4,452
Total income tax expense reported in the income statement	8,383	16,332

Reconciliation of effective tax rate

A reconciliation of income tax expense applicable to accounting profit before income tax at the weighted average statutory income tax rate to the Company's effective income tax rate for the years ended is as follows:

	2006	2005
Profit before income tax	2,696	21,021
Income tax using the Company's weighted average tax rate	5,500	10,279
Foreign dividend repatriations	496	382
Non-deductible expenses	214	658
Recognition of previously unrecognised tax losses, tax credits and temporary differences of a prior year	(9,379)	(1,316)
Current year losses for which no deferred tax asset was recognised and changes in unrecognised temporary differences	13,168	6,047
Under (over) provided in prior periods	(1,616)	282
	8,383	16,332

The weighted average statutory income tax rate is the average of the statutory income tax rates applicable in the countries in which the Company operates, weighted by the profit/(loss) before tax of the subsidiaries in the respective countries as included in the combined accounts. Some entities have losses for which no deferred tax assets have been recognised.

During the years ended 31 December 2006 and 2005, certain income tax benefits related to previously unrecognised tax losses and temporary differences of a German subsidiary were recognised. In total, \$9.3 million and \$1.3 million were recognised in 2006 and 2005, respectively, by applying \$4.4 million (2006) and \$1.3 million (2005) to the current tax liability. Additionally, a net deferred tax asset of \$4.9 million was recognised in 2006 whereas no deferred tax asset was recognised in 2005. The income tax benefits were recognised since we believe it is probable the amounts will be realised.

The main factors considered were improved profitability, higher forecast profitability and the indefinite carryforward period of the tax losses. After accessing these factors, we have determined that it is more likely than not that the deferred tax benefit of the tax losses and temporary differences will be realised.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

12 Income tax (continued)

Deferred tax assets and liabilities

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as tax loss and tax credit carry-forwards.

Deferred tax assets are recognised to the extent it is probable the temporary differences, unused tax losses and unused tax credits will be realised. The realisation of deferred tax assets is reviewed each reporting period and includes the consideration of historical operating results, projected future taxable income exclusive of reversing temporary differences and carry-forwards, the scheduled reversal of deferred tax liabilities and potential tax planning strategies.

At 31 December 2006, the Company had tax loss carry-forwards of \$126.2 million from U.S. operations and \$39.4 million from Canadian operations, which expire through 2026. There were also tax loss carry-forwards of \$26.1 million from German operations, \$3.2 million from Brazilian operations and \$1.2 million from Belgium operations, which do not expire.

Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) have been recognised in respect of the following items:

	Combined Balance Sheet				Combined Income Statement	
	Assets		Liabilities		2006	2005
	2006	2005	2006	2005		
Inventories	21,375	16,795	170	368	(2,230)	(3,803)
Long-Term Contracts	3,310	1,315	34,071	25,503	2,953	6,576
Prepays and other current assets	2,501	2,143	2,039	1,065	597	(612)
Property, plant and equipment	1,015	706	4,390	5,968	(2,633)	1,983
Deferred charges and noncurrent assets . .	57	69	2,182	2,102	57	13
Accruals and reserves	2,630	2,661	529	1,005	(302)	(2,144)
Environmental liabilities	366	—	—	31	(127)	52
Retirement benefits	10,715	12,472	12	792	1,343	445
Tax loss and tax credit carryforwards	10,166	6,750	—	—	(3,102)	1,942
Tax assets/liabilities	52,135	42,911	43,393	36,834		
Set off of tax	(30,404)	(26,272)	(30,404)	(26,272)		
Net tax assets/liabilities	21,731	16,639	12,989	10,562		
Deferred income tax (benefit) provision . .					(3,444)	4,452

Unrecognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) have not been recognised in respect of tax loss carry-forwards and temporary differences as they may not be used to offset taxable profits elsewhere in the Company and they have arisen in subsidiaries that have been loss-making for some time.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

12 Income tax (continued)

Deferred tax assets/(liabilities) have not been recognised in respect of the following items:

	Assets		Liabilities	
	2006	2005	2006	2005
Inventories	1,554	688	104	292
Prepays and other current assets	24	50	119	—
Property, plant and equipment	8,191	6,301	2,054	3,223
Accruals and reserves	3,784	4,118	13	180
Deferred charges and noncurrent assets	240	363	—	—
Environmental liabilities	3,999	7,341	—	—
Retirement benefits	13,843	15,752	194	396
Tax loss and tax credit carryforwards	62,661	53,873	—	—
Tax assets/(liabilities)	94,296	88,486	2,484	4,091
Set off of tax	(2,484)	(4,091)	(2,484)	(4,091)
Net tax assets/(liabilities)	91,812	84,395	—	—

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

13 Property, plant and equipment

	Land and buildings	Machinery and Equipment	Furniture and Fixtures	Construction progress	Finance Leases	Total
Cost						
Balance at 1 January 2005	53,109	268,879	17,322	2,069	805	342,184
Additions	290	4,812	810	6,709	—	12,621
Retirements and Transfers	1,996	(1,701)	(2,329)	(4,842)	—	(6,876)
Effect of movements in exchange rates	(3,688)	(3,841)	(1,530)	(140)	(60)	(9,259)
Balance at 31 December 2005	51,707	268,149	14,273	3,796	745	338,670
Balance at 1 January 2006	51,707	268,149	14,273	3,796	745	338,670
Additions	1,406	9,386	1,101	11,020	—	22,913
Retirements and Transfers	731	(5,611)	(485)	(7,152)	(501)	(13,018)
Effect of movements in exchange rates	2,874	5,980	1,055	36	28	9,973
Balance at 31 December 2006	56,718	277,904	15,944	7,700	272	358,538
Depreciation and impairment losses						
Balance at 1 January 2005	(22,784)	(175,771)	(12,531)	—	(289)	(211,375)
Depreciation for the year	(2,120)	(13,810)	(1,301)	—	(51)	(17,282)
Retirements and Transfers	—	4,682	2,190	—	—	6,872
Impairments	(11)	(15,984)	—	—	—	(15,995)
Effect of movements in exchange rates	1,913	1,809	1,170	—	10	4,902
Balance at 31 December 2005	(23,002)	(199,074)	(10,472)	—	(330)	(232,878)
Balance at 1 January 2006	(23,002)	(199,074)	(10,472)	—	(330)	(232,878)
Depreciation for the year	(1,920)	(13,956)	(1,446)	—	(20)	(17,342)
Retirements and Transfers	633	9,216	451	—	132	10,432
Impairments	(549)	(9,665)	(18)	—	—	(10,232)
Effect of movements in exchange rates	(1,592)	(4,848)	(816)	—	(6)	(7,262)
Balance at 31 December 2006	(26,430)	(218,327)	(12,301)	—	(224)	(257,282)
Carrying amounts						
At 1 January 2005	30,325	93,108	4,791	2,069	516	130,809
At 31 December 2005	28,705	69,075	3,801	3,796	415	105,792
At 1 January 2006	28,705	69,075	3,801	3,796	415	105,792
At 31 December 2006	30,288	59,577	3,643	7,700	48	101,256

Sale of equipment

Certain equipment was sold in the years ended 31 December 2006 and 2005. In those years, the Company received proceeds of \$420 and \$191, respectively. The proceeds were less than the book value of the assets and as such, losses on disposal of equipment were recorded in the amount of \$2,617 and \$692 for the years ended 31 December 2006 and 2005, respectively.

Impairment loss

Impairment losses were recorded at certain locations in 2005 and 2006 due to the discontinued use of certain assets. In 2005, Metallurg recorded \$42 for an asset write-down in New Jersey. The charges

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

13 Property, plant and equipment (continued)

were in response to the shutdown of one line of production in New Jersey. A write-down of \$41 was recorded in 2006 related to the relocation of the Corporate headquarters.

In 2006, fixed asset impairment charges of \$932 were recorded at a subsidiary in New Jersey where Metallurg effectively shut down all plant operations. The charges relate to the fixed assets of the plant site that ceased functioning and are presumed to have no resale value.

In 2006, asset impairment charges of \$396 were recorded at LSM relating to certain assets on the plant site that are no longer functioning and are presumed to have no resale value.

The assets that were impaired, as described above, were no longer providing any cash flows to the subsidiaries. Therefore, it was determined that the fair value less cost to sell would provide the higher recoverable amount. The fair value less cost to sell methodology was used for all charges described above whereby fair value was determined by evaluating the potential markets for such assets. Based on the external market and the age of these assets, they were deemed to have no resale value and therefore were written down to \$0.

In the years ended 31 December 2006 and 2005, Timminco recorded fixed asset impairment charges of \$8,863 and \$15,953, respectively for the values of fixed assets at certain facilities that were no longer recoverable. See further discussion of impairment assumptions as discussed in note 14.

The asset impairment charges, totalling \$10,232 and \$15,995 in 2006 and 2005, respectively, are included in the Restructuring and asset impairment expense line of the combined income statement.

Leased plant and machinery

The Company leases office space, facilities and equipment under a number of operating lease agreements.

Security

At 31 December 2006 properties with a carrying amount of \$86,163 (2005: \$88,429) are pledged as collateral to secure certain bank loans of subsidiaries.

Property, plant and equipment under construction

During the year ended 31 December 2006, the subsidiaries of the Company embarked upon several different manufacturing equipment upgrades which are meant to improve efficiency and expand capacity. Costs incurred up to the reporting date, which are included in construction in progress totalled \$7,700 (2005: \$3,796).

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

14 Intangible assets

	Goodwill	Other intangible— assets	Total
Cost			
Balance at 1 January 2005	36,090	13,981	50,071
Additions	—	1,038	1,038
Disposals	—	(347)	(347)
Effect of movements in exchange rates	(1,810)	(833)	(2,643)
Balance at 31 December 2005	<u>34,280</u>	<u>13,839</u>	<u>48,119</u>
Balance at 1 January 2006	34,280	13,839	48,119
Additions	—	1,379	1,379
Disposals	—	—	—
Effect of movements in exchange rates	1,836	906	2,742
Balance at 31 December 2006	<u>36,116</u>	<u>16,124</u>	<u>52,240</u>
Amortization and impairment			
Balance at 1 January 2005	—	(5,845)	(5,845)
Amortization	—	(900)	(900)
Disposals	—	325	325
Effect of movements in exchange rates	—	668	668
Balance at 31 December 2005	<u>—</u>	<u>(5,752)</u>	<u>(5,752)</u>
Balance at 1 January 2006	—	(5,752)	(5,752)
Amortization	—	(1,187)	(1,187)
Disposals	—	—	—
Effect of movements in exchange rates	—	(403)	(403)
Balance at 31 December 2006	<u>—</u>	<u>(7,342)</u>	<u>(7,342)</u>
Carrying amounts			
At 1 January 2005	36,090	8,136	44,226
At 31 December 2005	<u>34,280</u>	<u>8,087</u>	<u>42,367</u>
At 1 January 2006	34,280	8,087	42,367
At 31 December 2006	<u>36,116</u>	<u>8,782</u>	<u>44,898</u>

Intangible assets represent goodwill, intangibles with indefinite lives as well as licenses and industrial rights. For goodwill and the indefinite-lived assets (carrying amounts of \$3,991 and \$3,982 as of 31 December 2006 and 2005, respectively), there is no amortization recorded on these assets and instead, impairment tests are performed. The intangibles amount represents a patent bought and used by a Canadian subsidiary related to a manufacturing process. This patent was deemed to have an indefinite life in accordance with IAS 38 as the patent has no expiration and the Company intends to use this patented process for the foreseeable future. Further evidence is provided through the fact that the process will not be adapted due to competition and the industry is growing.

Impairment testing for cash-generating units containing goodwill or intangible assets with indefinite lives

For the purpose of impairment testing, goodwill and indefinite-lived intangible assets are allocated to the Company’s operating divisions which represent the lowest level within the Company at which the goodwill is monitored for internal management purposes.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

14 Intangible assets (continued)

The aggregate carrying amounts of goodwill and intangible assets with indefinite lives allocated to each unit are as follows:

	2006	2005
Sudamin cash-generating unit (France)	10,440	9,367
LSM cash-generating unit (UK)	1,510	1,510
Timminco cash-generating unit goodwill	16,431	16,464
ALD cash-generating unit	7,735	6,939
Goodwill at cash-generating units	36,116	34,280
Intangible assets with indefinite lives Timminco cash-generating unit	3,991	3,982
Total goodwill and intangibles with indefinite lives	40,107	38,262

Key assumptions

The calculations of value in use are most sensitive to the following assumptions:

- Global metals pricing
- Discount rate
- Growth rate used to extrapolate cash flows beyond budget period

Global metals pricing—Estimates are obtained from published indices. The estimates are evaluated and used to the extent that they meet management’s expectations of future pricing.

Discount rates—Discount rates reflect management’s estimate of risks specific to each unit.

Growth rate assumptions—Rates are based on management’s interpretation of published industry research.

It is possible that the key assumptions related to metals pricing that were used in the Plan will differ from actual results. However, management does not believe that any possible change in pricing will cause the carrying amount to exceed the recoverable amount. The values assigned to the key assumptions represent management’s assessment of future trends in the metallurgical industry and are based on both external sources and internal sources (historical data).

For the impairment tests for Sudamin, LSM, Timminco and ALD Groups cash-generating units the recoverable amounts are the higher of the fair value less costs to sell and the value in use. The fair values less costs to sell were determined using the discounted cash flow method. The carrying amounts of the Metallurg and ALD units were determined to be lower than their recoverable amounts and impairment losses were not recognised. However, the Timminco cash-generating unit was impaired in 2005 and 2006 and Timminco recorded an impairment charge of \$12,908 and \$15,995 in 2006 and 2005, respectively.

- (1) Sudamin unit’s value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:
- Cash flows were projected based on actual operating results and the 3-year business plan, which covers the next three calendar years following the impairment test date.
 - The growth rate of 2% was used to extrapolate cash flow projections beyond the period covered by the most recent budgets. Management believes that this growth rate does not exceed the long-term average growth rate for the metallurgical industry in France.
 - Revenue was projected at about \$73,235 thousand in the first year of the business plan. The anticipated annual revenue growth included in the cash flow projections was about 13.3 percent for the year 2007. A decline of approximately 0.4 percent and a growth of approximately

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

14 Intangible assets (continued)

- 0.8 percent in revenues were projected for the years 2008 and 2009, respectively. Management plans to achieve annual revenue of \$73,433 thousand by the third year of the business plan.
- Discount rates of 8.41 percent and 8.18 percent were applied in determining the recoverable amount of the unit for the years ended 31 December 2006 and 2005, respectively. The discount rates were derived from a group of comparable companies (peer group) and have been compared to external advisor reports for reasonableness.
- (2) LSM unit's value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:
- Cash flows were projected based on actual operating results and the 3-year business plan, which covers the next three calendar years following the impairment test date.
 - The growth rate of 2% was used to extrapolate cash flow projections beyond the period covered by the most recent budgets. Management believes that this growth rate does not exceed the long-term average growth rate for the metallurgical industry in the UK.
 - Revenue was projected at about \$272,805 thousand in the first year of the business plan. The anticipated annual revenue growth included in the cash flow projections was about 12.6 percent for the year 2007. Growth of approximately 3.1 percent was projected for the years 2008 and 2009. Management plans to achieve annual revenue of \$289,732 thousand by the third year of the business plan.
 - Discount rates of 9.28 percent and 8.87 percent were applied in determining the recoverable amount of the unit for the years ended 31 December 2006 and 2005, respectively. The discount rates were derived from a group of comparable companies (peer group) and have been compared to external advisor reports for reasonableness.
- (3) Timminco Group unit's value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:
- Cash flows were projected based on actual operating results and the 3-year business plan, which covers the next three calendar years following the impairment test date.
 - The growth rate of 2% was used to extrapolate cash flow projections beyond the period covered by the most recent budgets. Management believes that this growth rate does not exceed the long-term average growth rate for the metallurgical industry in the UK.
 - Revenue was projected at about \$206,155 in the first year of the business plan. The anticipated annual revenue growth included in the cash flow projections was about 17.0 percent for the year 2007. Growth of approximately 33.5 and 11.9 percent in revenues was projected for the years 2008 and 2009, respectively. Management plans to achieve annual revenue of \$307,988 by the third year of the business plan.
 - Discount rates of 12.26 percent and 11.16 percent were applied in determining the recoverable amount of the unit for the years ended 31 December 2006 and 2005, respectively. The discount rates were derived from a group of comparable companies (peer group) and have been compared to external advisor reports for reasonableness.
- (4) ALD Group unit's value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:
- Cash flows were projected based on actual operating results and the 3-year business plan, which covers the next three calendar years following the impairment test date.
 - The growth rate of 2% was used to extrapolate cash flow projections beyond the period covered by the most recent budgets. Management believes that this growth rate does not exceed the long-term average growth rate for the metallurgical industry.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

14 Intangible assets (continued)

- Revenue was projected at about \$44,593 in the first year of the business plan. The anticipated annual revenue growth included in the cash flow projections was about 62.8 percent for the year 2007. A growth of approximately 2.3 and a decline of approximately 0.1 percent in revenues was projected for the years 2008 and 2009, respectively. Management plans to achieve annual revenue of \$45,553 by the third year of the business plan.
- Discount rates of 6.00 percent and 6.00 percent were applied in determining the recoverable amount of the unit for the years ended 31 December 2006 and 2005, respectively. The discount rates were derived from a group of comparable companies (peer group) and have been compared to external advisor reports for reasonableness.

