Aleris International, Inc.
Form 10-K
March 31, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2007

¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File No. 1-7170

Aleris International, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

75-2008280

(I.R.S. Employer Identification No.)

25825 Science Park Drive, Suite 400

Beachwood, Ohio 44122-7392

(Address of principal executive offices) (Zip code)

(216) 910-3400

(Registrant s telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x	Smaller reporting company	¨
(Do not check if a smaller reporting company)			

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the registrant s voting and non-voting common stock held by non-affiliates is zero. The registrant is a privately held corporation.

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of March 31, 2008.

Common Stock, $0.01 par value: 900 shares

DOCUMENTS INCORPORATED BY REFERENCE: None

PART I

ITEM 1. BUSINESS.

Introductory Note: This annual report contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements should be read in conjunction with the cautionary statements and other important factors included in this annual report under Item 1A Risk Factors and Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations which include descriptions of important factors which could cause actual results to differ materially from those contained in the forward-looking statements. Our expectations, beliefs and projections are expressed in good faith, and we believe we have a reasonable basis to make these statements through our management s estimation of historical operating trends, data contained in our records and other data available from third parties, but there can be no assurance that our management s expectations, beliefs or projections will result or be achieved. The discussions of our financial condition and results of our operations may include various forward-looking statements about future costs and prices of commodities, production volumes, market trends, demand for our products and services and projected results of operations. Statements contained in this annual report that are not historical in nature are considered to be forward-looking statements. They include, but are not limited to, statements regarding our expectations, hopes, beliefs, estimates, plans, objectives, goals, strategies, future events or performance, and intentions regarding the future. The words believe, expect, anticipate, intend, estimate, will, plan, predict, project, look forward to, and similar exp intended to identify forward-looking statements.

The financial statements contained in this Annual Report on Form 10-K (the Report) include the accounts of Aleris International, Inc. and all of its majority owned subsidiaries. On January 11, 2008, we sold our zinc business. The results of our global zinc segment are treated as discontinued operations within the financial statements herein. All discussion of our business and financial statements in this Report, unless otherwise noted, excludes our global zinc segment. As used in this Report, unless the context indicates otherwise:

- the terms Aleris, we, our, us and the Company refer to Aleris International, Inc. and its consolidated subsidiaries;

- references to Holdings are to Aurora Acquisition Holdings, Inc., a company formed by TPG for the purposes of acquiring us;

- references to Merger Sub are to Aurora Acquisition Merger Sub, Inc., a company formed by TPG for the purposes of acquiring us;

- references to TPG are to Texas Pacific Group;

- the term TPG Acquisition means the merger of Merger Sub with and into Aleris through which we became a wholly owned subsidiary of Holdings;

- the term 2005 Acquisitions refers to the acquisition of (i) ALSCO Holdings, Inc. (ALSCO) on October 3, 2005 (a manufacturer and fabricator of aluminum sheet products for the building and construction industry), (ii) Alumitech, Inc. (Alumitech) on December 12, 2005 (an aluminum recycler and salt cake processor), (iii) Tomra Latasa Reciclagem (Tomra Latasa) on August 23, 2005 (a Brazilian aluminum recycler) and (iv) certain assets of Ormet Corporation (Ormet) on December 20, 2005 (including rolling mill assets, a recycling operation and an aluminum blanking operation);

- references to Corus are to Corus Group plc and its subsidiaries;

- references to Corus Aluminum are to Corus Aluminium Rolled Products BV, Corus Aluminium NV, Corus Aluminium GmbH, Corus Aluminium Corp., Corus Hylite BV and Hoogovens Aluminium Europe Inc. and certain of their subsidiaries, Corus LP, Corus Aluminum Inc. and, at the acquisition, 61% shareholding in Corus Aluminium Extrusions Tianjin Company Limited (Tianjin), which comprised the downstream aluminum business of Corus. We now own 100% of Tianjin;