Impairment of equity investment in Bostlan S.A. ("Bostlan")

Impairment tests for LSM's 25% equity investment in Bostlan, an entity located in Spain, were based on its value in use. The carrying amounts of this individual asset as of 31 December 2006 and 2005 were \$2,222 and \$2,159, respectively. The carrying amounts were determined to be higher than the investment's recoverable amounts and impairment loss of \$693 was recognised for the year ended 31 December 2006. The impairment was recognised in Restructuring charges and asset impairment line in profit and loss.

Bostlan's fair value was determined by discounting the future cash flows generated from the continuing use of the asset and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the 3-year business plan, covering the 2007, 2008 and 2009 fiscal years.
- The growth rate of 2% was used to extrapolate cash flow projections beyond the period covered by the most recent budgets. Management believes that this growth rate does not exceed the long-term average growth rate for the metallurgical industry in Spain.
- Revenue was projected at about \$26,350 in the first year of the business plan. The anticipated annual revenue decline included in the cash flow projections was about 13.6 percent for the year 2007. A growth of 5.0 percent in revenues was projected for the years 2008 and 2009. Management plans to achieve annual revenue of \$29,051 by the third year of the business plan.
- Discount rate of 7.32 percent was applied in determining the recoverable amount of the asset for the years ended 31 December 2006 and 2005, respectively. The discount rates were derived from a group of comparable companies (peer group) and have been compared to external advisor reports for reasonableness.
- The main shareholder of Bostlan tendered an offer to LSM in 2005 in order to buy the shares that LSM holds. This offer was also considered in determining the fair value.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

15 Associates

The following represent the associates of the Company that are presented in this combined financial information:

Name	Country of incorporation	Percent. held (directly or indirectly) by Company
ALD Holcroft Vacuum Technologica Co., Inc.	United States	50
Bostlan S.A.	Spain	25
EsteR-Technologie GmbH	Germany	50
FNE Forschungsinstitut für Nichteisen-Metalle Freiberg GmbH	Germany	24.9*
Fremat GmbH & Co KG	Germany	24.9*
Fundo Wheels AS	Norway	25.6
Zentrum für Material- und Umwelttechnik GmbH . . .	Germany	24.9*

* —All of these entities are presented as FNE Forschungsinstitut für Nichteisen-Metalle Freiberg GmbH in the following table.

The Company’s share of (loss) profit in its associates for 2006 was (\$2,372) and for 2005 was \$447.

On 7 June 2006, GfE made a payment, valued at approximately \$2,700, to purchase a 24.9% share of ownership in FNE Forschungsinstitut für Nichteisen-Metalle Freiberg GmbH (“FNE”) from its current family ownership. The purchase agreement includes a call option under which GfE is entitled to purchase the remaining shares for a defined purchase price within the timeframe from 1 January 2007 through 1 January 2008. Additionally, the seller is entitled to a put option under which the purchase of the shares by GfE can be requested for the same consideration in the timeframe from 1 February 2008 through 31 March 2008. The purchase price for 100% of FNE, according to the purchase agreement, is approximately \$6,268. The payment made has been recorded as an investment in associates of \$1,561 and an option value of \$1,078. FNE has state-of-the-art production capabilities for rotatable targets, a key to large area coating requirements. GfE intends to strengthen its position in the growing large area coating materials market using the technological competence of FNE regarding research and development and production. As of 31 December 2006, this has been accounted for as an equity investment.

In October, 2006, ALD GmbH made an investment of approximately \$1,451 to purchase 19.9% ownership in ABS Apparate und Behälterbau GmbH from its current ownership. As of 31 December 2006, this has been accounted for as an equity investment.

Acquisition of Fundo Wheels

Fundo Wheels AS (“Fundo”), located in Hoyanger, Norway, is an original equipment manufacturer of cast aluminium wheels for high end European car manufacturers. On 22 March 2004, Timminco indirectly acquired a 24.4% interest in Fundo Wheels AS (“Fundo”), for \$4,706.

To complete the acquisition, Timminco acquired 100% of the shares of a Norwegian Company, Nor-Wheels AS (“Nor-Wheels”), which held 24.4% of the shares of Fundo. Nor-Wheels has become a subsidiary of Timminco and has assumed Timminco’s rights and obligations under the Call Option and Fees Agreement and other existing agreements with the controlling shareholder of Fundo, which is the Community of Hoyanger (the “Community”). Under these agreements, Nor-Wheels holds a call option to purchase the Community’s Fundo shares no sooner than 1 January 2008, on the satisfaction of certain conditions. As at 31 December 2006, the Community owns approximately 52.9% of Fundo. Beginning 1 January 2008, the Community may exercise a put option requiring Nor-Wheels to purchase the Community’s shares, at book value determined on the date of exercise. The Corporation accounts for the Fundo investment under the equity method as it does not have control over Fundo and neither Nor-Wheels nor the Community can exercise the call or the put option until 1 January 2008. The acquisition of the equity interest did not create any purchase discrepancy.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

15 Associates (continued)

Summary financial information for associates, adjusted for the percentage ownership held by the Company:

	Ownership	Total Assets	Total Liabilities	Net Equity	Revenues	Expense	Recognised Profit or loss	Carrying Amount
2005								
Bostlan	25.0%	6,209	4,757	1,452	8,889	8,838	49	2,176
ALD Holcroft Vacuum Technologica Co. Inc	50.0%	485	543	(58)	294	360	(5)	252
EsteR-Technologie GmbH	50.0%	68	119	(51)	—	27	(27)	204
Fundo Wheels	47.1%	27,054	18,436	8,618	31,427	30,997	430	9,102
		<u>33,816</u>	<u>23,855</u>	<u>9,961</u>	<u>40,610</u>	<u>40,222</u>	<u>447</u>	<u>11,734</u>
2006								
Bostlan	25.0%	6,922	5,244	1,678	8,736	8,688	63	1,547
ALD Holcroft Vacuum Technologica Co. Inc	50.0%	1,405	1,412	(7)	1,771	1,721	51	303
EsteR-Technologie GmbH	50.0%	58	101	(43)	—	33	(33)	171
Fundo Wheels	47.1%	26,147	19,862	6,285	34,143	36,845	(2,702)	7,941
ABS Apparate und Behälterbau GmbH	19.9%	732	288	444	2,208	2,082	126	1,479
FNE Forschungsinstitut für Nichteisen-Metalle Freiberg . .	24.9%	4,550	2,692	1,858	1,954	1,831	123	1,862
		<u>39,814</u>	<u>29,599</u>	<u>10,215</u>	<u>48,812</u>	<u>51,200</u>	<u>(2,372)</u>	<u>13,303</u>

16 Inventories

	2006	2005
Raw materials	52,907	50,899
Work in progress	15,285	12,323
Finished goods	86,511	81,077
Other	4,948	9,033
	<u>159,651</u>	<u>153,332</u>

In 2006 raw materials, changes in finished goods and work in progress contributed to cost of sales by \$536,644 (2005: \$493,382). In 2006 the write-down of inventories to net realisable value amounted to \$227 (2005: nil). and was included in cost of sales. The charges relate to inventories that are no longer usable, including packaging and raw materials, at SMC in New Jersey where the Company effectively shut down all plant operations. Other inventory primarily includes spare parts that are maintained for operations.

An impairment charge of \$1,983 was recorded at Timminco with respect to the carrying amount of its inventories (see note 14).

Inventory in the amount of \$145,739 (2005: \$138,232) is pledged as collateral to secure the bank loans of certain subsidiaries (see note 21).

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

17 Trade and other receivables

	Note	2006	2005
Trade debtors		116,814	105,650
Note receivables from related parties		6,590	3,552
Gross amount due from customers for contract work (POC)		85,930	64,150
Less: progress payments received		(68,358)	(45,342)
Total POC receivables		17,572	18,808
		140,976	128,010

At 31 December 2006, trade receivables include receivables from customers who have received direct shipments or services from the Company and receivables from customers who have utilized inventory on consignment. Amounts billed to percentage of completion customers are also included in the trade receivables line item in the balance sheet. The carrying amount of trade receivables approximates their fair value.

At 31 December 2006, trade receivables are shown net of an allowance for impairment of \$1,390 (2005: \$1,390) arising from customer unwillingness or inability to pay. During the year ended 31 December 2006 and 2005, impairment losses in the amount of \$398 and \$1,227, respectively, have been recorded.

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

Receivables in the amount of \$92,580 (2005: \$92,762) are pledged as collateral to secure the bank loans of certain subsidiaries (see note 21).

18 Cash and cash equivalents

	2006	2005
Bank balances	44,728	49,814
Call deposits	9,882	503
	54,610	50,317

Bank balances earn interest at floating rates based on daily bank deposit rates. Cash deposits have maturities of three months or less depending on the immediate cash needs of the Company, and earn interest at respective short term rates.

19 Capital and reserves

At 31 December 2006, the authorised share capital was comprised of 1,000 ordinary shares (2005: -0-) with a nominal share value of €100. At 31 December 2006, the issued and outstanding share capital was comprised of 450 ordinary shares (2005: -0-), with a nominal value of €100 which were fully paid.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

19 Capital and reserves (continued)

Other Reserves

	Net unrealised gains (losses) reserve	Foreign currency translation reserve	Treasury reserve	Total
Balance at 1 January 2005	(399)	(2,892)	—	(3,291)
Currency translation differences	—	(1,607)	—	(1,607)
Gross movement on cash flow hedges . . .	1,305	—	—	1,305
Balance at 31 December 2005	906	(4,499)	—	(3,593)
Balance at 1 January 2006	906	(4,459)	—	(3,593)
Currency translation differences	—	2,952	—	2,952
Gross movement on cash flow hedges . . .	(162)	—	—	(162)
Tax effect on net movement on cash flow hedges	(210)	—	—	(210)
Acquisition of treasury shares	—	—	(14,300)	(14,300)
Balance at 31 December 2006	534	(1,547)	(14,300)	(15,313)

Net unrealised gains (losses) reserve

The net unrealised gains (losses) reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. For further discussion of the cash flow hedges and the amounts that were realised in the income statement, see note 30.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries. As of 1 January 2005, there are three functional currencies used within the Company: the U.S. Dollar, the Canadian Dollar and the Euro. Prior to 1 January 2005, all foreign operations with functional currencies other than the U.S. Dollar, translated their asset and liability accounts at current exchange rates and their income and expenses were translated using average exchange rates. Resulting translation adjustments were reported in a separate component of equity.

Acquisition of treasury shares

A treasury reserve was created at ALD in 2006, when Safeguard International, its ultimate parent, bought a subsidiary from ALD and instead of paying cash for the subsidiary, paid in ALD’s own shares. This reserve has a balance of \$14,300 at 31 December 2006.

20 Earnings per share

Basic earnings per share amounts are calculated by dividing net profits for the year attributable to ordinary equity holders of the parent by the weighted average of ordinary shares outstanding during the year. For the purposes of the calculation noted below, the calculation is performed using the shares outstanding as at 31 December 2006.

Diluted earnings per share are calculated by dividing the net profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. At year end 31 December 2006, diluted

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

20 Earnings per share (continued)

earnings per share is calculated having given effect to a share split and the contribution in kind that occurred in March 2007 (Note 35).

	2006	2005
Net profit attributable to equity holders	4,507	16,874
Weighted average number of shares	450	—
Weighted average number of shares given effect to share split and contribution in kind	3,493,219	N/A

21 Loans and borrowings

This note provides information about the contractual terms of the Company’s interest-bearing loans and borrowings. For more information about the Company’s exposure to interest rate and foreign currency risk, see notes 28 and 29.

	2006	2005
Non-current liabilities		
Senior secured Class A notes, net of unamortized discount of \$6,549 and \$7,823	109,055	107,412
Senior secured Class B notes, net of unamortized discount of \$2,949 and \$3,424	46,719	45,606
LSM term note with Barclays Bank plc	—	8,235
LSM term note with HSBC Bank plc	6,113	7,570
GFE term loan	128	1,151
GFE bank loan	2,476	2,308
Sudamin revolving credit	6,334	7,578
Timminco Bank of America Term Loan	—	3,747
Timminco Elkon Products Loan	173	—
ALD Investment Loan DIF	—	274
ALD Bayrische	—	148
ALD Dresdner Bank	1,593	2,033
ALD LaSalle Bank	—	1,778
ALD HSBC subordinated loan	12,754	11,386
Other	41	54
	<u>185,386</u>	<u>199,280</u>
Current liabilities		
LSM term note with Barclays Bank plc	8,234	1,136
LSM term note with HSBC Bank plc	1,458	1,458
GFE term loan	759	681
GFE bank loan	145	130
Sudamin revolving credit	2,112	1,894
Sudamin capital lease	—	118
Timminco Bank of America Term Loan	3,738	1,153
ALD Investment Loan DIF	306	391
ALD Bayrische	165	148
ALD Dresdner Bank	660	593
ALD LaSalle Bank	5,006	—
Other	76	77
	<u>22,659</u>	<u>7,779</u>

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

21 Loans and borrowings (continued)

Refinancing

On 1 August 2005, Metallurg prepaid the Term A loan with MHR Institutional Partners II LP ("MHR") with cash on hand. The total payment of \$18,371 included \$15,000 of original principal, \$1,403 of interest paid-in-kind and added to principal and \$1,968 of prepayment penalty. The prepayment penalty is classified as and included in loss on extinguishment of debt on the combined income statement.

On 29 September 2005, Metallurg refinanced all of its U.S. debt obligations by entering into a new revolving credit facility and the issuance of \$167,500 face amount of senior secured notes (the "Refinancing"). In connection with the Refinancing, Metallurg incurred a loss on debt extinguishment of \$8,266. This includes \$2,690 of prepayment penalties, \$4,160 from the write-off of the unamortized balance of previously deferred financing costs, \$1,346 of interest expense for the 30-day redemption notice period required in connection with the Refinancing and \$70 of other expenses, all of which is classified as and included in loss on extinguishment of debt on the combined income statement.

Senior secured notes

In connection with the Refinancing, as described above, on 29 September 2005, Metallurg received \$164,200 in net proceeds from the issuance of \$117,500 aggregate principal amount of Senior Secured Class A Notes due 1 October 2010 (the "Class A Notes") and \$50,000 aggregate principal amount of Senior Secured Class B Notes due 1 October 2010 (the "Class B Notes"). The Class A and Class B Notes are collectively referred to as the "Senior Secured Notes".

The Class A Notes accrue interest at an annual rate of 10.5% that is paid in arrears on 1 April and 1 October of each year, commencing 1 April 2006. The Class B Notes accrue interest (a) payable in cash, at a rate equal to six-month LIBOR plus a margin of 11.0% per annum payable in arrears on 1 April and 1 October, commencing on 1 April 2006, and (b) in kind, at a rate of 1.0% per annum. The LIBOR rate in effect for the period 29 September 2005 through 31 March 2006 is 4.18%. The Class A Notes and related guarantee are collateralized by a first priority security interest in substantially all of Metallurg's and the guarantor U.S. assets and certain subsidiary stock, other than certain excluded assets and the assets that collateralize the Credit Facility on a first priority basis and by a second priority security interest in all assets that collateralize the Credit Facility on a first priority basis. The Class B Notes and related guarantees are collateralized by a second priority security interest in the same assets that collateralize the Class A Notes on a first priority basis, and by a third priority security interest in all assets collateralizing the Credit Facility on a first priority basis.

Both the Class A and Class B note agreements require us to achieve at least \$35,000 of combined cash flow, as defined; or otherwise have net debt, as defined, be less than five times combined cash flow. In addition, the Class A Note and Class B Note indentures limit the Metallurg and its restricted subsidiaries' ability to, among other things, incur indebtedness or issue preferred stock, pay dividends, redeem stock or make other distributions, make certain investments, create liens securing indebtedness, enter into transactions with affiliates, merge or consolidate and transfer or sell assets. These covenants are subject to important qualifications and exceptions. Both indenture agreements also contain affirmative covenants and events of default that are customary for high-yield debt securities.

LSM term notes

LSM loan with Barclays Bank plc ("Barclays") is for \$10,507 for a term of two years and three months and bears interest at 3-month U.S. dollar LIBOR plus 1.00%. LSM makes quarterly principal repayments of \$284, plus interest. At 31 December 2006, \$8,234 remains outstanding under the loan.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

21 Loans and borrowings (continued)

LSM loan with HSBC Bank plc (“HSBC”) is for \$10,486 for a term of four and one-half years and bears interest at 3-month U.S. dollar LIBOR plus 1.25%. LSM makes quarterly principal repayments of \$364, plus interest. At 31 December 2006, \$7,571 remains outstanding under this loan.

These term loan facilities are collateralized by the assets of LSM and require LSM to comply with various covenants, including the maintenance of minimum tangible net worth and interest coverage. In January 2005, these loans were amended to denominate them in U.S. dollars on similar terms and conditions.

GfE credit facilities

GfE entered into a credit facility with IKB Deutsche Industriebank AG Munich (IKB) on 28 April 1999 with an annual interest rate of 3.95%. The amount outstanding under this loan as of 31 December 2006 is approximately \$887 (2005: \$1,832). This loan requires semi-annual payments with final payment being due on 31 December 2008. The loan is secured by land and building. GfE also entered into a loan agreement with Sparkasse Nuremberg on 1 December 2003, with an annual interest rate of 4.92% and annual payments of approximately \$132. This loan is also secured by land and building. The current amount outstanding is \$2,621 (2005: \$2,438). The payment on this loan is due in November 2023.

Sudamin credit facilities

Sudamin entered into a revolving credit facility with ING and Fortis on 26 April 2005 valued at approximately \$10,558 (€8,000). The initial amount of the borrowings under the revolving credit facility with each bank was \$5,279 (€4,000) (for a total of \$10,558) with a term of 5 years. These loans bear interest at EURIBOR + 2.5%. Sudamin makes annual principal payments on the loans. These loans are collateralized by the assets of Sudamin and require the company to comply with two covenants including a maximum debt to EBITDA ratio and a minimum current ratio. These loans are due on 30 April 2010. At 31 December 2006 and 2005, \$8,446 and \$9,472 were outstanding, respectively.

Timminco credit facilities

On 15 April 2005, Timminco entered into a Credit Agreement (the “Agreement”) with Bank of America, NA. The Agreement provides for a \$5,750 term loan. The term loan bears interest at the prime rate plus 1.5% to 2.25% and requires quarterly repayments of \$0.3 million. The Agreement expires on 30 November 2007 and, at the option of Timminco and subject to meeting certain requirements, may be extended to 30 April 2010. The loans are secured by the assets of Timminco. At 31 December 2006 and 2005, \$3,738 and \$4,900 were outstanding, respectively.

As at 31 December 2005, the Bank amended the banking agreement to adjust the fixed charge ratio covenant (“FCR covenant”) as at 31 December 2005 and for the fiscal year of 2006 to permit Timminco to maintain its compliance with the banking covenants. The FCR covenant measures the ratio of adjusted cash flow from net income less capital expenditures and taxes divided by the cash flow related to interest and principal repayments. For the twelve months ended 31 December 2005, the FCR covenant was amended such that Timminco met the requirements of the agreement. As at 31 March 2006, Timminco was in compliance with its banking covenants. As at 30 June 2006, the Bank further amended the banking agreement requiring Timminco to maintain minimum levels of earnings before interest, taxes, depreciation and amortization (“EBITDA”) as defined by the banking agreement and limiting the amount of capital expenditures. Both the EBITDA and capital expenditure requirements were to be measured at 30 June, 30 September and 31 December 2006. As at 31 December 2006, the Bank amended the covenants such that Timminco was in compliance. The Bank also amended the covenants for fiscal 2007. For the first three quarters of 2007, Timminco must meet certain EBITDA levels and submit to limits on capital spending. The revised covenants for 2007 were based on the 2007 budget.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

21 Loans and borrowings (continued)

Timminco also entered into a line of credit in 2006 valued at \$215 with Elkon Products. This facility bears interest at 7% and matures on 30 June 2010. This line of credit had \$173 outstanding as of 31 December 2006.

ALD credit facilities

On 26 September 2003, ALD entered into a Loan Agreement with DIF Deutsche Investitions Finanz GmbH, Bad Homburg Germany. The principal amount of the loan was approximately \$1,666, of which \$306 was outstanding at 31 December 2006 (2005: \$665). The loan bears interest at a fixed rate of 3.18% and requires monthly repayments of \$40. The Agreement expires on 15 August 2007. The loan is secured by specific assets of ALD.

On 10 November 2003, ALD entered into a Loan Agreement with Bayrische Hypo- und Vereinsbank AG, Frankfurt am Main, Germany. The original principal amount of the loan was \$660, of which \$165 was outstanding on 31 December 2006 (2005: \$296). The loan bears interest at a fixed rate of 5.03% and requires quarterly repayments of \$41. The Agreement expires on 15 December 2007. The loan is secured by chattel mortgage of one vacuum furnace, through-type furnace and one conveyer belt. Retention of at least 25% of the net earnings of VACUHEAT GmbH is also required by the Agreement.

On 2 May 2005, ALD entered into a Loan Agreement with Dresdner Bank AG, Frankfurt am Main, Germany. The principal amount of the loan is \$3,299, of which \$2,253 was outstanding at 31 December 2006 (2005: \$2,626). The loan bears interest at 3.514% plus a variable margin and requires monthly repayments of \$55. By means of an interest fixation notification for OTC Interest and Credit Guarantee the interest rate was fixed at 4.66%. The Agreement expires on 1 May 2010. The loan is secured by a blanket assignment of all receivables to Siemens VDO Automotiv AG and additional specific assets of ALD.

On 1 November 2005, ALD entered into a Loan Agreement with La Salle Bank, Detroit MI, USA. The principal amount of the loan is \$5,000, which was all outstanding at 31 December 2006 (2005: \$1,778). The loan bears interest at USD LIBOR plus an additional margin of 2.25% to 2.75% which is determined by covenants specified in the Agreement. Repayments are due to start on 1 May 2007. The loan is secured by certain ALD properties in the United States.

With Agreement dated 28 June 2005 and 8 August 2005, ALD entered into a Subordinated Loan Agreement with HSBC Trinkhaus & Burkhardt KGaA. The principal amount of the subordinated loan is \$13,197, of which \$12,754 was outstanding at 31 December 2006 (2005: \$11,386). The subordinated loan bears interest at 7.27%. A disagio of 4.0% was applied on the subordinated loan, therefore the effective rate of interest is 8.038%. The term of the subordinated loan is unlimited. The Agreement can be terminated not earlier than 10 August 2012. Repayments are due to start on 1 May 2007. The loan is secured by certain assets in the United States.

Debt Issuance Costs

In connection with the refinancing of the Class A and Class B notes in the year ended 31 December 2005, Metallurg incurred issuance costs which were deducted from the proceeds of the debt. These costs totalled \$11,616 and were comprised of \$9,000 of banker transaction costs, \$1,829 of legal costs, \$421 of accounting costs and \$366 of other miscellaneous costs associated with the offering. These amounts are amortized using the effective interest method.

In connection with amendments made to the Timminco credit facility, issuance costs of \$207 and \$750 were paid during the years ended 31 December 2006 and 2005, respectively.

Debt Repayments

During 2006, the Company repaid \$11,878 of debt. Of this amount, GfE repaid \$4,582 of debt: \$3,391 was related party debt with Sudamin LLC (a Safeguard International Holding company) as

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

21 Loans and borrowings (continued)

described in note 22 and \$1,185 related to the repayment of IKB issued debt, describe above. \$2,594 relates to payments made by LSM on the HSBC and Barclay's term loans of \$1,457 and \$1,137, respectively. Sudamin also repaid \$2,112 of the ING and Fortis term loans in 2006. The remaining \$4,702 of repayments relates to other debt.

During 2005, the Company repaid \$219,883 of debt, of which \$158,387 was directly related to the Refinancing. These repayments included the Metallurg Holdings Senior Discount Notes, which accrued interest at 12.75% per annum, payable semi-annually in arrears, and the Metallurg Holdings MHR term loans, which accrued interest at 20% per annum. Metallurg also repaid the Metallurg Inc. Senior Notes, which accrued interest at 11.0%, payable semi-annually, and the MHR debt, which consisted of a term loan utilized for working capital and letters of credit that accrued interest at a rate of 20%. Metallurg repaid approximately \$16,400 of other debt with proceeds from the Refinancing. Timminco, in connection with its refinancing, repaid \$17,864 to retire all of its outstanding bank debt with its Canadian banks. Also in 2005, Sudamin repaid approximately \$16,500 to Sudamin LLC (a Safeguard International Holding Company) in connection with its financing with ING and Fortis. The remaining \$10,732 of repayments includes ALD's repayment of \$4,922 of its loan with General Electric Corporation, as well as \$5,810 related to other debt.

22 Related party debt

At 31 December 2005, GfE had a long-term loan outstanding with Sudamin Holdings LLC, a Safeguard entity. This loan had an interest rate of 11%. In April, 2006, this amount was repaid to Sudamin Holdings LLC by ALD Vacuum Technologies and it is treated as an intercompany debt that eliminates in the year ended 31 December 2006. The amount outstanding under this note was \$3,197 as of 31 December 2005. This note is due on 31 December 2012.

Sudamin also has two loan agreements with Safeguard International or related Safeguard entities. Sudamin Holdings LLC (a Safeguard International holding company) loaned Sudamin \$21,700 on 12 January 2000. This loan has been repaid over time, bears interest at 5.35% per year and is considered long-term. The amount outstanding under this loan is \$721 and \$684 at 31 December 2006 and 2005, respectively. In April 2006, Sudamin Holdings LLC also loaned Sudamin \$3,750. This amount, \$3,757, at 31 December 2006, bears interest at 7% per annum and is due 30 April 2010.

On 9 March 2006, Timminco borrowed \$2,000 from an affiliate of Safeguard, its controlling shareholder. The loan may be settled, at the lender's option, in cash or shares at CAD 0.40 per share, or a combination of cash and shares. The transaction was recorded as \$1,507 as Related party debt and \$687 as a convertible note in equity. The expected life of the debt coincides with the maturity of the Bank of America agreement including the optional renewal period, to which the debt is subordinate. This note was discharged in full on 30 April 2007, when ALD International converted the entire principal amount of this loan into 5.6 million Timminco Shares. See Footnote 34 for subsequent events.

On 5 September 2006, Timminco borrowed \$3,000 from Safeguard, its controlling shareholder. The loan may be settled, at the lender's option, in cash or shares at CAD 0.40 per share, or a combination of cash and shares. The transaction was recorded as \$2,282 as Related party debt and \$772 as convertible note in equity. The expected life of the debt coincides with the maturity of the Bank of America agreement including the optional renewal period, to which the debt is subordinate.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

22 Related party debt (continued)

In December 2006, Timminco borrowed \$928 from an affiliate of Safeguard, its controlling shareholder. The loan bears interest at 11% and matures in December 2007.

All Timminco related party loans are postponed to existing bank loans secured by Timminco, and the security for the loans is subordinated to that for those bank loans. Subject to this postponement, the loans may be repaid at any time. They must be repaid on the occurrence of an event of default. Safeguard or its affiliates are entitled to terminate the loan agreements if bankruptcy or similar proceedings are commenced over the assets of Timminco, Fundo or Fundo Holdings AS.

GfE also had various short term loans outstanding from Safeguard, and other Safeguard related entities. These loans bear interest at rates between 4.17% and 11%. At 31 December 2006 and 2005, the amounts outstanding under these loans were \$6,341 and \$5,457, respectively. All inventories and all non-German receivables are pledged as collateral for certain of these notes.

On 24 February 2004, Safeguard for its own account and the accounts of others, and SCP Private Equity Partners, L.P., another Shareholder, provided Metallurg Holdings with a US\$8.0 million subordinated loan so that MVC could complete the purchase of vanadium-containing raw materials for its Cambridge, Ohio, United States plant, under a five-year supply contract. The loan was repaid in September 2005.

23 Short-term debt

Credit Facility

On 29 September 2005, Metallurg Holdings, Metallurg, Inc. and SMC (collectively, the "Borrowers") and Metallurg Holdings Corporation (the "Guarantor") entered into a revolving credit facility with Wachovia Bank, National Association (the "Credit Facility"), which expires on 29 September 2010. The Credit Facility provides the Company with up to \$30,000 for working capital requirements and general corporate purposes and is collateralized by a first priority security interest on receivables and inventory and by a third priority security interest on substantially all of the Company's remaining assets (except real estate, as defined). Interest is charged at a rate per annum equal to the "prime rate", plus a margin of 0% to 0.25%, or the Adjusted Eurodollar Rate used by Wachovia, plus a margin of 1.75% to 2.25%. In each case the margin varies depending upon the Company's quarterly average excess availability under the Credit Facility. The total amount the Company may borrow at any time is limited to a borrowing base calculation that is based on eligible accounts receivable, inventory and a special cash collateral, as defined. In addition, the Company must maintain at least \$5,000 of excess availability or maintain a 1.05 fixed charge coverage ratio, as defined, and comply with other affirmative and negative covenants customary in this type of credit facility. At 31 December 2006, the Company had \$4,500 of borrowings (\$3,621 net of debt issuance costs) and \$5,664 of letters of credit outstanding under this facility. In addition at 31 December 2006, the Company had unused availability of approximately \$19,836 under this facility.

In connection with the refinancing of the Wachovia credit facility, Metallurg incurred issuance costs which were deducted from the proceeds of the debt. These costs totalled \$1,121 and were comprised of \$225 of banker transaction costs, \$814 of legal costs and \$82 of other miscellaneous costs associated with the offering. These amounts are amortized using the effective interest method.

LSM revolving credit facilities

LSM has revolving credit facilities with Barclays and HSBC. At 31 December 2006, these facilities provide LSM with up to \$16,637 of borrowings, \$127,100 of foreign exchange contracts and options and \$15,700 for other ancillary banking arrangements, including bank guarantees. Borrowings under these facilities are collateralized by the assets of LSM and are repayable on demand. Outstanding loans under these facilities bear interest at each bank's base rate plus 1.0% to 1.75%. At 31 December 2006 and 2005, there was \$6,450 and \$639 respectively, of borrowings outstanding under

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

23 Short-term debt (continued)

these facilities. In January 2005, these revolving credit facilities were amended to denominate them in U.S. dollars on similar terms and conditions.

Sudamin overdraft facility

Concurrent with its revolving credit facility, Sudamin entered into an overdraft facility with ING and Fortis on 28 April 2005. On 31 December 2006, these facilities provide Sudamin with up to €8,500 of borrowings (approximately \$11,217 at 31 December 2006), including bank guarantees. Borrowings under these facilities are collateralized by the assets of Sudamin Holding and are repayable upon demand. Outstanding loans under these facilities bear interest at a rate of Euribor + 0.80%. These loans require the company to comply with two covenants including a maximum debt to EBITDA ratio and a minimum current ratio. At 31 December 2006 and 2005, borrowings under these facilities were approximately \$10,252 and \$7,986, respectively.

Timminco

On 15 April 2005, Timminco entered into a Credit Agreement (the "Agreement") with Bank of America, NA. The Agreement provides for maximum credit lines of \$32,800, limited by a borrowing base, in a revolving loan (the "Revolver"). The Revolver bears interest at the prime rate plus 0.5% to 1.25% and does not require minimum repayments. The Agreement expires on 30 November 2007 and, at the option of Timminco and subject to meeting certain requirements, may be extended to 30 April 2010. The loans are secured by the assets of Timminco. As at 31 December 2006, Timminco had fully utilized its availability under the Revolver and had \$22,522 outstanding (2005: \$22,492).

Other

CIF maintains short term secured and unsecured borrowing arrangements with various banks totaling \$16,441. Borrowings under these arrangements are included in Short term debt on the combined balance sheet and aggregated \$12,018 at 31 December 2006 (2005: \$10,609) at a weighted-average interest rate of 6.96%.

At 31 December 2005, ALD had short term debt of \$23 related to a finance lease.

Sudamin obtained an additional line of credit in July 2006 for \$5,279 (€4,000) with ING (\$2,639) and FORTIS (\$2,639) at an interest rate of 4.9%. As of 31 December 2006 there were no outstanding borrowings against this line of credit.

24 Employee benefits

Defined Contribution Plans

Certain of the company's employees maintain U.S. tax qualified defined contribution plans covering substantially all of the Company's salaried and hourly employees at U.S. subsidiaries. All contributions, including a portion that represents a company match, are made in cash into mutual fund accounts in accordance with the participants' investment elections. The assets of the plans are held separately from the assets of the subsidiaries under the control of trustees. Where employees leave the plans prior to vesting fully in the Company contributions, the contributions payable by the Company are reduced by the forfeited contributions.

In Europe, the employees are members of state-managed retirement benefit plans operated by the government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the subsidiaries with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the combined income statement of \$4,721 (2005: \$2,457) represents contributions paid and payable to these plans.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

24 Employee benefits (continued)

Defined Benefit Plans

North American plans

U.S. plans (Metallurg)

Certain of the Company's U.S. subsidiaries have tax-qualified, noncontributory defined benefit pension plans covering substantially all salaried and certain hourly paid employees. The plans generally provide benefit payments using a formula based on an employee's compensation and length of service. These plans are funded in amounts equal to the minimum funding requirements of the U.S. Employee Retirement Income Security Act. Substantially all plan assets are invested in cash and short term investments or listed stocks and bonds. The Company also maintains U.S. tax qualified defined contribution plans covering substantially all of the Company's salaried employees at U.S. subsidiaries. All contributions, including a portion that represents a company match, are made in cash into mutual fund accounts in accordance with the participants' investment elections.