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the term 2007 Acquisitions refers to the acquisition of (i) Wabash Alloys (an aluminum casting alloy producer) on September 11, 2007, (ii) EKCO Products (EKCO) on May 3, 2007 (a light gauge sheet and heavy gauge foil producer) and (iii) Alumox Holding AS (Alumox) on September 21, 2007 (a recycler of aluminum);

the term Wabash Alloys means, collectively, Wabash U.S., Wabash Canada, ARS and Wabash Mexico (each defined below);

the term Wabash Alloys Acquisition means (a) the acquisition of all of the issued and outstanding limited or unlimited liability company interests, shares or other equity interests of Wabash Alloys, L.L.C., a Delaware limited liability company (Wabash U.S.), Connell Industries Canada Company, a Nova Scotia unlimited liability company (Wabash Canada) and Aluminum Recycling Services, S. de R.L. de C.V., a corporation (sociedad de responsibilidad limitada de capital variable) organized under the laws of the United Mexican States (ARS) and (b)(i) the acquisition of all of the assets, properties, rights, privileges, franchises, operations, goodwill and business of Wabash Alloys, S. de R.L. de C.V., a corporation (sociedad de responsibilidad limitada de capital variable) organized under the laws of the United Mexican States (Wabash Mexico) and (ii) the assumption of all of the liabilities and obligations of Wabash Mexico (other than any liabilities of Wabash Mexico for taxes);

the term Wabash Alloys Transactions refers to (i) the Wabash Alloys Acquisition, (ii) the issuance of the Notes to Deutsche Bank Securities Inc. on September 11, 2007 (the 9% New Senior Notes), (iii) additional borrowings under our Revolving Credit Facility (defined below),and (iv) the payment of costs related to these transactions;

references to Notes means the $600.0 million of senior notes (Senior Notes), the $400.0 million of senior subordinated notes (Senior Subordinated Notes) and the 9% New Senior Notes;

references to 2006 Credit Facilities means the $750.0 million amended and restated revolving credit facility which was amended as of August 23, 2007 by the execution of an incremental commitment agreement, which increased the facility size by $100.0 million to $850.0 million, subject to applicable borrowing bases, (the Revolving Credit Facility) and the amended and restated term loan facility with maximum borrowings to $825.0 million and 303.0 million (the Term Loan Facility); and

references to Zinc Disposition means the sale of all of the issued and outstanding shares of capital stock of each of U.S. Zinc Corporation, a Delaware corporation (USZ), and Interamerican Zinc, Inc., a Delaware corporation (IZI), and Aleris Asia Pacific Zinc (Barbados) Ltd., a Barbados company (AAPZ and, together with USZ and IZI, the Zinc Companies) to affiliates of Votorantim Metais Ltda. on January 11, 2008.

When we refer to 2007 shipment or financial information presented on a pro forma basis, we are giving pro forma effect to the 2007 Acquisitions as if they had occurred on January 1, 2007 and are including the results of the 2007 Acquisitions with ours for all of 2007.

Information in this annual report concerning processing volumes, production capacity, rankings and other industry information, including our general expectations concerning the rolled aluminum products and aluminum and zinc recycling industries, are based on estimates prepared by us using certain assumptions and our knowledge of these industries as well as data from third party sources. This data includes, but is not limited to, data from The Aluminum Association and U.S. Geological Surveys. Such sources generally state that the information contained therein is believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third party sources, nor have we ascertained the underlying economic assumptions relied upon therein.

Company Overview

We are a global leader in aluminum rolled and extruded products, aluminum recycling and specification alloy production. In 2007 and in prior years, we were also a recycler of zinc and a leading U.S. manufacturer of zinc metal and value-added zinc products that included zinc oxide and zinc dust. We sold our global zinc segment on January 11, 2008. We generate substantially all of our revenues from the manufacture and sale of these products. We operate 48 production facilities, not including the former zinc facilities, in North America, Europe, South America and Asia. We possess a combination of low-cost, flexible and technically advanced manufacturing operations supported by an industry-leading research and development platform. Our facilities are strategically located and well positioned to service our customers, which include a number of the world s largest companies in the aerospace, building and construction, containers and packaging, metal distribution and transportation industries. On a pro forma basis, we generated revenues of $6.6 billion in the year ended December 31, 2007, of which approximately 58% were derived from North America and the remaining 42% were derived from the rest of the world.

Since the end of 2004, we have grown through a combination of internal growth and productivity initiatives for our existing operations and strategic acquisitions. We have completed eight strategic acquisitions targeted at broadening product offerings and geographic presence, diversifying our end-use customer base and increasing our scale and scope. We focus on acquisitions that are accretive to earnings and from which we expect to be able to realize significant operational efficiencies within 12 to 24 months through the integration process.

We operate our business in two global segments: global rolled and extruded products and global recycling. Our former global zinc segment is accounted for in our financial statement in discontinued operations.

Global Rolled and Extruded Products

We are a producer of rolled aluminum products with leading positions in technically sophisticated applications, including aerospace plate and sheet, brazing sheet and demanding automotive sheet end-uses as well as high-volume applications used in building and construction and general distribution. We produce aluminum sheet, plate and fabricated products using direct-chill and continuous-cast processes. We believe that many of our facilities are state-of-the-art and provide us with proprietary manufacturing processes and a competitive advantage in servicing high-margin, growing end-uses, such as aerospace and heat transfer applications. We compete successfully in these highly technical applications based on our industry-leading research and development capabilities, which have developed over 130 process and alloy patent families. We have 17 production facilities that provide rolled and extruded aluminum products to the major aluminum consuming regions worldwide.

Substantially all of our rolled aluminum products are produced in response to specific customer orders. Our more technically advanced products require the use of primary-based aluminum for which we have secured long-term supply agreements for approximately 44% of our expected needs through 2010. Our continuous-cast and common alloy sheet production can utilize primary or scrap aluminum, which allows us to optimize input costs and maximize margins. In addition, to further reduce the impact of metal prices on our profitability, aluminum costs are passed through to customers for approximately 68% of our rolled product sales, and we strive to manage the remaining key commodity risks through our hedging programs.

We are also a leading producer of soft and hard alloy extruded aluminum profiles targeted at end-uses such as the building and construction, electrical, mechanical engineering and transportation sectors. We have four separate product categories that reflect our customers needs, including industrial extrusions, building systems, hard alloys and rail and transport projects. We currently operate one of the largest extrusion presses in the world, which provides us with the capability to produce high-end, value-added products such as larger profiles in addition to the production of hard alloy extrusions for transportation applications. We also perform additional value-added fabrication to most of our extruded products.

For the year ended December 31, 2007, shipments of aluminum rolled and extruded products totaled 2.1 billion pounds, establishing us as the number four producer globally based on volume, which accounted for approximately $4.3 billion of revenues.

Global Recycling

We are a leading recycler of aluminum and manufacturer of specification alloys serving customers in North America, Europe and South America. Our global recycling operations primarily convert aluminum scrap, dross (a by-product of the melting process) and other alloying agents as needed and deliver the recycled metal and specification alloys in molten or ingot form to our customers. Our recycling operations typically service other aluminum producers and manufacturers, generally under tolling arrangements, where we convert customer-owned scrap and dross and return the recycled metal to our customers for a fee. Our specification alloy operations principally service customers in the automotive industry. For the year ended December 31, 2007, approximately 71% of the total pounds shipped globally by our recycling and specification alloy operations were under tolling arrangements. Tolling arrangements eliminate our metal commodity exposure and reduce our overall working capital requirements. As we only charge our customers a fee for processing the metal, revenues generated from shipments of tolled material are less than for shipments of owned material. Our global recycling network operates 31 strategically located production plants, with 21 in the United States, two in Brazil, three in Germany, two in Norway and one in each of Mexico, Canada and the United Kingdom.

Pro forma for the year ended December 31, 2007, we shipped 3.8 billion pounds of recycled metal and specification alloys, which accounted for approximately $1.8 billion of our revenues.

Global Zinc Discontinued Operations

In 2007 and in prior years, we processed and recycled zinc metal for use in the manufacture of galvanized steel and produced value-added zinc products, primarily zinc oxide and zinc dust, which are used in the vulcanization of rubber products, the production of corrosion-resistant paint and in other specialty chemical applications. Until the sale of our zinc operations in early 2008, we operated six zinc facilities in the United States and in 2007 we completed construction of a zinc recycling facility outside of Shanghai, China.

Global Aluminum Industry Overview

We participate in select segments of the aluminum industry, including rolled and extruded products, and recycling. The aluminum industry is highly cyclical and is affected by global economic conditions, industry competition, product development and commercialization. Compared to several substitute metals, aluminum is lightweight, has a high strength-to-weight ratio and is resistant to corrosion. Aluminum s greatest advantage, however, is that it can be recycled again and again without any material decline in performance or quality.

Aluminum prices are determined by worldwide market forces of supply and demand, and, as a result, prices are volatile. The overall aluminum industry consists of primary aluminum producers, aluminum casters, extruders and sheet producers and aluminum recyclers. Primary aluminum is a commodity traded and priced daily on the London Metals Exchange (LME). Most primary aluminum producers are engaged in the mining of bauxite ore and refining of the ore into alumina. Alumina is then smelted to form aluminum ingots and billets. Aluminum recyclers produce aluminum in molten or ingot form. Ingots and billets are further processed by aluminum sheet manufacturers and extruders to form plate, sheet and foil and extrusions profiles, or they are sold to aluminum traders or to the commodity markets.