On 1 June 2005, Metallurg entered into a Supplemental Executive Retirement Plan (the "SERP") with Eric E. Jackson, its President and Chief Operating Officer. Pursuant to the terms of the SERP, Mr. Jackson will earn additional retirement benefits for continued service with the Company. The maximum retirement benefit payment under the SERP is \$252 per annum reduced by Mr. Jackson's retirement benefit as determined in accordance with Metallurg's U.S. plan and payable from age 65 until age 88. The maximum retirement benefit payment will also be reduced in the case of the commencement of benefit payments prior to age 65 as a result of Mr. Jackson's early termination and/or early retirement. At 1 June 2005, Metallurg recorded a prior service cost expense and a pension liability of \$516. Under the terms of the SERP, Metallurg has no obligation to set aside, earmark or entrust any fund or money with which to pay the obligations thereto.

On 4 August 2006, the Board of Metallurg authorized and approved an amendment to the Pension Plan of Metallurg Inc. This plan covers all U.S. salaried employees of Metallurg. The amendment which became effective on 30 September 2006, froze all benefit accruals as of that date. All participants became fully vested in their benefits as of 30 September and each vested participant will receive their total pension benefit accrued through 30 September 2006, upon their retirement. The freezing of the plan led to curtailment gain in the amount of \$1,015 that was recorded as an increase to Retained earnings and an offsetting decrease in the accrued liability for defined benefit obligations. Concurrent with this change in the defined benefit plan for U.S. salaried employees, the defined contribution plan was amended to provide for transition credits for salaried employees with certain ages and service levels. This amendment is meant to replace the benefits that are being terminated under the defined benefit plan.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

24 Employee benefits (continued)

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages) are presented below.

	2006 % per annum	2005 % per annum
Expected return on plan assets at 1 January	8.25	9.00
Inflation	N/A	N/A
Salary increases	4.00*	4.00
Rate of discount at 31 December	6.00	5.75
Taxable wage base increases	3.00	3.00
IRC Section 401(a)(17) and 415 limits increases	3.00	3.00

* Until 30 September 2006.

The investment strategy of the subsidiaries is to achieve long-term capital appreciation, while reducing risk through diversification in order to meet the obligations of the plans. The expected return on plan assets assumption, reviewed annually, reflects the average rate of earnings expected on the funds invested using weighted average historical returns of approximately 9.0% for equities and approximately 2.0% for debt. In 2006, the plan assets for the US plans were reallocated to better match the expected benefit payments. This new allocation made the expected return on plan assets 8.25% for the U.S. plans.

Assumptions regarding future mortality are based on published statistics and the 1994 Group Annuity Mortality table. The valuation was prepared on a going-plan basis. The valuation was based on members in the Plan as of the valuation date and did not take future members into account. No provision has been made for contingent liabilities with respect to non-vested terminated members who may be reemployed. No provisions for future expenses were made.

Medical cost trend rates are not applicable to these plans.

The best estimate of contributions to be paid to the plans for the year ending 31 December 2007 is \$1,267.

Canada and U.S. plans (Timminco)

Timminco provides pension or retirement benefits to substantially all of its employees in Canada and the United States through 401K and defined benefit plans, based on length of service and remuneration. Retirement benefits are provided based on length of service and remuneration. Pension benefits vest immediately and are based on years of service and average final earnings. Other retirement benefits consist of a group insurance plan covering plan members for life insurance, disability, hospital, medical and dental benefits. At retirement, employees maintain a reduced life insurance coverage and certain hospital and medical benefits. The other retirement coverage provided by the plan is not funded. Employer contributions to the pension plans were made in accordance with their respective actuarial valuations.

Timminco Metals

Timminco provides a flat contributory retirement defined benefit pension plan for the Haley plant hourly employees of Timminco Metals, a division of Timminco Limited.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

24 Employee benefits (continued)

Actuarial assumptions

Principal actuarial assumptions at the reporting date are presented below.

	2006 % per annum	2005 % per annum
Expected return on plan assets at 1 January	7.50	7.50
Inflation	N/A	N/A
Salary increases	N/A	N/A
Rate of discount at 31 December	5.00	6.00
Pension payments increases	N/A	N/A

Becancour Silicon Inc. (“BSI”)

Timminco provides a contributory retirement defined benefit pension plan for employees of BSI, a subsidiary of Timminco Limited.

Actuarial assumptions

Principal actuarial assumptions at the reporting date are presented below.

	2006 % per annum	2005 % per annum
Expected return on plan assets at 1 January	7.00	7.50
Inflation	N/A	N/A
Salary increases	2.50	2.50
Rate of discount at 31 December	5.25	5.00
Pension payments increases	N/A	N/A
Health care inflation—Select	5.89	6.42
Health care inflation—Ultimate	4.30	4.30

The best estimate of contributions to be paid to the Timminco plans for the year ending 31 December 2007 is \$3,133.

European plans

U.K. plans

The Company sponsors the LSM 2006 Pension Plan and the LSM Additional Pension Plan, which are defined benefit arrangements. LSM’s defined benefit pension plans cover all eligible employees in the U.K. The last full actuarial valuations of these schemes was carried out by a qualified independent actuary as at 31 December 2005 and updated on an approximate basis to 31 December 2006.

Substantially all plan assets are invested in listed stocks and bonds. Benefits under these plans are based on years of service and the employee’s compensation. Benefits are paid either from plan assets or, in certain instances, directly by LSM.

The expected long-term return on cash is equal to bank base rates at the balance sheet date. The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

24 Employee benefits (continued)

The expected long-term rates of return on plan assets are as follows:

	2006 % per annum	2005 % per annum
Equities	7.75	7.75
Bonds	4.30-5.00	4.10-4.50
Cash	5.00	3.50
Other	4.30	4.10
Overall for U.K. plans	4.30-7.10	4.10-6.93

The actual return on the plan assets over the year ending 31 December 2006 was 27.0% for the primary and 16.3% for the additional defined benefit plan, respectively. The actual return on plan assets for the year ending 31 December 2005 was 5.4% for the primary and 1.3% for the additional defined benefit plan.

Actuarial assumptions

	2006 % per annum	2005 % per annum
Inflation	2.90-3.00	2.70
Salary increases	N/A	3.95
Rate of discount at 31 December	5.30	4.80
Allowance for pension in payment increases of the Retail Prices Index (“RPI”) or 5% p.a. if less	2.90	2.60-2.70
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	2.90-3.00	2.70
Allowance for commutation of pension for cash at retirement	Nil	nil

Assumptions regarding future mortality are based on published statistics and mortality tables.

The best estimate of contributions to be paid to the plans for the year ending 31 December 2007 is \$2,877 and \$562 for the primary and additional defined benefit plans, respectively.

In 2006, Metallurg underwent a significant restructuring plan (see note 26) and made significant changes to the primary defined benefit plan at LSM. LSM amended the defined benefit plan in the U.K., effective 31 May 2006 to freeze benefit accruals as of that date. Each vested participant will receive their total pension benefit accrued through 31 May 2006, upon retirement from LSM. The freezing of the defined benefit plan created a curtailment gain of \$14,144. The gain was recognised in the income statement and an offsetting decrease was recognised in the accrued pension liability.

ALD plans

ALD has defined benefit plans that cover employees in Germany. The benefits are based on years of service and average compensation.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

24 Employee benefits (continued)

Actuarial assumptions

Principal actuarial assumptions at the reporting date are presented below.

	2006 % per annum	2005 % per annum
Expected return on plan assets at 1 January	Nil	Nil
Inflation	N/A	N/A
Salary increases	2.00	1.50
Rate of discount at 31 December	4.51	4.43
Pension payments increases	1.90	1.90
IRC Section 401(a)(17) and 415 limits increases	3.00	3.00

Assumptions regarding future mortality are based on published statistics and mortality tables (“Richttafeln 2005 G”).

The best estimate of contributions to be paid to the plans for the year ending 31 December 2007 is \$808.

GFE plans

GfE has two defined benefit plans that cover all of the employees who were considered plan participants prior to 2005. Each plan has been closed to new participants—one was closed in 1992 and the other was closed in 2005. The plan benefits are funded by insurance contracts which are managed by Swiss Life Group. Benefits are paid by the insurance contracts and are based on years of service and average compensation.

Actuarial assumptions

Principal actuarial assumptions at the reporting date are presented below.

	2006 % per annum	2005 % per annum
Inflation	N/A	N/A
Salary increases	2.50	2.50
Rate of discount at 31 December	4.40	4.25
Pension payments increases	1.75	1.75

Assumptions regarding future mortality are based on published statistics and mortality tables (“Richttafeln 2005 G”).

GFE plan assets consist of insurance contracts, and the expected long term rates of return are 5% for all periods.

No contributions to GFE plans are expected for the year ending 31 December 2007.

Sudamin Plans

The French office and operations of Sudamin have defined benefit pension plans which cover all employees. Sudamin funds the pension plans through an external insurance company but there are no plan assets. Benefits under the plans are based on the beginning of service for all employees, however, employees must be employed by Sudamin at retirement in order to obtain any benefits as vesting is only upon retirement. Benefits are paid by the external insurance company.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

24 Employee benefits (continued)

Actuarial assumptions

Principal actuarial assumptions at the reporting date are presented below.

	2006 % per annum	2005 % per annum
Inflation	0.00	2.00
Salary increases	2.50	2.50
Rate of discount at 31 December	4.00	4.00

The discount rate used is based on the yields of AA rated euro zone corporate bonds + 10 years.
Assumptions regarding future mortality are based on published statistics and mortality tables (“2002-2004 INSEE”).

No contributions to Sudamin plans are expected for the year ending 31 December 2007.
Presented below are employee benefits disclosures for plans aggregated by geographical location into the U.S. and European groups.

	North American plans		European plans	
	2006	2005	2006	2005
Present value of unfunded obligations	12,440	12,146	653	448
Present value of funded obligations	75,879	74,489	185,614	191,926
Total present value of obligations	88,319	86,635	186,267	192,374
Fair value of plan assets	(59,460)	(53,403)	(120,123)	(100,723)
Unamortized past service costs	(30)	(34)	—	—
Unrecognised actuarial (gains) and losses	(7,617)	(9,822)	6,797	(10,151)
Recognised liability for defined benefit obligations	21,212	23,376	72,941	81,500
Total employee benefits	21,212	23,376	72,941	81,500

Movement in employee benefits

	North American plans		European plans	
	2006	2005	2006	2005
Recognised liability for defined benefit obligations at 1 January	23,376	22,463	81,500	89,544
Expense (income) recognised in profit and loss (see below) . .	3,340	2,925	5,362	6,750
Curtailment impact recognised in profit and loss	(1,015)	—	(14,144)	—
Amortization of vested past service cost	—	—	—	—
Benefits paid directly by the employer	—	—	(2,745)	(2,611)
Employer contributions	(4,437)	(2,499)	(3,071)	(4,654)
Effect of movements in foreign exchange rates	(52)	487	6,039	(7,529)
Net Liability for defined benefit obligations at 31 December . .	21,212	23,376	72,941	81,500
Asset for defined benefit obligations at 31 December	—	—	92	609
Liability for defined benefit obligations at 31 December	21,212	23,376	73,033	82,109

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

24 Employee benefits (continued)

Plan assets consist of the following:

	North American plans		European plans	
	2006	2005	2006	2005
Equity securities	31,926	31,813	81,368	66,052
Debt securities	23,337	20,649	32,457	28,479
Cash	4,003	—	107	298
Other	194	941	6,191	5,894
	<u>59,460</u>	<u>53,403</u>	<u>120,123</u>	<u>100,723</u>

Movement in present value of defined benefit obligations

	North American plans		European plans	
	2006	2005	2006	2005
Present value of defined benefit obligations at 1 January . . .	86,635	70,433	192,374	188,081
Benefits paid directly by the employer or from the plan assets	(3,886)	(2,663)	(11,247)	(8,042)
Contributions from plan participants	278	234	149	369
Past Service Cost	—	513	609	—
Current service costs and interest (see below)	6,651	6,010	11,058	13,331
Curtailement impact recognised in profit and loss (see below)	(1,015)	121	(14,144)	—
Plan amendments	385	68	—	—
Unrecognised actuarial (gains) and losses	(503)	9,936	658	6,820
Effect of movements in foreign exchange rates	(226)	1,983	6,810	(8,185)
Present value of defined benefit obligations at 31 December .	<u>88,319</u>	<u>86,635</u>	<u>186,267</u>	<u>192,374</u>

Movement in fair value of plan assets

	North American plans		European plans	
	2006	2005	2006	2005
Fair value of plan assets at 1 January	53,403	47,970	100,723	96,623
Employer contributions	4,437	2,499	3,071	4,654
Contributions from plan participants	278	234	149	369
Benefits paid from the plan assets	(3,886)	(2,663)	(8,502)	(5,431)
Administration fees	(66)	(62)	—	—
Expected return on plan assets	4,049	3,816	6,466	6,611
Unrecognised actuarial gains and (losses)	1,427	458	17,984	(1,804)
Effect of movements in foreign exchange rates	(182)	1,151	232	(299)
Fair value of plan assets at 31 December	<u>59,460</u>	<u>53,403</u>	<u>120,123</u>	<u>100,723</u>

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

24 Employee benefits (continued)

Expense (income) recognised in profit or loss

	North American plans		European plans	
	2006	2005	2006	2005
Current service costs	2,043	1,794	2,491	3,847
Interest on obligation	4,608	4,215	8,567	9,483
Expected return on plan assets	(4,049)	(3,816)	(6,466)	(6,611)
Administration fees	66	62	—	—
Recognised actuarial losses	283	—	161	31
Amortization of vested past service cost	389	548	609	—
Special termination benefit	—	121	—	—
Subtotal of expense recognised in profit and loss	3,340	2,925	5,362	6,750
Curtailment impact recognised in profit and loss	(1,015)	—	(14,144)	—
Expense (income) recognised in profit and loss	<u>2,325</u>	<u>2,925</u>	<u>(8,782)</u>	<u>6,750</u>

Net income (expense) recognised in profit and loss

The expense is recognised in the following line items in the income statement:

	North American plans		European plans	
	2006	2005	2006	2005
Cost of sales	2,986	1,978	1,776	3,587
Selling, general and administrative expenses	354	947	3,586	3,163
Pension Curtailment Gain	(1,015)	—	(14,144)	—
	<u>2,325</u>	<u>2,925</u>	<u>(8,782)</u>	<u>6,750</u>

25 Share-based payments

Metallurg Inc.

The 1998 Equity Compensation Plan was established by Metallurg in November 1998 with 500,000 available shares for stock options and awards. Options have a ten-year term and vest, in most cases, 20% on the date of the grant and 20% on each of the four anniversaries of the date of the grant. All options are to be settled by physical delivery of shares. The weighted average life of the remaining options is 2.6 years and the exercise price for all options is \$30. As of 31 December 2006 and 31 December 2005, 195,000 options were outstanding, fully vested and exercisable.

All options under this plan were granted before 7 November 2002. In accordance with IFRS 1, the recognition and measurement principles in IFRS 2 have not been applied and instead, these options have been accounted for using US GAAP FAS 123, “Accounting for Stock-Based Compensation”. Options were valued using the minimum value methodology. No new options have been granted since 1 January 2005 and all options were fully vested at 1 January 2006. Therefore, no compensation expense has been recorded in the year ended 31 December 2006.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

25 Share-based payments (continued)

The number of share options is as follows:

	Number of options 2006	Number of options 2005
	In thousands of options	
Outstanding at 1 January	195,000	195,000
Forfeited during the period	—	—
Exercised during the period	—	—
Expired during the period	—	—
Granted during the period	—	—
Outstanding at 31 December	195,000	195,000
Exercisable at 31 December	195,000	195,000

Timminco:

Stock options have been granted to certain key employees and directors to purchase common shares of Timminco subject to various vesting requirements. During 2004, Timminco established a Share Option Plan (the “Plan”) which supersedes the Stock Option Plans for Directors and Key Employees. Under the Plan, options are granted at the discretion of the Board at an exercise price equal to the closing price of the common shares on the Toronto Stock Exchange on the last trading day preceding the day of grant. The options vest equally over a four year period, with the initial 25% vesting after one year. The options have a life of seven years. The Plan was approved at the 2004 Annual and Special Meeting. On 25 April 25 2005, the Board of Directors approved an amendment to the Plan to increase the maximum number of shares that can be granted under the Plan by an additional 3,028,250.

On 10 November 2005, 1,740,000 stock options were granted under the Plan. The fair value of the grant, determined using the Black-Scholes option-pricing model, was C\$0.36 per option. The following assumptions were used to calculate the fair value: expected dividend yield of 0%, expected stock volatility of 57%, risk free interest rate of 3.85% and expected option life of 7 years. The share option expense is being amortized, according to the vesting schedule, over a four year period. On 8 May, 2006, 200,000 stock options were granted under the Corporation’s Stock Option Plan. The fair value of the grant, determined using the Black-Scholes option-pricing model, was C\$0.19 per option. The following assumptions were used to calculate the fair value: expected dividend yield of 0%, expected stock volatility of 62.9%, risk free interest rate of 4.38% and expected option life of 7 years. The share option expense is being amortized, according to the vesting schedule, over a four year period. On 15 December 2006, 700,000 stock options were granted under the Corporation’s Stock Option Plan. The fair value of the grant, determined using the Black-Scholes option-pricing model, was C\$0.19 per option. The following assumptions were used to calculate the fair value: expected dividend yield of 0%, expected stock volatility of 74.8%, risk free interest rate of 3.94% and expected option life of 7 years. The share option expense is being amortized, according to the vesting schedule, over a four year period.