We do not mine bauxite, refine alumina, or smelt primary aluminum as part of our business.

The 2007 Acquisitions

Wabash Alloys Acquisition

On September 11, 2007, pursuant to a definitive purchase agreement dated as of July 2, 2007, we completed the Wabash Alloys Acquisition. Wabash Alloys produces aluminum casting alloys in solid and molten form at its facilities in the United States, Canada and Mexico, and generated revenues in 2006 of approximately $917.1

million on 980.0 million pounds of processed volume. Wabash Alloys has been included in our global recycling segment. We financed the Wabash Alloys Acquisition with the proceeds received from our sale of the 9% New Senior Notes and from additional borrowings under our Revolving Credit Facility.

In connection with the Wabash Alloys Transactions, we incurred additional indebtedness and continue to be highly leveraged. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources December 2006 Refinancing and The Wabash Alloys Transactions and Note C and Note L of our audited consolidated financial statements included elsewhere in this Report for a description of the 2006 Transactions and the Wabash Alloys Transactions.

Other Acquisitions in 2007

In March 2007, we completed the acquisition of EKCO, a producer of light gauge aluminum, which is included in our global rolled and extruded products segment. In September 2007, we completed the acquisition of Alumox, which recycles dross and scrap to recover aluminum and processes salt slag to recover aluminum and aluminum oxide, and which is included in our global recycling segment.

The TPG Acquisition

On August 7, 2006, we entered into an Agreement and Plan of Merger with Merger Sub and its parent company, Holdings, pursuant to which each share of our common stock (other than shares held in treasury or owned by Holdings, Merger Sub or any direct or indirect subsidiary of us or Holdings, and other than shares held by stockholders who properly demanded appraisal rights) was converted into the right to receive $52.50 in cash, without interest and less any required withholding taxes. As a result of the merger, all of the issued and outstanding capital stock of Holdings is owned, directly or indirectly, by the Investors (as defined below). The merger was structured as a reverse subsidiary merger, under which Merger Sub was merged with and into us at the closing on December 19, 2006, and we are the surviving corporation. As the surviving corporation in the merger, we assumed by operation of law all of the rights and obligations of Merger Sub.

The amount of equity contributions made as part of the TPG Acquisition funding was $844.9 million, consisting of amounts contributed by (i) investment funds associated with TPG (collectively, the Sponsor Funds) and (ii) certain of our executive officers and members of our senior management (the Management Participants). We refer to the Sponsor Funds and the Management Participants collectively as the Investors.

TPG financed the purchase of Aleris through application of the proceeds from the Senior Notes and the Senior Subordinated Notes, initial borrowings under the 2006 Credit Facilities, the equity investments described above and our cash on hand. The closing of the TPG Acquisition occurred simultaneously with the closing of the offering of the Senior Notes and the Senior Subordinated Notes, the closing of the 2006 Credit Facilities and the equity investments described above.

As a result of the TPG Acquisition, we are a wholly-owned subsidiary of Holdings and the Investors directly or indirectly own all of our equity interests. Holdings is an entity that was formed in connection with the TPG Acquisition and has no assets or liabilities other than the shares of Aleris.

We refer to these transactions, including the TPG Acquisition and our payment of the costs related to these transactions, collectively as the 2006 Transactions. In connection with the 2006 Transactions, we incurred significant indebtedness and became highly leveraged. See Management s Discussion and Analysis of Financial Condition and Results of Operations Highlights of the Year Ended 2007 and Future Outlook and Liquidity and Capital Resources December 2006 Refinancing and Note B and Note L of our audited consolidated financial statements included elsewhere in this annual report for a description of the TPG Acquisition, the 2006 Credit Facilities, the Senior Notes and the Senior Subordinated Notes.

The Acquisition of Corus Aluminum by Aleris

On August 1, 2006, we consummated the acquisition of Corus Aluminum, which included Corus s aluminum rolling and extrusion businesses, but not Corus s primary aluminum smelters. Aggregate net cash consideration for the acquisition was 695.5 million (approximately $885.7 million), subject to adjustment based on the finalization of the working capital delivered and net debt assumed. In 2007, the purchase price was adjusted in the amount of $97.5 million (approximately 72.0 million).

The acquisition of Corus Aluminum expanded our product offering, increased our participation in high-growth industry segments, and strengthened our technology platform. Corus Aluminum s aircraft plate and sheet and heat exchanger materials introduced new, higher-margin products to our product mix while Corus Aluminum s automotive body sheet and brazing sheet product offering complemented our existing rolled products capabilities. Additionally, we gained the capability to produce high-quality specialized hard alloy extruded products used in the automotive and aerospace sectors, as well as soft alloy extrusions. While the acquisition of Corus Aluminum strengthened our cross-selling opportunities within our existing automotive, building and construction and packaging end-use applications, it also diversified our business into the heavy transportation, aerospace and engineering industries, which are sectors that have demonstrated strong growth characteristics. The acquisition of Corus Aluminum also increased our participation in important international industry segments. For example, we expanded our presence in existing European sectors, such as the German automotive sector, and gained access to the high-growth economy of China.

Business Segments

Our operating structure includes two reportable global segments: global rolled and extruded products and global recycling. See Note S of our audited consolidated financial statements included elsewhere in this annual report for financial information about these segments. The percentages of total revenues by segment for the last three fiscal years were as follows. Pro forma 2006 percentages reflect the acquisition of Corus Aluminum as if it had occurred on January 1, 2006, and pro forma 2007 percentages reflect the 2007 Acquisitions as if they had occurred on January 1, 2007:

	For the year ended December 31				
Segment	**Actual 2007**	**Pro forma 2007**	**Actual 2006**	**Pro forma 2006**	**Actual 2005**
Global rolled and extruded products	72%	68%	65%	73%	57%
Global recycling	30	32	35	27	43
Intersegment revenues	(2)				
Total	100%	100%	100%	100%	100%

The following is a list of each segment s principal products and services, end-uses, major customers and competitors:

Segment	Principal products and services	Principal end-use/ product category	Major customers	Competitors
Global rolled and extruded products	Rolled aluminum products ranging from thickness (gauge) of 0.00026 to 23.0 inches in widths of up to 156 inches	Building and construction (roofing, rain ware, siding)	Ply Gem Industries, Norandex/ Reynolds	Quanex Corporation, Jupiter Industries, JW Aluminum
		Metal distribution	Ryerson Inc., Reliance Steel & Aluminum Co., Thyssen-Krupp	Alcoa, Novelis
		Transportation equipment (truck trailers and bodies)	Great Dane, Wabash National Corporation	Alcoa, Quanex Corporation
		Consumer durables	Brunswick Corporation, Kroy Building Products, Inc.	Alcoa, Novelis, Jupiter Industries
		Aircraft plate and sheet	Boeing, Airbus, Embraer and Bombardier	Alcoa, Alcan, Kaiser
		Commercial plate and sheet (tooling, molding, road transport, shipbuilding, LNG transport and silos),	Thyssen-Krupp, Amari	Alcan, Alcoa, SAPA, Amag
		Brazing coil and sheet (heat exchanger materials)	Behr, Chrysler, Delphi, Denso, Ford, Valeo and Volkswagen	SAPA, Hydro, Alcoa
		Automotive body sheet (inner, outer and structural parts)	Audi, General Motors, Chrysler, Renault, PSA and Volvo	Novelis, Alcan
		Specialty coil and sheet (cookware, fuel tanks, ventilation, cooling and lamp bases)	Gillette, SAG	Alcan, Alcoa, Hydro Aluminium, Novelis
		Customized applications (foil stock)	Clondalkin, Comital, Euramax, Hunter Douglas and Alcoa	Alcan, Hydro, Novelis
		Converter foil, fins and tray materials	Sonaca, IGI	Noranda, Novelis, JW

Segment	Principal products and services	Principal end-use/ product category	Major customers	Competitors
		Coated coil (building and transport sectors)	Residential	Alcoa, Nichols, Jupiter
	Extruded aluminum products ranging from 0.2 to 120.0 kgm	Industrial extrusions (construction, transport and engineering sectors)	BMW, Siemens, Bosch, Bahrat	Hydro, Alcan, Alcoa, SAPA
		BUG building systems (windowsills, water bars, roofing products, window systems and balconies)		HGW
		Project business extrusions (urban transport systems, high speed trains, mobile bridges for defense purposes and shipbuilding)	Alstom, Bombardier, Breda and Siemens	Alcan, SAPA
		Rods and hard alloy extrusions (automotive parts, aircraft, hydraulic and pneumatic systems and leisure)	Conti Teves, Bosch, TRW	Eural, Alcan, Alcoa, Impol, Fuchs
Global recycling	Recycles aluminum scrap and dross into recycled metal in molten or ingot form	Aluminum Production (containers and packaging, general industrial)	Aleris Rolled Products, Alcoa, Alcan, Hydro	Scepter, Tennessee Aluminum Processors, Inc., Smelter Service Corporation, Trimet
	Specification alloys	Automotive	BMW, Daimler Benz, General Motors, Ford Motor Company, Chrysler Corporation, Contech, a unit of SPX Corporation, Honda, Toyota, Nemak	Remetal Konzelmann/ BUS, Bruch, Schultz