During the year ended 31 December 2006, Timminco recorded stock-based compensation amounting to \$386 (2005—\$282) which is included in selling and administrative expenses in the statement of operations.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

25 Share-based payments (continued)

A summary of the status of Timminco’s two stock option plans as of 31 December 2006 and 2005 and changes during the years ended on those dates is presented below:

	Weighted average exercise price 2006	Number of options 2006	Weighted average exercise price 2005	Number of options 2005
	In thousands of options and Canadian Dollars			
Outstanding at 1 January	C\$0.78	3,650	C\$1.11	2,145
Forfeited during the period	C\$0.66	(825)	C\$2.30	(235)
Issued during the period	C\$0.38	900	C\$0.59	1,740
Outstanding at 31 December	C\$0.71	3,725	C\$0.78	3,650
Exercisable at 31 December	C\$0.88	1,196	C\$0.96	478

At 31 December 2006, 1,196,250 options outstanding were exercisable at a weighted average price of C\$0.88, with a weighted average remaining life of 4.6 years. The maximum number of shares that can be granted under the Plan is 6,778,250.

26 Provisions

	Environmental remediation	Restructuring	Other	Total
Balance at 1 January 2005	19,759	3,419	2,924	26,102
Provisions made during the period	151	6,433	4,124	25,236
Provisions used during the period	(3,817)	(1,498)	(2,431)	(7,746)
Currency and reversals	32	(3,264)	(454)	(18,214)
Balance at 1 January 2006	16,125	5,090	4,163	25,378
Provisions made during the period	11,844	4,966	3,863	35,048
Provisions used during the period	(19,744)	(5,580)	(3,577)	(28,901)
Currency and reversals	(59)	796	492	(13,146)
Balance at 31 December 2006	8,166	5,272	4,941	18,379
Non-current	5,835			5,835
Current	2,331	5,272	4,941	12,544
Balance at 31 December 2006	8,166	5,272	4,941	18,379

Environmental remediation

The Company make provisions for environmental cleanup requirements, largely resulting from historical solid and hazardous waste handling and disposal practices at its facilities. Environmental remediation provisions exist at the following sites and are discounted according to the timeline of expected payments:

MVC: Cambridge, OH

The largest issues at the Cambridge, Ohio site relate to a 1997 permanent injunction consent order (“PICO”) entered into with the State of Ohio and Cyprus Foote Mineral Company, the former owner of the site. While MVC and Cyprus Foote are jointly liable, MVC has agreed to perform and be liable for the remedial obligations. The site contains two on-site slag piles that are the result of many years of production. Under the PICO, these slag piles were required to be capped, thereby lowering the radioactive emissions from the piles.

MVC finalized remediation plans with the State of Ohio during 2003 and commenced work in accordance with such plans. Significant remediation activities were completed on one of the slag piles

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

26 Provisions (continued)

in 2004. The Company anticipates completing substantially all agreed work by the end of 2008. In addition to the capital spending required for the actual cap on the slag piles, the Company anticipates ongoing operations and maintenance expenses (O&M) to be reserved for the site. This O&M is required to be provided for 1000 years. Other environmental items requiring provision include: wetlands remediation and maintenance. These projects are expected to be completed within the next 5 years.

SMC: Newfield, NJ

SMC has entered into administrative consent orders with the New Jersey Department of Environmental Protection under which SMC must conduct remediation activities at the Newfield facility. Since the initial administrative consent order was signed in 1997, many of the obligations of SMC have been completed.

In January 2006, SMC entered into a fixed price remediation contract with TRC Companies Inc. ("TRC"), whereby TRC assumes primary responsibility for all non-radiological groundwater environmental remediation obligations at the Newfield facility, with certain exceptions for one contaminant, perchlorate. The initiation of this remediation contract also led to a new Administrative Consent Order ("ACO") that was signed in February 2006. This ACO specifically designated TRC as the entity primarily responsible for the non-radiological contamination and also specifically cited SMC as responsible for the clean-up associated with any perchlorate contamination. This agreement was approved by the New Jersey Department of Environmental Protection (NJDEP) and received final approval by the United States Department of Environmental Protection in March 2006. Under the terms of this agreement, SMC is required to make payments totaling \$16.9 million over the next two years, with \$14.8 million of that amount owed immediately upon the agreement becoming effective. The fixed-price remediation proposal substantially reduces SMC's risk with regard to the Newfield remediation program, but required a premium above previously estimated remediation costs. The \$14.8 million payment was made on 12 April 2006. The only remaining reserve associated with groundwater is the \$2.1 million that is due under the TRC agreement in 2007 and 2008.

Similar to the Cambridge, Ohio facility, Newfield also conducted operations that created a substantial slag pile with low-level radioactive materials. After SMC ceased the production operation that created this slag, it notified the NRC and commenced preparation of the decommissioning plan. This plan was approved for technical review in November 2006. Based on this plan, the costs to cap the slag pile are estimated to be \$3.0 million and are expected to be paid over the next 3 to 5 years. In addition, SMC will have to provide O&M for the site for 1000 years.

CIF: Sao Joao del Rei, Brazil

CIF. Through its normal production process at the mine in Brazil, the Company produces a waste product that requires special handling. In the year ended 31 December 2006, the Company recorded a provision of \$846 in order to properly dispose of the waste that currently exists on-site. This waste has been removed as the amount has been spent as of 31 December 2006.

Remediation trust funds

SMC and MVC established trust funds to accumulate funds for future environmental remediation payments. Amounts are paid out from the trust fund following completion and approval of rehabilitation work. The contributions to the trust fund are placed with investment banks which are responsible for making investments in equity and money market instruments. The trust fund is to be used according to the terms of the trust deed, and the assets are not available for the general purpose of SMC and MVC. The trust funds are discounted and are shown within Other non-current assets in the combined balance sheet.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

26 Provisions (continued)

Timminco: Ontario, Canada

Timminco has \$1,148 and \$1,087 accrued at 31 December 2006 and 2005, respectively, for future site restoration and closure costs associated with its Haley mine. These costs are expected to be paid on a consistent basis over the next 5 years.

Restructuring

Metallurg recorded restructuring charges of \$6,700 in the year ended 31 December 2006. Severance of \$197 was recorded associated with the relocation of the corporate headquarters office. As of 31 March 2006, five headquarters employees were terminated. The severance payments for these employees cease at the end of the first quarter of 2007. During the first quarter of 2006, an asset write-off of \$33 was recorded with an additional write-off of \$8 occurring in the second quarter of 2006 for the furnishings and equipment that were not relocated.

At the Brazilian operation, \$239 of severance was also recorded in 2006 for the termination of approximately 113 people. All Brazilian employees had been paid out in full by 31 December 2006.

In the second quarter of 2006, Metallurg recorded additional restructuring reserves at SMC in New Jersey and at LSM. At SMC, the Company effectively shut down all plant operations and the reserves relate primarily to the severance of 14 plant employees. Asset impairment and restructuring charges of \$1,510 were recorded. \$932 was recorded related to the write-down of fixed assets of the plant site that are no longer functioning and are presumed to have no resale value; \$227 relates to write-off inventories that are no longer usable, including packaging and raw materials; and the remainder relates to contract termination costs related to the shut-down.

At LSM, the decision was made to make significant headcount reductions in order to improve profitability and make the operation more competitive. The largest portion of the charge relates to the redundancy of 60 people throughout the operations. LSM recorded \$2,261 of the costs associated with severance in the year-end 31 December 2006. Of the \$2,261 total severance recorded, \$2,099 has already been paid. \$162 is expected to be paid out through June 2007. Asset impairment charges of \$396 were recorded relating to fixed assets on the plant site that are no longer functioning and are presumed to have no resale value. Also included in this amount are contract termination costs of \$41 related to the reductions.

The restructuring plans in Brazil, New Jersey and at LSM are expected to save approximately \$6,500 per annum.

During November 2005, Timminco announced the closure of certain departments at the Haley Plant, effective 31 December 2005. The departments were closed to reduce costs and overheads. Timminco accrued \$2.9 million in respect of the closure to cover severance, related pension expense and the write-off of machinery and equipment.

On 14 November 2006, Timminco announced the closure of certain production facilities at its Haley, Ontario plant. The closure resulted in the elimination of 45 positions and the idling of certain equipment. The Corporation accrued \$2.0 million in respect of the closure to cover severance.

Other

Other provisions mainly comprise warranty provisions that are expected to be utilised within the next 12 months.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

27 Other liabilities

Other liabilities are comprised primarily of the following:

	2006	2005
Accrued bonus	5,523	5,633
Accrued interest	5,772	5,414
Accrued professional fees	7,559	4,442
Acquisition liability	3,330	4,166
Accrued employee payroll expenses	5,773	7,653
Accruals for costs	2,306	2,979
Claims	766	2,671
Fiscal contingency	2,347	2,044
Other benefits and compensation	6,464	3,392
Taxes, other than income	3,432	3,116
Other miscellaneous liabilities	10,724	6,616
	<u>53,996</u>	<u>48,126</u>
Thereof:		
Current	44,417	40,095
Long-Term	9,579	8,031

28 Trade and other payables

	2006	2005
Trade payables	93,841	78,414

Trade payables are generally non-interest bearing and are normally settled on 30 or 60-day terms with the exception of payables related to project accounting that settle between one month and twelve months.

29 Financial risk management objectives and policies

The Company’s principal financial liabilities, other than derivatives, comprise loans and borrowings, related party debt, short-term debt and trade payables. The main purpose of these financial instruments is to raise capital for the Company’s operations, including working capital needs as well as capital improvements and expansion. The Company has various financial assets such as trade and other receivables and cash, which arise directly from its operations.

The Company also enters into derivative financial instruments, primarily interest rate caps, foreign exchange forward contracts and commodity contracts. The purpose of these instruments is to manage interest rate, currency and price risks. The Company does not enter into any contracts for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Company’s income or the value of its holdings of financial instruments. The Company’s fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Company’s floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not exposed to interest rate risk.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

29 Financial risk management objectives and policies (continued)

The Company's current policy is to maintain more than 50% of its borrowings as fixed rate borrowings. It also strives to limit the variability of certain floating rate instruments through the use of interest rate caps. These caps are designed to hedge underlying debt obligations.

Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The Company is exposed to currency risk on sales and raw material purchases that are denominated in a currency other than the respective functional currencies of Company entities. The Company enters into foreign exchange contracts in the regular course of business to manage exposure to currency risk. The contracts mature at the anticipated cash requirement date, generally within twelve months, and are predominantly denominated in U.S. Dollars, British Pound Sterling and Euros.

The notional values provide an indication of the extent of our involvement in such instruments but do not represent our exposure to market risk, which is essentially limited to risk related to currency rate movements. The estimated fair value of foreign exchange contracts is based on estimated amounts at which they could be settled based on market exchange rates and include all foreign exchange contracts regardless of hedge designation.

In respect of monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's exposure to credit risk with respect to trade and other receivables is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. No single customer accounts for more than 5% of the Company's revenue and geographically, there are no concentrations of credit risk. The Company trades only with creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures which ensure their creditworthiness. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to impairment losses is not significant. Collateral is generally not required for trade receivables.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and certain derivative instruments, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of the instruments. Counterparties are generally multinational financial institutions with limited risk of default.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors cash flows at varying levels. At the Company level, this monitoring is done on a monthly basis. However, at certain subsidiaries, this type of monitoring is done either daily or monthly. Typically the Company ensures that it has sufficient cash on demand to meet expected

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

29 Financial risk management objectives and policies (continued)

operational expenses for a period of 50 days, including the servicing of financial obligations. In addition, the Company maintains the following lines of credit:

- \$30 million U.S. overdraft facility that is secured by the trade receivables and inventories of the U.S. subsidiaries. Interest is payable at the prime rate.
- \$16.6 million revolving credit facilities in the United Kingdom that are collateralized by the assets of LSM. Interest is payable at a base rate + 1.25%.
- €10.5 million revolving credit facilities (approximately \$13.9 million) in France that are secured by the assets of Sudamin. Interest is payable at Euribor + .80%.

Commodity price risk

Commodity price risk is the risk that certain raw materials prices will increase and negatively impact the gross margins and operating results of the Company. The Company is exposed to volatility in the prices of raw materials used in some products and uses forward contracts to manage some of these exposures. For certain metals, the Company aims to maintain a greater than 50% hedged position in order to avoid undue volatility in the sales prices and purchase costs attained in the normal course of business. Commodity forward contracts are generally settled within twelve months of the reporting date.

30 Financial instruments

Fair values

Set out below is a comparison by category of the carrying amounts and fair values of all of the Company’s financial instruments that are presented in the financial statements:

	Note	2006		2005	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Interest rate caps	30	459	459	337	337
Commodity forward contracts	30	790	790	1,031	1,031
Foreign exchange forward contracts	30	1,199	1,199	528	528
Cash and cash equivalents		54,610	54,610	50,317	50,317
Related party debt	22	15,536	15,536	9,338	9,338
Fixed rate loans and borrowings	21	131,952	137,997	131,673	141,782
Floating rate loans and borrowings	21	76,093	79,042	75,386	78,810
Commodity forward contracts	30	38	38	104	104
Foreign exchange forward contracts	30	1,265	1,265	1,846	1,846
Short term debt	23	53,180	53,180	41,749	41,749

The carrying value of trade and other receivables and trade and other payables approximate fair value due to their short term nature.

The carrying amount of related party debt approximates fair value due to the fact that the lending entities use a standard 11% interest rate for borrowings. The majority of borrowings have occurred in the past two years and are all based on the 11% rate.

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Company’s financial instruments that are exposed to interest rate risk.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

30 Financial instruments (continued)

31 December 2006

	Carrying Amount	Contractual Cash Flows	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and cash equivalents	54,610	54,610	54,610	—	—	—	—	—
Fixed rate loans and borrowings	131,952	140,227	5,779	933	805	117,918	145	14,647
Floating rate loans and borrowings	76,093	79,370	16,880	3,612	6,766	52,112	—	—
Short term bank debt	53,180	53,180	53,180	—	—	—	—	—
Related party debt	15,536	15,536	14,815	—	—	—	721	—

31 December 2005

	Carrying Amount	Contractual Cash Flows	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and cash equivalents	50,317	50,317	50,317	—	—	—	—	—
Fixed rate loans and borrowings	131,673	142,338	2,012	5,834	1,492	1,022	118,226	13,752
Floating rate loans and borrowings	75,386	79,203	5,767	11,627	3,362	6,552	51,895	—
Short term bank debt	41,749	41,749	41,749	—	—	—	—	—
Related party debt	9,338	9,338	5,457	—	—	—	684	3,197

Interest on financial instruments classified as floating rate is generally repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The financial instruments of the Company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The difference between the contractual cash flows and the carrying amount of the financial instruments noted above is due to directly attributable issuance costs in the amount of \$11,552 and \$14,482 as of 31 December 2006 and 2005, respectively, which are offset against the carrying amount of the debt.

Credit risk

There are no significant concentrations of credit risk within the Company.

Hedging activities

In September 2005, Metallurg entered into an interest rate cap contract to hedge its exposure to changes in the benchmark interest rate on the \$50 million Class B Notes. This contract provides for a payment by the counterparty if the six-month LIBOR interest rate exceeds 5% on each determination date (every six months starting on 1 April 2006). The contract expires in 2008. Management has designated the interest rate cap as a cash flow hedge of the forecasted interest payments on the debt. As such, any payments received under the contract are offset against Metallurg’s interest expense on the Class B Notes. At 31 December 2006 and 2005, the fair value of the interest rate cap was \$301 and \$272, respectively.

Sudamin entered into two interest rate caps in April 2005 with a notional value of €8.5 million (approximately \$11,217 at 31 December 2006) to minimize its exposure to changes in the benchmark interest rate on the revolving credit facilities that the entity has with ING and Fortis. The caps were not designated as cash flow hedges at the inception of the contracts and have a maturity of three years. At 31 December 2006 and 2005, the fair value of the interest rate caps was \$158 and \$65, respectively.

The cash flow hedge was deemed to be highly effective and unrealized gains on the cash flow hedge amounted to \$122 and \$53 in the years ended 31 December 2006 and 2005, respectively. During the years ended 31 December 2006 and 2005, \$90 and nil, respectively, were reclassified to the income statement as offsets to interest expense.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

30 Financial instruments (continued)

The Company is exposed to volatility in the prices of raw materials used in some products and uses commodity forward contracts to manage these exposures. Such contracts generally mature within twelve months. The open commodity forward contracts as at 31 December 2006 are as follows:

	Metric Tons	Average price	Fair value
U.S. Dollar denominated contracts to purchase commodities:			
Aluminium forwards	2,825	\$2,660	\$514
Nickel forwards	12	11,608	271
Copper forwards	50	6,627	(19)
U.S. Dollar denominated contracts to sell commodities:			
Aluminium forwards	1,075	2,814	(19)
Nickel forwards	12	34,570	5

The open commodity forward contracts as at 31 December 2005 are as follows:

	Metric Tons	Average price	Fair value
U.S. Dollar denominated contracts to purchase commodities:			
Aluminium forwards	1,900	\$1,976	\$701
Nickel forwards	186	12,074	252
Copper forwards	75	3,040	78
U.S. Dollar denominated contracts to sell commodities:			
Aluminium forwards	625	2,198	(28)
Nickel forwards	96	12,910	(76)

Cash flow hedges were deemed to be highly effective and unrealized gains on cash flow hedges amounted to \$638 and \$1,171 in the years ended 31 December 2006 and 2005, respectively. During the years ended 31 December 2006 and 2005, \$1,703 and \$178 were reclassified to the income statement as decreases to cost of sales.