Global Rolled and Extruded Products

In North America, we produce rolled aluminum products using the continuous casting process at our facility located in Uhrichsville, Ohio, the continuous pelletizing process at our facility in Richmond, Virginia, and the conventional, direct-chill rolling ingot casting process at our multi-purpose aluminum rolling mill at Lewisport, Kentucky, one of the largest in North America, and Cap-de-la-Madeleine, Canada. Except for depot sales, which are for standard size products, substantially all of our rolled aluminum products are produced in response to specific customer orders. We closed our Carson, California rolling mill in 2006 due to its higher cost structure and processing limitations. In addition, we further expanded our rolled products business with our purchase of EKCO for $39.0 million in May 2007, which manufactures light gauge sheet and heavy foil used in consumer packaging applications. We operate coating lines at the Lewisport mill and at our facilities in Bedford and Ashville, Ohio, and Roxboro, North Carolina. In the second quarter of 2007, we finalized plans to close our metal fabrication facilities in Beloit, Wisconsin and Roxboro, North Carolina and moved production into our Ashville, Ohio facility. In March, 2008 we announced plans to close our coil coating facility in Bedford, Ohio.

In Europe, our rolled aluminum products business remelts primary ingots, internal scrap, purchased scrap and master alloys to produce rolled aluminum sheet and plate for use in the aerospace and transportation, distribution, engineering, construction, and packaging industry segments. These operations include rolling mill operations in Germany and Belgium. The rolling mill in Koblenz, Germany is one of the largest specialized rolling mills in Europe concentrated on aircraft plate, commercial plate and heat exchanger sheet. Additionally, the mill in Duffel, Belgium is the third largest coil and sheet mill in Europe and a top European supplier of automotive body sheet.

We have continued to upgrade our product mix and our ability to supply high-quality, innovative materials, most notably to the aerospace sector. We have also developed specialties such as heat-treated, ultra thick aluminum plate and extra wide sheet to meet the requirements of special market sectors such as the aerospace and automotive sectors. In the fourth quarter of 2007, we successfully completed the installation and start up of our 160 hot mill in Koblenz and our Duffel plate project. These investments increase our capabilities and capacities in high value-added aerospace and heat treat plate.

Our extruded products business is a leading producer of soft and hard alloy extruded aluminum profiles targeted at high demand end-uses such as the building and construction, electrical, mechanical engineering and transportation sectors. We operate four separate product categories each of which reflects its customers needs, including industrial extrusions, building systems, hard alloys and rail and transport projects. The extruded products business is a leading supplier in its selected product combinations and is focused on sectors with strong customer demand growth such as transport and engineering. The extruded products business includes five extrusion facilities located in Germany, Belgium and China. Industrial extrusions are made in all locations and the production of extrusion systems, including building systems, is concentrated in Vogt, Germany. Large extrusions and the project business are concentrated in Bonn, Germany and Tianjin, China, with rods and hard alloys produced in Duffel, Belgium. The extrusion plant in Bonn operates one of the largest extrusion presses in the world, which is mainly used for long and wide sections for railway, shipbuilding and other applications. In addition, we perform value-added fabrication to most of our extruded products.

Global Recycling

We offer customers a wide range of metals recycling services and specification alloy products through our aluminum production facilities. Many of our plants in this segment are located near our major customers facilities. The close proximity of these plants to our customers facilities allows us to provide deliveries of molten aluminum by customized trucks with hot metal crucibles. The molten aluminum is then poured from the crucible into a customer s furnace, saving the customer the time and expense of remelting ingots. This delivery method lowers our customers energy and capital expenses as well as metal melt loss, thereby increasing their productivity. In addition, for the year ended December 31, 2007, 71% of the pounds shipped by our aluminum recycling segment were under tolling arrangements, where we convert customer-owned scrap and dross and return the recycled metal to our customers for a fee. We expanded our specification alloys business as a result of the Wabash Alloys Acquisition. Wabash Alloys produces aluminum casting alloys and molten metal at its seven facilities in the United States, Canada and Mexico. In October 2007 we consolidated the Wabash Alloys facilities located in Guelph, Ontario and Dickson, Tennessee into our existing facilities and also consolidated our Monterrey, Mexico facility into Wabash Alloys Monclova, Mexico facility.