At any point in time, the Company also uses foreign exchange forward contracts to hedge a portion of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months. These contracts are negotiated to match the terms of the commitments and generally mature within one year. When necessary, these contracts are rolled over at maturity. Some foreign exchange forward contracts have been designated as cash flow hedges, while other contracts, although part of the risk management strategy, have not met the documentation requirements for hedge accounting and are therefore treated as economic hedges.

The open foreign exchange forward contracts as at 31 December 2006 are as follows:

Exposure	Notional Amount	Contract Rate	Fair Value Assets	Fair Value Liabilities
<i>Cash Flow Hedges</i>				
Euro (versus US Dollar)	€41.3 million	1.302	313	(323)
US Dollar (versus Euro)	\$25.9 million	1.301	530	—
<i>Economic Hedges</i>				
US Dollar (versus Euro)	\$43.8 million	1.305	356	(11)
Euro (versus Canadian Dollar)	€3.4 million	1.500	—	(119)
US Dollar (versus Canadian Dollar)	\$26.4 million	1.123	—	(812)

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

30 Financial instruments (continued)

The open foreign exchange forward contracts as at 31 December 2005 are as follows:

Exposure	Notional Amount	Average Price	Fair Value Assets	Fair Value Liabilities
<i>Cash Flow Hedges</i>				
British Pound Sterling (versus US Dollar)	£7.4 million	1.734	—	(129)
Euro (versus US Dollar)	€22.9 million	1.203	120	(6)
<i>Economic Hedges</i>				
US Dollar (versus Euro)	\$39.3 million	1.232	281	(1,710)
Canadian Dollar (versus Euro)	C\$0.1 million	1.3924	—	(1)
US Dollar (versus Canadian Dollar)	\$27.8 million	1.165	127	—

Cash flow hedges were deemed to be highly effective in the years ended 31 December 2006 and 2005 and unrealized gains on cash flow hedges amounted to \$144 and \$134 in the years ended 31 December 2006 and 2005, respectively. During the years ended 31 December 2006, \$2,208 was reclassified to the income statement as a decrease to cost of sales. In the year ended 31 December 2005, \$2,449 was reclassified to the income statement as an increase to cost of sales.

31 Leases

Operating leases as lessee

The Company has entered into leases for office space, facilities and equipment. The leases generally provide that the Company pays the tax, insurance and maintenance expenses related to the leased assets. These leases have an average life of 5-7 years with renewal terms at the option of the lessee at lease payments based on market prices at the time of renewal. There are no restrictions placed upon the lessee by entering into these leases. Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

Non-cancellable operating lease rentals are payable as follows:

	2006	2005
Less than one year	7,621	6,105
Between one and five years	20,338	12,152
More than five years	5,323	1,223
	<u>33,282</u>	<u>19,480</u>

During the year ended 31 December 2006 \$6,386 was recognised as an expense in the income statement in respect of operating leases (2005: \$5,377).

Finance leases as lessee

Certain subsidiaries of the Company have finance leases for equipment and software. These non-cancellable leases have remaining terms between one and five years. Future minimum lease payments under finance leases are as follows:

	2006	2005
Less than one year	20	140
Between one and five years	44	57
Total minimum lease payments	64	197
Less amounts representing finance charges	(5)	(12)
Present value of minimum lease payments	59	185

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

32 Capital commitments

The Company’s capital expenditures include projects related to improving the Company’s operations, productivity improvements, replacement projects and ongoing environmental requirements (which are in addition to expenditures discussed in “Environmental Remediation Provisions” above). As of 31 December 2006, the Company had committed to capital requirements in the amount of \$7,450 (2005: \$10,695).

33 Contingencies

Guarantees

The following table outlines the Company’s off-balance sheet credit-related guarantees and business-related guarantees for the benefit of third parties as of 31 December 2006:

	Business-related guarantees	Credit-related guarantees	Letters of Credit	Total
2006				
Total Amounts Committed:	46,351	6,655	6,220	59,226
Less than 1 year	32,825	6,655	522	40,002
2-5 years	6,859	—	—	6,859
After 5 years	6,667	—	5,698	12,365
2005				
Total Amounts Committed:	18,759	—	27,582	46,341
Less than 1 year	14,674	—	5,725	20,399
2-5 years	792	—	—	792
After 5 years	3,293	—	21,857	25,150

Environmental

As discussed in note 26, one of the subsidiaries entered into a fixed price remediation contract with an environmental consultant, whereby that consultant became primarily responsible for certain aspects of the environmental remediation. The subsidiary is still a secondary obligor for this remediation, in the event that the consultant does not perform.

The Company has other contingent liabilities related to certain environmental regulations at certain locations. LSM may be subject to certain regulations on accidents and hazardous substances with which the site does not currently comply. These regulations could impose compliance costs over a five-year period in the range of \$0.5 million—\$2.0 million. At SMC, a reserve has been recorded for the low-level radioactive slag pile (see note 26) which assumes that the Company will be able to remediate the pile using a long-term control license. However, this alternative may be challenged by certain governmental authorities. The second alternative, which the Company believes is not probable, is an offsite disposal alternative. This alternative could potentially cost up to \$63 million. The timing of the payments related to this contingent liability are uncertain due to the legal process that would ensue prior to this occurring. Finally, environmental regulations in France require monitoring of wastewater and potential clean-up to be performed at the Sudamin plant site in Chauny. Although the extent of these issues is not yet known, there is a possibility that the Company could incur remediation costs in excess of \$1 million.

Litigation

During 2006, Timminco was subject to a United States Department of Commerce (“DOC”) scope inquiry to determine whether Timminco’s product, exported from Canada into the United States, was covered by anti-dumping orders on magnesium from China and Russia. On 1 September 2006, the DOC released a preliminary finding which indicated that Timminco’s products were not covered by the anti dumping orders on magnesium from China and Russia and on 9 November 2006, the DOC released a final ruling in this matter which confirmed their preliminary findings.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

33 Contingencies (continued)

In addition to the anti-dumping inquiry discussed above and the environmental matters, which are discussed above and in note 26, the Company and its subsidiaries defend, from time to time, various claims and legal actions arising in the normal course of business. Management believes, based on the advice of counsel, that the outcome of such matters will not have a material adverse effect on the Company's combined financial position, results of operations or cash flows. There can be no assurance; however, that existing or future litigation will not result in an adverse judgment against the Company that could have a material adverse effect on the future results of operations or cash flows.

34 Related parties

Parent and ultimate controlling party

The Company is wholly owned by a group of investors led by and including Safeguard International Fund, L.P. ("Safeguard International"), an international private equity fund that invests primarily in equity securities of companies in process industries.

Transactions with key management personnel

Key management personnel compensation

Dr. Schimmelbusch and Mr. Spector are managing directors of the management company for Safeguard International, and in these positions receive benefits and perquisites from this management company.

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf.

The compensation of the management board of the Company comprised:

	2006	2005
Salaries and Bonus	4,804	4,694
Contributions to Defined Contribution Plans	19	7
Post-employment benefits	226	700
Other remuneration	40	35
	<u>5,089</u>	<u>5,436</u>

Other transactions with key management personnel

As at 31 December 2006, Directors of the Company, through their management company, control 100% percent of the voting shares of the Company. The relatives of Directors hold only a de minimus portion of the voting shares.

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Company Reorganisation

In December 2002, the Company's subsidiary, Metallurg Holdings, entered into a share purchase agreement with Safeguard International Fund PFW, L.L.C. ("PFW LLC"), a company owned by Safeguard, for the purchase of all of the issued and outstanding shares in GfE by PFW LLC for

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

34 Related parties (continued)

consideration of €1.00 and the assumption of GfE's debt, which included \$6.0 million payable to Metallurg by GfE. In connection with the transaction, PFW LLC invested \$1.0 million in GfE in the form of a loan to GfE. In December 2005, GfE entered into an agreement with PFW LLC for the sale of 100% of the stock in its subsidiary GfE Medical AG to PFW LLC, for consideration of €1.00, and the assignment of a debt owed to GfE by GfE Medical AG in the amount of €10.7 million to PFW LLC, also for consideration of €1.00. In December 2005, the Company's subsidiary ALD entered into a share purchase agreement with PFW LLC to acquire all of the issued and outstanding shares in GfE for consideration of €10.0 million in cash (paid in two equal instalments in December 2005 and in December 2006).

In June 2006, ALD transferred all of the issued and outstanding shares in GfE to its parent company, ALD International, in consideration for 20,510 shares in ALD (which are currently held by ALD as treasury shares). ALD International then transferred the shares in GfE to MDHC in exchange for 26% of the issued and outstanding shares in MDHC. Also in June 2006, Sudamin Holdings LLC, a company owned by Safeguard, contributed all the issued and outstanding shares in Sudamin to MDHC in exchange for shares in MDHC. MDHC then contributed all of the issued and outstanding shares in GfE and Sudamin to Metallurg Holdings in exchange for 4,797,665 shares of Metallurg Holdings' Series A Voting Convertible Preferred Stock, 5,476 shares of Metallurg Holdings' Series B Voting Convertible Preferred Stock and one share of Metallurg Holdings' common stock.

In December 2003, ALD International, a company owned by Safeguard, entered into a share purchase agreement with PFW Aerospace (then called Pfalz-Flugzeugwerke GmbH), also owned by Safeguard, for the sale of all of the issued and outstanding shares in ALD to PFW Aerospace for total consideration of €48.6 million, of which €20.0 million was paid in cash and €28.6 million was in the form of the assignment to ALD International of claims of PFW Aerospace against PFW Beteiligungs-Aktiengesellschaft ("PFW AG") and against PFW Acquisition GmbH, both companies owned by Safeguard. In March 2006, PFW Aerospace sold the shares in ALD back to ALD International for consideration of €48.6 million in cash, payment of which is deferred until December 2009 (the "Payment Claim"). In April 2006 PFW AG and PFW Acquisition GmbH merged with PFW Aerospace, so that PFW Aerospace assumed the debts of these companies that were assigned to ALD International in March 2006. Following a set-off in June 2006 of mutual claims between ALD International and PFW Aerospace, the outstanding Payment Claim currently amounts to approximately €16.1 million (including interest up to the end of December 2006). The outstanding Payment Claim including all interest is secured by a pledge of the shares in ALD, which will not be released before payment of the outstanding Payment Claim.

ALD Contribution

In March 2007 the Company issued 2,129,486 Shares to ALD International in exchange for the contribution by ALD International to the Company of all the outstanding shares in ALD (20,510 shares in ALD are currently held by ALD as treasury shares); in connection with this contribution the Company also assumed liability for the outstanding Payment Claim. The Company subsequently contributed the shares in ALD to ALD Holding, a wholly owned subsidiary of the Company, for nil consideration.

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

34 Related parties (continued)

DMHC Contribution

On 29 March 2007 the Company issued a total of 549,746 Shares in consideration for the contribution in kind (*inbreng anders dan in geld*) to the Company of shares held by each subscriber in the capital of MDHC. The value of the contribution in kind in excess of the nominal value of the issued Shares has been recorded as a voluntary share premium (*niet bedongen agio*). The table below sets forth the numbers of Shares issued to each subscriber on 29 March 2007.

Subscriber	Number of Shares
Safeguard	272,077
Safeguard Co-Investment Partnership, L.P.	167,414
SCP Private Equity Partners, L.P.	101,632
Safeguard Interfund	4,987
DLJ WIN I, L.L.C	1,268
Joseph Marren	1,268
Safeguard International Advisors, L.L.C.	423
Scott Honour	254
Robert McEvoy	254
Scott Morrison	169
Total	549,746

In addition, on 2 April 2007 the Company issued 254 Shares to The Lanigan Trust dated 8 March 2000 in consideration for cash (and at the same time The Lanigan Trust contributed its shares in the capital of MDHC as voluntary share premium).

Timminco Contribution

On 29 March 2007 the Company issued 173,893 Shares to BLP in consideration for the contribution in kind to the Company of 40,909,093 shares in the capital of Timminco. The value of the contribution in kind in excess of the nominal value of the issued Shares has been recorded as voluntary share premium payment. On the same date BLP transferred 170,977 Shares to Safeguard, 1,177 Shares to Safeguard Interfund and its remaining 1,739 Shares to Bécancour G.P., Inc. The Company issued an additional 189,840 Shares with respect to this contribution in June.

In January 2004, the Company’s 50.3% owned subsidiary Timminco entered into a call option agreement with PFW AG and Allied Resource Corporation, a company of which Dr. Schimmelbusch is the non-executive chairman, which entitled Timminco to acquire the entire issued share capital of a Norwegian company, NorWheels AS, which held (and still holds) approximately 24% of the shares in Fundo (in addition to the approximately 27% held directly by Timminco). Timminco exercised this option in March 2004 for a purchase price of US\$4.6 million, comprised of US\$3.3 million for the interest in NorWheels AS and US\$2.2 million in respect of certain fees and expenses paid by PFW AG in connection with the transaction. In connection therewith Timminco and Allied Resource Corporation terminated a fees agreement entered into by them dated December 2003 pursuant to which Allied Resource Corporation had granted Timminco the right to acquire certain rights of Allied Resource Corporation in respect of Fundo. Furthermore, in January 2004 Timminco was released from its obligations under an agreement with Allied Resource Corporation and ALD International of December 2003 regarding certain financing arrangements for the acquisition of shares in Fundo by Timminco.

In September 2004, Timminco entered into a stock purchase agreement with Bécancour, L.P. (“BLP”) and Bécancour Holding, Inc. (“BHI”), both of which entities were owned by Safeguard, to acquire the entire issued share capital of Bécancour. As consideration for the acquisition, Timminco issued an aggregate of 30,909,091 of its common shares to BLP and BHI and accepted the assignment of the

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

34 Related parties (continued)

Bécancour's liabilities to BLP under a convertible senior loan agreement, under which a principal amount of US\$7,500,000 was outstanding.

Loans

See Note 22 for specific related party debt included in this combined financial information.

Between January 2004 and May 2007, ALD entered into a series of loan agreements with Intellifast GmbH (formerly known as PFW Technologies GmbH), a subsidiary of Safeguard and PFW LLC, in an aggregate principal amount of \$1,706 all of which was outstanding as at 31 December 2006. The loans were made for growth capital and expansion purposes. The highest interest rate on the outstanding loans is three-month EURIBOR plus 5%.

ALD has also entered into a series of loan agreements with ALD International LLC, a subsidiary of Safeguard in 2005 and 2006. The aggregate amounts owed to ALD by ALD International LLC as of 31 December 2006 and 2005 were \$6,335 and \$3,552, respectively. These loans have interest rates of 11%. All loan agreements had short-term due dates which were prior to 31 December 2006. However, each loan also granted the borrower the ability to prolong the repayment using prolongation agreements which are in place currently.

Other Transactions

Metallurg Holdings Inc. currently has its headquarters located in office space leased by Safeguard International. Beginning 1 January 2006, Metallurg pays an allocation of Safeguard's costs related to the office and the utilities. In addition to the lease and utility expenses, certain amounts related to travel and entertainment and the salaries of certain employees are cross-charged to Metallurg Holdings by Safeguard. During the year ended 31 December 2006, Metallurg paid \$98 to Safeguard for its portion of costs related to the building. Amounts due to Safeguard at 31 December 2006 and 2005 were \$15 and \$66, respectively.

All outstanding balances with these related parties are priced on an arm's length basis. None of the balances are secured.

35 Subsequent events

On 1 March 2007, Safeguard, through an affiliate, loaned Timminco CAD 4.5 million to expedite product development and to fund its further investment in Fundo Wheels. The loan is repayable on demand, and bears interest at the U.S. prime rate plus 1%. The loan and related security are subordinate to the indebtedness and the security provided by the Corporation's senior lender, Bank of America, N.A. Under the terms of the loan, Safeguard, through its affiliate, has the option to convert the whole or any part of the outstanding principal amount at any time into common shares of the Corporation at a conversion rate of CAD\$0.42 per common share.

Contribution to AMG

By an amendment of the articles of association of the Company made on 29 March 2007, the authorised share capital of the Company was increased to €500,000 and the 450 issued shares in the capital of the Company with a nominal value of €100 each were divided into 450,000 Shares with a nominal value of €0.10 each.

The Company's share capital has since been increased as described below. As described below, more than 10% of the Company's share capital has been paid for with assets other than cash.

MDHC Contribution

On 29 March 2007 the Company issued a total of 549,746 Shares in consideration for the contribution in kind (*inbreng anders dan in geld*) to the Company of shares held by each subscriber in the capital of

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

35 Subsequent events (continued)

MDHC. The value of the contribution in kind in excess of the nominal value of the issued Shares has been recorded as a voluntary share premium (*niet bedongen agio*). The table below sets forth the numbers of Shares issued to each subscriber on 29 March 2007.