Our European operations supply specification alloys to the European automobile industry and serve other European aluminum industries from six plants. We also recycle magnesium scrap and deliver product to several large automotive companies. Our facilities in Pindamonhangaba, Brazil supply Brazil s only can sheet rolling mill and recycle used beverage cans and production scrap for a facility owned by Brazil s largest manufacturer of aluminum cans. Our facility in Monclova, Mexico recycles aluminum dross and scrap for several large diecasters.

In September 2007, we purchased Alumox, an entity with two facilities located in Norway that recycles dross and scrap to recover aluminum and processes salt slag to recover aluminum and aluminum oxide. This entity is being integrated into our European recycling operations.

Global Zinc Discontinued Operations

Our zinc operations processed and recycled zinc metal for use in the manufacture of galvanized steel and produced value-added zinc products, primarily zinc oxide and zinc dust, which are used in the vulcanization of rubber products, the production of corrosion-resistant paint, and in other specialty chemical applications. As of December 31, 2007, our zinc recycling facilities had an annual processing capacity of approximately 290 million pounds.

Sales and Marketing

Global Rolled and Extruded Products

Our rolled and extruded products manufactured by this segment are sold to end-users, as well as to distributors, principally for use in building and construction, transportation, aircraft, consumer durables, electrical, and machinery and equipment industries. No single customer represents more than 4% of revenue. Backlog for our global rolled and extruded products as of December 31, 2007, 2006 and 2005 was approximately $648.4, $733.1 million and $120.0 million, respectively. The main customers for our extrusions products are the building and construction, transport (automotive, rail and shipbuilding), electrical and mechanical engineering segments.

Sales of rolled and extruded products are made through the segment s own sales force, which is strategically located to provide North American coverage, and through a broad network of sales offices and agents in major European countries, the Americas, the Far East and Australia. The majority of our customer sales agreements in this segment are for a term of one year or less.

See Note S of our audited consolidated financial statements included elsewhere in this Report for certain financial information by geographic area.

Global Recycling

Principal customers of this segment s operations use recycled aluminum to produce can sheet, building and construction, automotive and other aluminum products. Sales of our products and services are made by our dedicated U.S. and international sales force. Customarily, agreements with customers in the aluminum recycling industry are short-term. These agreements usually result from a bidding process in which aluminum producers and metal traders offer to sell materials or to have materials tolled. Consequently, we have historically maintained no significant backlog of orders in this segment.

However, we have long-term contractual arrangements for our recycling services with a number of our largest customers in these segments, including agreements where we have constructed a recycling facility adjacent to a customer s plant. The remaining terms of these arrangements as of December 31, 2007 range up to six years, although many of these arrangements provide for extensions.

Global Zinc Discontinued Operations

During 2007, most sales of our zinc products were made directly to end-users on terms of one year or less. We historically had maintained no significant backlog of orders for zinc products.

See Note S of our audited consolidated financial statements included elsewhere in this Report for certain financial information by geographic area.

Competition

The worldwide aluminum industry is highly competitive. Aluminum competes with other materials such as steel, plastic and glass for various applications.

Global Rolled and Extruded Products

Our rolled and extruded products business competes in the production and sale of rolled aluminum sheet and extrusion products. In the sectors in which we compete, the industry leaders include Alcoa, Alcan, Novelis, Quanex, Norsk Hydro and Jupiter. In addition, we compete with imported products. We compete with other rolled and extruded products suppliers on the basis of quality, price, timeliness of delivery and customer service.

Global Recycling

The principal factors of competition in our global recycling segment are price, metal recovery rates, proximity to customers, molten metal delivery capability, environmental and safety regulatory compliance and other types of services. Freight costs also limit the geographic areas in which we can compete effectively. The international recycling business is highly fragmented and very competitive. Our major international competitors are Trimet for recycling, and Remetel and Konzelmann/BUS for specification alloys.

Global Zinc Discontinued Operations

The principal factors of competition for our zinc operations were price, customer service and product quality. Competition was regionally focused due to high freight costs. Competitors in the zinc recycling industry include Horsehead Corporation, Zochem, Purity Zinc Metals and Umicore as well as a large number of regional and local competitors. For zinc metal, both primary and secondary zinc producers were competitors.