Subscriber	Number of Shares
Safeguard	272,077
Safeguard Co-Investment Partnership, L.P.	167,414
SCP Private Equity Partners, L.P.	101,632
Safeguard Interfund	4,987
DLJ WIN I, L.L.C	1,268
Joseph Marren	1,268
Safeguard International Advisors, L.L.C.	423
Scott Honour	254
Robert McEvoy	254
Scott Morrison	169
Total	549,746

In addition, on 2 April 2007 the Company issued 254 Shares to The Lanigan Trust dated 8 March 2000 in consideration for cash (and at the same time The Lanigan Trust contributed its shares in the capital of MDHC as voluntary share premium).

ALD Contribution

On 29 March 2007 the Company issued 2,129,486 Shares to ALD International in partial consideration for the contribution in kind to the Company of all of the outstanding shares in the capital of ALD (the remainder of the consideration being satisfied by the Company’s assumption of a debt payable to PFW Aerospace of approximately €16.1 million). The value of the contribution in kind in excess of the nominal value of the issued Shares has been recorded as voluntary share premium payment. On the same date ALD International transferred 2,114,937 Shares to Safeguard and its remaining 14,549 Shares to Safeguard Interfund.

Timminco Contribution

On 29 March 2007 the Company issued 173,893 Shares to BLP in consideration for the contribution in kind to the Company of 40,909,093 shares in the capital of Timminco. The value of the contribution in kind in excess of the nominal value of the issued Shares has been recorded as voluntary share premium payment. On the same date BLP transferred 170,977 Shares to Safeguard, 1,177 Shares to Safeguard Interfund and its remaining 1,739 Shares to Bécancour G.P., Inc. The Company issued an additional 189,840 Shares with respect to this contribution in June.

Current Share Capital

The Company’s authorised share capital as at 31 March 2007 was €500,000, divided into 5,000,000 Shares, each with a nominal value of €0.10. The Company’s issued share capital as at 31 March 2007 was €330,312.50, divided into 3,303,125 Shares. The Company’s issued share capital was increased on 2 April 2007 by the issue of 254 Old Shares, fully paid, to The Lanigan Trust as described above. All of the issued Shares were paid up in full.

On 29 March 2007, ALD paid a dividend to its parent company, ALC LLC, in the amount of \$4,690 (net of withholding: \$3,700).

On 30 April 2007, Timminco completed its public offering of 10,000,000 common shares at a price of C\$2.60 per share and raised gross proceeds of C\$26,000,000. The underwriters on the public offering also exercised their over-allotment option in full and purchased an additional 1,500,000 common

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

35 Subsequent events (continued)

shares at a price of C\$2.60 per common share for gross proceeds of C\$3,900,000. The total gross proceeds of the Offering was C\$29,900,000.

Also on 30 April, 2007, Safeguard completed its conversion of the entire principal amount outstanding under the \$2.0 million convertible promissory note issued 7 March 2006 to an affiliate of Safeguard into 5,601,000 common shares of Timminco at a conversion rate of C\$0.40 per common share. The number and percentage of common shares now held by AMG, after giving effect to the conversion of the principal amount outstanding under the \$2.0 million note into 5,601,000 common shares, the issuance of 10,000,000 common shares in connection with the offering and the issuance of 1,500,000 common shares in connection with the exercise of the over-allotment option, is 46,510,092 common shares, representing 50.3% of the total of issued and outstanding common shares of Timminco, being 92,439,864 common shares.

On 4 May 2007, the Company received a letter of default from the trustee of the Class A Term Notes. The default was in reference to the Company's inability to provide audited US GAAP financials for the year ended 31 December 2006. The default provides for 60 days in which the Company can cure the default. The default was waived and financial statement covenants were amended to allow for reporting under IFRS through a supplemental indenture signed in 21 June 2007.

Purchase of Land in Berlin by ALD

On 13 June 2007, ALD entered into a purchase agreement (the "**CNH Purchase Agreement**") to purchase, through its subsidiary Monopol 487. GmbH ("**Monopol**"), assets in Berlin, Germany from CNH Baumaschinen GmbH ("**CNH**"). The CNH Purchase Agreement remains subject to several conditions precedent and will terminate if these have not been satisfied by the end of September 2007. The principal asset is a hereditary building right which includes rights over a factory building and a multifunctional building that the Company intends to use to produce solar silicon melting and crystallisation furnaces following the acquisition.

Pursuant to a share purchase agreement dated 13 June 2007 (the "**Monopol SPA**"), ALD and Cello Vermögensverwaltungs- und Beteiligungsgesellschaft mbH ("**Cello**") acquired respectively 51% and 49%, of the shares in Monopol from CNH, for a total purchase price of €100 (net of value added tax). Before completion of the Monopol SPA, CNH established Monpol as a special purpose company with a share capital of €1,000,000 and undertook to make voluntary contributions of €14,500,000 into Monopol's capital reserve.

Pursuant to the CNH Purchase Agreement, CNH has agreed to sell to Monopol a hereditary building right which it holds relating to real estate in Berlin-Spandau, Germany, together with certain other assets for a total purchase price of €100 (net of value added tax). The hereditary building right is encumbered with, inter alia, a land charge in the amount of DEM 11,600,000 (€5,930,987) in favour of the State of Berlin. Monopol will assume this land charge as well as CNH's rights and obligations under the existing hereditary building right contract with Liegenschaftsfonds Berlin & Co. KG, the owner of the real estate encumbered with the hereditary building right. These obligations include the payment of ground rent of €396,384 per annum, which will be reduced to €248,503.20 per annum; the latter amount will be increased to €258,503.20 per annum with effect from 1 January 2013 and increased by a further €10,000 per annum every five years thereafter. The hereditary building right expires on 31 December 2038.

Monopol undertook to the State of Berlin in the CNH Purchase Agreement that ALD or companies nominated by ALD and Cello and accepted by the State of Berlin would establish at least 70 permanent jobs at the site by the end of 2007 and a further 80 by the end of 2008 and would maintain these 150 permanent jobs until the end of 2009. In the event of a breach of this undertaking, Monopol is required to pay to CNH a penalty of €50,000 multiplied by the number of jobs under 150 provided at the site at that time. Monopol has also undertaken to CNH in separate service and lease agreements to continue the provision of certain services needed by CNH and to let the office

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AMG Advanced Metallurgical Group N.V.
Notes to the Combined Financial Information (Continued)

35 Subsequent events (continued)

and other space to CNH, on both cases until 31 December 2011 and CNH has the option to extend the provisions of these services and the lease for a further five years.

The acquisition is being made on the basis of limited warranties. Under the terms of the CNH Purchase Agreement, Monopol indemnifies CNH from any liabilities relating to environmental contamination of the site and CNH gives no warranties in respect of the site's condition. Although CNH stated in the CNH Purchase Agreement that it is not aware of any contamination at the site, ALD has not carried out general environmental investigations into the site and there can be no assurance that it will not incur significant unforeseen costs for environmental liability.

ALD as a party to the CNH Purchase Agreement guarantees the performance of all obligations of Monopol under that agreement, even though ALD holds only 51% of the shares of Monopol. If the CNH Purchase Agreement is terminated or otherwise avoided, ALD and Cello are obliged to pay €15,500,000 (plus interest) to CNH upon demand as joint and several debtors. Any claims of Monopol against CNH arising out of or in connection with the CNH Purchase Agreement will lapse one year after the date of that agreement.

All agreements and statements in respect of this transaction become null and void if CNH does not comply with its obligations to pay up the share capital of Monopol in full and make the voluntary contributions of €14,500,000 into Monopol's capital reserve.

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**REVIEW REPORT ON THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
OF THE COMPANY FOR THE QUARTER ENDED 31 MARCH 2007**

Introduction

We have reviewed the Q1 interim report of AMG Advanced Metallurgical Group N.V., Amsterdam, the Netherlands, (hereafter the “Company”) as of 31 March 2007 and 2006, and for the three-month periods then ended. This interim report is the responsibility of the company’s management.

Scope

We conducted our review in accordance with ISRE 2410. According to that standard a review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with International Auditing Standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Opinion

Based on our review, we are not aware of any material modifications that should be made to the Q1 interim reports for them to be in conformity with International Financial Reporting Standards.

’s-Hertogenbosch, 26 June 2007

for Ernst & Young Accountants

/s/ A.J.M. VAN DER SANDEN

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UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE COMPANY
FOR THE QUARTER ENDED 31 MARCH 2007

AMG Advanced Metallurgical Group N.V.

Interim Consolidated Balance Sheet
At 31 March 2007

	31 March 2007	31 December 2006
	Unaudited	Unaudited
	In thousands of US Dollars	
Assets		
Property, plant and equipment	115,347	101,256
Intangible assets	45,422	44,898
Investments in associates	12,764	13,303
Deferred tax assets	24,580	21,731
Other assets	5,357	4,981
Total non-current assets	203,470	186,169
Inventories	157,746	169,068
Trade and other receivables	162,973	140,976
Derivative financial instruments	2,094	2,448
Prepayments	34,192	17,367
Cash and cash equivalents	88,382	54,610
Total current assets	445,387	384,469
Total assets	648,857	570,368
Equity		
Issued capital	441	59
Share premium	108,492	129,986
Other reserves	(19,956)	(15,313)
Retained earnings	(141,442)	(148,840)
Total equity attributable to shareholders of the Company	(52,465)	(34,108)
Minority interests	17,159	10,367
Total equity	(35,306)	(23,741)
Liabilities		
Loans and borrowings	195,928	185,386
Related party debt	21,965	721
Employee benefits	95,885	94,245
Provisions	5,841	5,835
Other liabilities	9,995	9,579
Deferred tax liabilities	17,701	12,989
Total non-current liabilities	347,315	308,755
Loans and borrowings	15,827	22,659
Short-term bank debt	47,601	53,180
Related party debt	17,438	14,815
Trade and other payables	110,708	93,841
Other liabilities	52,279	44,417
Derivative financial instruments	2,406	1,303
Advance payments	60,935	29,739
Current taxes payable	18,397	13,126
Provisions	11,257	12,544
Total current liabilities	336,848	285,624
Total liabilities	684,163	594,379
Total equity and liabilities	648,857	570,638

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AMG Advanced Metallurgical Group N.V.
Interim Consolidated Income Statement
For the three months ended 31 March 2007

	2007	2006
	Unaudited	Unaudited
	In thousands of	In thousands of
	US Dollars	US Dollars
Continuing operations		
Revenue	265,936	234,853
Cost of sales	220,833	194,769
Gross profit	45,103	40,084
Selling, general and administrative expenses	25,638	23,483
Restructuring and asset impairment expense	7	404
Environmental expenses	120	5,745
Other expenses	25	152
Other income	(1,278)	(23)
Operating profit	20,591	10,323
Interest expense	9,381	8,671
Interest income	(966)	(609)
Net finance costs	8,415	8,062
Share of profit of associates	(130)	(402)
Profit before income tax	12,046	1,859
Income tax expense	5,043	2,191
Profit for the period	7,003	(332)
Attributable to:		
Shareholders of the Company	7,398	139
Minority interests	(395)	(471)
	7,003	(332)
Earnings per share		
Basic earnings per share	199.14	—
Diluted earnings per share	2.11	—

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AMG Advanced Metallurgical Group N.V.
Interim Consolidated Statement of Changes in Equity
For the three months ended 31 March 2007

	Equity attributable to shareholders of the parent					Minority interests	Total Equity
	Issued capital	Share premium	Other reserves	Retained earnings	Total		
	In thousands of US Dollars						
Balance at 1 January 2007	59	129,986	(15,313)	(148,840)	(34,108)	10,367	(23,741)
Foreign currency translation	—	—	(4,203)	—	(4,203)	(284)	(4,487)
Gain on cash flow hedges, net of tax	—	—	(440)	—	(440)	—	(440)
Total income and expense for the period recognised directly in equity	—	—	(4,643)	—	(4,643)	(284)	(4,927)
Profit (loss) for the period	—	—	—	7,398	7,398	(395)	7,003
Total income and expense for the period .	—	—	(4,643)	7,398	2,755	(679)	2,076
Issuance of shares for contribution in kind	382	(21,548)	—	—	(21,166)	—	(21,166)
Consolidation of FNE	—	—	—	—	—	5,917	5,917
Convertible debt	—	—	—	—	—	1,509	1,509
Equity-settled share-based payments	—	54	—	—	54	45	99
Balance at 31 March 2007	441	108,492	(19,956)	(141,442)	(52,465)	17,159	(35,306)

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AMG Advanced Metallurgical Group N.V.
Interim Consolidated Statement of Changes in Equity
For the three months ended 31 March 2006

	Equity attributable to shareholders of the parent					Minority interests	Total Equity
	Issued capital	Share premium	Other reserves	Retained earnings	Total		
	In thousands of US Dollars						
Balance at 1 January 2006	—	129,131	(3,593)	(153,347)	(27,809)	18,984	(8,825)
Foreign currency translation	—	—	219	—	219	(17)	202
Gain on cash flow hedges, net of tax . . .	—	—	(129)	—	(129)	—	(129)
Total income and expense for the period recognised directly in equity	—	—	90	—	90	(17)	73
Profit (loss) for the period	—	—	—	139	139	(471)	(332)
Total income and expense for the period	—	—	90	139	229	(488)	(259)
Convertible Debt	—	—	—	—	—	642	642
Equity-settled share-based payments . . .	—	58	—	—	58	49	107
Balance at 31 March 2006	—	129,189	(3,503)	(153,208)	(27,522)	19,187	(8,335)

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AMG Advanced Metallurgical Group N.V.
Interim Consolidated Condensed Cash Flow Statement
For the three months ended 31 March 2007

For the three months ended 31 March	2007	2006
	Unaudited	Unaudited
	In thousands of US Dollars	
Cash flows from operating activities		
Profit for the period	7,003	(332)
Adjustments for:		
Depreciation and amortization	4,523	4,181
Restructuring expense and impairment losses	7	404
Environmental expense	68	5,745
Net finance costs	8,415	8,062
Share of loss of associates	130	402
Income tax expense	5,043	2,191
Change in working capital	25,587	(8,118)
Other	(1,458)	309
Interest paid	(1,042)	(1,400)
Income tax paid	(1,951)	(1,852)
Cash paid for dividends	(3,622)	—
Net cash flows from operating activities	42,703	9,592
Cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	701	417
Acquisitions of property, plant and equipment	(6,676)	(5,516)
Acquisitions, net of cash	(1,547)	—
Other	1,008	476
Net cash flows used in investing activities	(6,514)	(4,623)
Cash flows (used in) from financing activities		
Proceeds from issuance of debt	127	3,388
Repayment of borrowings	(3,502)	(1,253)
Capital infusion	67	—
Other	(456)	(48)
Net cash flows (used in) provided by financing activities	(3,764)	2,087
Net increase in cash and cash equivalents	32,425	7,056
Cash and cash equivalents at 1 January	54,610	50,317
Effect of exchange rate fluctuations on cash held	1,347	911
Cash and cash equivalents at 31 March	88,382	58,284

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AMG Advanced Metallurgical Group N.V.
Notes to the Condensed Consolidated Financial Statements

1 Reporting entity

AMG Advanced Metallurgical Group N.V. (the “Company”) is domiciled in the Netherlands. The Company was incorporated in the Netherlands as a public limited liability company on 21 November 2006 by Safeguard International Fund and did not have ownership interest in any company at that time. It is comprised of a group of companies that were contributed to the Company by Safeguard in March 2007. The subsidiaries that make up the combined entity are primarily located in Europe, North America and South America. The principal activities of the company and its subsidiaries are described in Note 6.

The interim condensed consolidated financial statements of the Company for the three months ended 31 March 2007 were authorised for issue by the Supervisory Board on 5 June 2007.

2 Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2007 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements represent the combined financial information of the Company and its subsidiaries, which have been contributed to the Company by Safeguard on 29 March 2007.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual combined financial information as at 31 December 2006.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual combined financial information for the year ended 31 December 2006, except for the adoption of the following amendments mandatory for the annual periods beginning on or after 1 January 2007:

- IFRIC 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Adoption of IFRIC 10 did not have any significant impact on the condensed consolidated financial statements.
- IFRIC 11 IFRS 2: Company and Treasury shares transactions clarifies IFRS 2 in stating whether cash-settled or equity-settled accounting treatment should be used for certain share-based arrangements. Adoption of IFRIC 11 did not have any significant impact on the condensed consolidated financial statements.
- IFRIC 12 Service Concession Arrangements gives guidance on the accounting by operators for public-to-private service concession arrangements. Adoption of IFRIC 12 did not have any impact on the condensed consolidated financial statements.

3 Cash and Cash equivalents

Cash and cash equivalents are comprised of the following:

	31 March 2007	31 December 2006
Bank balances	81,294	58,284
Time deposits	7,088	—
	<u>88,382</u>	<u>58,284</u>

Bank balances earn interest at floating rates based on daily bank deposit rates while cash equivalents are time deposits with maturities of three months or less which earn interest based on the maturities.

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AMG Advanced Metallurgical Group N.V.
Notes to the Condensed Consolidated Financial Statements (Continued)

4 Income Tax

The major components of income tax expense in the consolidated income statement are:

	31 March 2007	31 March 2006
Current income tax		
Current income tax charge	4,539	2,069
Deferred income tax		
Relating to origination and reversal of temporary differences	504	122
Total income tax expense reported in the income statement	5,043	2,191

5 Business Combinations and acquisitions

On 7 June 2006, GfE made a payment, valued at approximately \$2,700, to purchase a 24.9% share of ownership in FNE Forschungsinstitut für Nichteisen-Metalle Freiberg GmbH (“FNE”) from its current family ownership. The subsidiary FNE has state-of-the-art production capabilities for rotatable targets, a key to large area coating requirements.

The purchase agreement included a call option under which GfE was entitled to purchase the remaining shares for a defined purchase price within the timeframe from 1 January 2007 through 1 January 2008. Additionally, the seller is entitled to a put option under which the purchase of the shares by GfE can be requested for the same consideration in the timeframe from 1 January 2008 through 31 March 2008. The purchase price for 100% of FNE, according to the purchase agreement, is approximately \$6,268. The payment made has been recorded as an investment in associates of \$1,694 and an option value of \$1,078. As of 31 December 2006, this has been accounted for as an equity investment. However, due to the call option that is effective starting 1 January 2007, this is being consolidated in the year ended 31 December 2007.

The fair value of identifiable assets and liabilities of FNE approximated carrying value. These values as at the date of consolidation were:

Property, plant and equipment	11,685
Cash	759
Prepayments	1,630
Trade receivables	1,646
Inventories	2,558
	18,278
Trade payables	6,315
Income tax payable	3
Debt	4,049
Deferred tax liability	11
Pension liability	437
	10,815
Fair value of net assets	7,463
Fair value of net assets acquired (24.9%)	1,858
Negative goodwill arising on acquisition	164
Total acquisition cost of 24.9%	1,694

From the date of consolidation, FNE has contributed \$380 to the profit of the Company.

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AMG Advanced Metallurgical Group N.V.
Notes to the Condensed Consolidated Financial Statements (Continued)

5 Business Combinations and acquisitions (continued)

In March 2007, Timminco acquired an additional 453 shares of FundoWheels from treasury for approximately \$1,547. The Hoyanger Community, which owns a portion of Fundo Wheels, also invested such that Timminco’s ownership interest remained at 47%. The acquisition of the interest did not create any purchase discrepancy.

6 Segment information

The primary segment reporting format is determined to be business segments as the Company’s risks and rates of return are affected primarily by differences in the products and services it provides.

Advanced Materials Unit—This unit manufactures and sells high-quality specialty metals, alloys and metallic chemicals which are essential to the production of high-performance aluminium and titanium alloys, superalloys, steel and certain non-metallic materials for various applications in the aerospace, power supply, automotive, petrochemical processing and telecommunications industries. It also manufactures and supplies engineered magnesium extrusion. These products are used in a broad range of specialized industrial applications in the aluminum, steel, lead, and automotive industries. These products are used as components in sporting goods, tools, luggage frames, storage containers, aerospace and nuclear applications. This unit operates in the U.S., Canada, Brazil, the United Kingdom, Germany and France.

Engineering Systems Unit—This unit is the leading global supplier of processes and services in the field of vacuum process technology. Core specialties of ALD are the development of processes and the design of plants, which are made to ALD’s concept by partners in the supplier industry. ALD serves a demanding group of international customers with its branches in North America, Japan and Britain, and more than 70 representative offices around the world.

Quarter Ended 31 March 2007

	Advanced Materials	Engineering Systems	Other and Eliminations	Total
Revenue				
Revenue from external customers	\$204,734	\$61,202	—	\$265,936
Segment Result				
Operating Profit	9,297	11,361	(67)	20,591
Interest income	273	1,021	(328)	966
Interest expense	(9,334)	(375)	328	(9,381)
Share of (loss) profit of associates	(147)	17	—	(130)
Profit before income tax	89	12,024	(67)	12,046
Income tax expense (benefit)	370	4,673	—	5,043
Profit for period	(281)	7,351	(67)	7,003

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AMG Advanced Metallurgical Group N.V.
Notes to the Condensed Consolidated Financial Statements (Continued)

6 Segment information (continued)
Quarter Ended 31 March 2006

	Advanced Materials	Engineering Systems	Other and Eliminations	Total
Revenue				
Revenue from external customers	\$194,667	\$40,186	—	\$234,853
Segment Result				
Operating Profit	2,525	7,798	—	10,323
Interest Income	441	168	—	609
Interest Expense	(7,912)	(759)	—	(8,671)
Share of loss of associates	(392)	(10)	—	(402)
Profit (loss) before income tax	(5,338)	7,197	—	1,859
Income tax expense (benefit)	(594)	2,785	—	2,191
Profit for period	(4,744)	4,412	—	(332)

7 Property, plant and equipment
Acquisitions and disposals

During the three months ended 31 March 2007, assets with a cost of \$6,676 (2006: \$5,516) were acquired, not including property, plant and equipment acquired through a business combination (note 5).

Assets with a book value of \$987 were disposed of during the three months ended 31 March 2007 (2006: \$57) resulting in a gain on disposal of \$77 (2006: loss of \$25).

8 Inventories

During the three months ended 31 March 2007, inventory in the amount of \$308 (2006: \$448) was impaired. This expense is included in cost of goods sold in the consolidated income statement.

9 Provisions

Restructuring

During the three months ended 31 March 2007, payments of \$1,801 (2006: \$834) were made from the restructuring provision and additional provisions of \$7 (2006: \$404) were accrued.

Environmental

During the three months ended 31 March 2007, payments of \$220 (2006: \$348) were made from the environmental provision and additional provisions of \$68 (2006: \$5,745) were accrued.

Other

During the three months ended 31 March 2007, payments of \$656 (2006: \$164) were made from the warranty provision and additional provisions of \$2,192 (2006: \$0) were accrued.

10 Pension plans

The subsidiaries of the Company have several defined benefit pension plans in North America and Europe. Some of these plans require that contributions be made to separately administered funds. The increase in the employee benefits liability is due to the pension expense recognised in the first quarter which was in excess of the pension contributions made.

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AMG Advanced Metallurgical Group N.V.
Notes to the Condensed Consolidated Financial Statements (Continued)

11 Share-based payment

No new stock options were granted.

12 Interest-bearing loans and borrowings

Borrowing and repayment of debt

In the three months ended 31 March 2007 and 2006, certain subsidiaries borrowed additional funds from credit facilities that were in place at 31 December 2006 and 2005. Total borrowings were \$127 (2006: \$3,388) and total repayments on those same facilities were \$3,502 (2006: \$1,253).

13 Commitments and contingencies

No new commitments and contingencies have developed since 31 December 2006 and no new capital commitments have been made in that period.

14 Related party transactions

On 1 March 2007, Safeguard, through an affiliate, loaned Timminco CAD 4.5 million to expedite product development and to fund its further investment in Fundo Wheels. The loan is repayable on demand, and bears interest at the U.S. prime rate plus 1%. The loan and related security are subordinate to the indebtedness and the security provided by Timminco's senior lender, Bank of America, N.A. Under the terms of the loan, Safeguard, through its affiliate, has the option to convert the whole or any part of the outstanding principal amount at any time into common shares of the Corporation at a conversion rate of CAD\$0.42 per common share. A call option is in place for AMG whereby if the conversion feature is exercised by Safeguard, the Company can call upon the applicable new issued shares.

Contribution to AMG

By an amendment of the articles of association of the Company made on 29 March 2007, the authorised share capital of the Company was increased to EUR 500,000 and the 450 issued shares in the capital of the Company with a nominal value of EUR 100 each were divided into 450,000 Shares with a nominal value of EUR 0.10 each.

The Company's share capital has since been increased as described below. As described below, more than 10% of the Company's share capital has been paid for with assets other than cash.

MDHC Contribution

On 29 March 2007 the Company issued a total of 549,746 Shares in consideration for the contribution in kind (*inbreng anders dan in geld*) to the Company of shares held by each subscriber in the capital of MDHC. The value of the contribution in kind in excess of the nominal value of the issued Shares has

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AMG Advanced Metallurgical Group N.V.
Notes to the Condensed Consolidated Financial Statements (Continued)

14 Related party transactions (continued)

been recorded as a voluntary share premium (*niet bedongen agio*). The table below sets forth the numbers of Shares issued to each subscriber on 29 March 2007.

Subscriber	Number of Shares
Safeguard	272,077
Safeguard Co-Investment Partnership, L.P.	167,414
SCP Private Equity Partners, L.P.	101,632
Safeguard Interfund	4,987
DLJ WIN I, L.L.C.	1,268
Joseph Marren	1,268
Safeguard International Advisors, L.L.C.	423
Scott Honour	254
Robert McEvoy	254
Scott Morrison	169
Total	549,746

In addition, on 2 April 2007 the Company issued 254 Shares to The Lanigan Trust dated 8 March 2000 in consideration for cash (and at the same time The Lanigan Trust contributed its shares in the capital of MDHC as voluntary share premium).

ALD Contribution

On 29 March 2007 the Company issued 2,129,486 Shares to ALD International in partial consideration for the contribution in kind to the Company of all of the outstanding shares in the capital of ALD (the remainder of the consideration being satisfied by the Company’s assumption of a debt payable to PFW Aerospace of approximately €16.1 million). The value of the contribution in kind in excess of the nominal value of the issued Shares has been recorded as voluntary share premium payment. On the same date ALD International transferred 2,114,937 Shares to Safeguard and its remaining 14,549 Shares to Safeguard Interfund.

Timminco Contribution

On 29 March 2007 the Company issued 173,893 Shares to BLP in consideration for the contribution in kind to the Company of 40,909,093 shares in the capital of Timminco. The value of the contribution in kind in excess of the nominal value of the issued Shares has been recorded as voluntary share premium payment. On the same date BLP transferred 170,977 Shares to Safeguard, 1,177 Shares to Safeguard Interfund and its remaining 1,739 Shares to Bécancour G.P., Inc. The Company issued an additional 189,840 Shares with respect to this contribution in June.

Current Share Capital

The Company’s authorised share capital as at 31 March 2007 was EUR 500,000, divided into 5,000,000 Shares, each with a nominal value of EUR 0.10. The Company’s issued share capital as at 31 March 2007 was EUR 330,312.50, divided into 3,303,125 Shares. The Company’s issued share capital was increased on 2 April 2007 by the issue of 254 Old Shares, fully paid, to The Lanigan Trust as described above. All of the issued Shares were paid up in full.

No other significant related party transactions have occurred in the three months ended 31 March 2007, other than the continuing payment of rent and utilities by Metallurg to Safeguard, as more fully disclosed in the annual report.

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AMG Advanced Metallurgical Group N.V.
Notes to the Condensed Consolidated Financial Statements (Continued)

15 Subsequent events

On 30 April 2007, Timminco completed its public offering of 10,000,000 common shares at a price of C\$2.60 per share and raised gross proceeds of C\$26.0 million. The underwriters on the public offering also exercised their over-allotment option in full and purchased an additional 1,500,000 common shares at a price of C\$2.60 per common share for gross proceeds of C\$3.9 million. The total gross proceeds of the Offering were C\$29.9 million. On 30 April 2007, the financing and the exercise of the over-allotment option were completed resulting in proceeds of C\$28.0 million net of transaction fees.

Also on 30 April 2007, Timminco announced that Safeguard had completed its conversion of the entire amount outstanding under the \$2.0 million convertible promissory note issued 7 March 2006 into 5,601,000 shares. Those shares were contributed to AMG in order to ensure that AMG maintained control of the entity. As at 30 April 2007, AMG owned 50.4% of the shares of Timminco.

On 4 May 2007, the Company received a letter of default from the trustee of the Class A Term Notes. The default was in reference to the Company's inability to provide audited US GAAP financials for the year ended 31 December 2006. The default was waived and financial statement covenants were amended to allow for reporting under IFRS through a supplemental indenture signed on 21 June 2007.

Purchase of Land in Berlin by ALD

On 13 June 2007, ALD entered into a purchase agreement (the "**CNH Purchase Agreement**") to purchase, through its subsidiary Monopol 487. GmbH ("**Monopol**"), assets in Berlin, Germany from CNH Baumaschinen GmbH ("**CNH**"). The CNH Purchase Agreement remains subject to several conditions precedent and will terminate if these have not been satisfied by the end of September 2007. The principal asset is a hereditary building right which includes rights over a factory building and a multifunctional building that the Company intends to use to produce solar silicon melting and crystallisation furnaces following the acquisition.

Pursuant to a share purchase agreement dated 13 June 2007 (the "**Monopol SPA**"), ALD and Cello Vermögensverwaltungs- und Beteiligungsgesellschaft mbH ("**Cello**") acquired respectively 51% and 49%, of the shares in Monopol from CNH, for a total purchase price of €100 (net of value added tax). Before completion of the Monopol SPA, CNH established Monpol as a special purpose company with a share capital of €1,000,000 and undertook to make voluntary contributions of €14,500,000 into Monopol's capital reserve.

Pursuant to the CNH Purchase Agreement, CNH has agreed to sell to Monopol a hereditary building right which it holds relating to real estate in Berlin-Spandau, Germany, together with certain other assets for a total purchase price of €100 (net of value added tax). The hereditary building right is encumbered with, inter alia, a land charge in the amount of DEM 11,600,000 (€5,930,987) in favour of the State of Berlin. Monopol will assume this land charge as well as CNH's rights and obligations under the existing hereditary building right contract with Liegenschaftsfonds Berlin & Co. KG, the owner of the real estate encumbered with the hereditary building right. These obligations include the payment of ground rent of €396,384 per annum, which will be reduced to €248,503.20 per annum; the latter amount will be increased to €258,503.20 per annum with effect from 1 January 2013 and increased by a further €10,000 per annum every five years thereafter. The hereditary building right expires on 31 December 2038.

Monopol undertook to the State of Berlin in the CNH Purchase Agreement that ALD or companies nominated by ALD and Cello and accepted by the State of Berlin would establish at least 70 permanent jobs at the site by the end of 2007 and a further 80 by the end of 2008 and would maintain these 150 permanent jobs until the end of 2009. In the event of a breach of this undertaking, Monopol is required to pay to CNH a penalty of €50,000 multiplied by the number of jobs under 150 provided at the site at that time. Monopol has also undertaken to CNH in separate service and lease agreements to continue the provision of certain services needed by CNH and to let the office and other space to CNH, on both cases until 31 December 2011 and CNH has the option to extend the provisions of these services and the lease for a further five years.

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AMG Advanced Metallurgical Group N.V.
Notes to the Condensed Consolidated Financial Statements (Continued)

15 Subsequent events (continued)

The acquisition is being made on the basis of limited warranties. Under the terms of the CNH Purchase Agreement, Monopol indemnifies CNH from any liabilities relating to environmental contamination of the site and CNH gives no warranties in respect of the site’s condition. Although CNH stated in the CNH Purchase Agreement that it is not aware of any contamination at the site, ALD has not carried out general environmental investigations into the site and there can be no assurance that it will not incur significant unforeseen costs for environmental liability.

ALD as a party to the CNH Purchase Agreement guarantees the performance of all obligations of Monopol under that agreement, even though ALD holds only 51% of the shares of Monopol. If the CNH Purchase Agreement is terminated or otherwise avoided, ALD and Cello are obliged to pay €15,500,000 (plus interest) to CNH upon demand as joint and several debtors. Any claims of Monopol against CNH arising out of or in connection with the CNH Purchase Agreement will lapse one year after the date of that agreement.

All agreements and statements in respect of this transaction become null and void if CNH does not comply with its obligations to pay up the share capital of Monopol in full and make the voluntary contributions of €14,500,000 into Monopol’s capital reserve.

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COMPANY

AMG ADVANCED METALLURGICAL GROUP N.V.
Prins Bernhardplein 200
1097 JB Amsterdam
The Netherlands

SOLE BOOKRUNNER

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

CO-LEAD MANAGER, LISTING AGENT AND PAYING AGENT

ING Bank N.V.
Amstelveenseweg 500
1081 KL Amsterdam
The Netherlands

LEGAL ADVISERS TO THE COMPANY
As to Dutch, English and US law:

Lovells LLP
Frederiksplein 42
1017 XN Amsterdam
The Netherlands

Lovells LLP
Atlantic House
Holborn Viaduct
London EC1A 2FG
United Kingdom

Lovells LLP
590 Madison Avenue
New York, New York 10022
United States of America

LEGAL ADVISERS TO THE MANAGERS
As to US and English law:

Skadden, Arps, Slate, Meagher & Flom (UK) LLP
40 Bank Street
Canary Wharf
London E14 5DS
United Kingdom

As to Dutch Law:

De Brauw Blackstone Westbroek N.V.
Burgerweeshuispad 301
1076 HR Amsterdam
P.O. Box 75084
1070 AB Amsterdam
The Netherlands

INDEPENDENT AUDITORS OF THE COMPANY

Ernst & Young Accountants
Europalaan 28c
5232 BC 's-Hertogenbosch
The Netherlands