Raw Materials and Supplies

Global Rolled and Extruded Products

A significant portion of the aluminum metal used by the North American operations is purchased aluminum scrap that is acquired from aluminum scrap dealers, brokers or customers. A significant portion of the aluminum metal used by our European operations is supplied by the primary aluminum business of Corus with the remaining supply coming from a variety of third party primary aluminum suppliers and purchased aluminum scrap acquired from or through aluminum scrap dealers or brokers. We believe that this segment is one of the largest users of aluminum scrap (other than beverage can scrap) in North America, and that the volume of its purchases assists it in obtaining scrap at competitive prices. The remaining requirements of this segment are met with purchased primary metal, including metal produced globally.

Global Recycling

Aluminum scrap and dross represent the largest component of cost of sales for this segment. The availability and price of scrap and dross depend on a number of factors outside of our control, including general economic conditions, international demand for these materials and internal recycling activities by primary aluminum producers. Changes in U.S. and worldwide supply and demand for aluminum scrap have had and will continue to have an effect on the prices we pay for these raw materials.

The primary sources of aluminum scrap and dross for the global recycling segment include automotive component manufacturers, can stock producers, used beverage cans and aluminum smelters. Many of our aluminum suppliers are also our customers. We also buy aluminum scrap from metal scrap dealers and traders on the open market.

Global Zinc Discontinued Operations

A significant portion of our zinc products were produced from zinc dross and other secondary materials provided by the galvanizing industry. In addition, we purchased primary zinc to produce high-grade zinc and for metals distribution purposes. We purchased our zinc raw materials from numerous suppliers. Many zinc galvanizers that supplied us with zinc raw materials were also our customers.

Energy Supplies

Our operations are fueled by natural gas and electricity, which represent the third largest component of our cost of sales, after metal and labor costs. We purchase the majority of our natural gas on a spot-market basis. However, in an effort to acquire the most favorable natural gas costs, we have secured some of our natural gas at fixed price commitments. We use forward contracts and options, as well as contractual price escalators, to reduce the risks associated with our natural gas requirements.

Research and Development

In connection with our acquisition of Corus Aluminum, we entered into a five-year research and development agreement with Corus pursuant to which Corus assists us in research and development projects on a fee-for-service basis. Research and development expenses were $22.0 million for the year ended December 31, 2007, and $8.7 million in the period from January 1, 2006 to December 19, 2006 and were not material for any other period presented in this annual report. Prior to our acquisition of Corus Aluminum, we did not have a formal research and development program.

Seasonality

Many of our rolled and extruded products and recycling and specification alloy end-uses are seasonal. Demand in the rolled and extruded products business is generally stronger in the spring and summer seasons due to higher demand in the building and construction industry. Our recycling business experiences greater demand in the spring season due to stronger automotive and can sheet demand. Such factors typically result in higher operating income in the first half of the year.

Employees

As of December 31, 2007, we had a total of approximately 8,800 employees, consisting of approximately 2,400 employees engaged in administrative and supervisory activities and approximately 6,400 employees engaged in manufacturing, production and maintenance functions. Collectively, approximately 45% of our U.S. employees and substantially all of our non-U.S. employees are covered by collective bargaining agreements. Labor relations with employees have been satisfactory.

Environmental

Our operations are subject to environmental laws and regulations, which govern, among other things, air emissions, wastewater discharges, the handling, storage, and disposal of hazardous substances and wastes, the remediation of contaminated sites, and employee health and safety. Future environmental regulations could impose stricter compliance requirements on the industries in which we operate. Additional equipment or process changes at some of our facilities may be needed to meet future requirements.

We have been named as a potentially responsible party in certain proceedings initiated pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (Superfund) and similar state statutes and may be named a potentially responsible party in other similar proceedings in the future. It is not anticipated that the costs incurred in connection with the presently pending proceedings will, individually or in the aggregate, have a material adverse effect on our financial condition or results of operations. Currently and from time to time, we are a party to notices of violation brought by environmental agencies concerning the laws governing air emissions. In connection with certain pending proceedings, we are engaged in discussions with the United States Department of Justice, the United States Environmental Protection Agency and several states for the purpose of resolving in one proceeding similar issues that have arisen at a number of our facilities in different states. Although discussions are ongoing with respect to the amount of penalties and the scope of injunctive relief, the government has recently demanded that we pay a combined civil penalty of $7.2 million as part of a consent decree resolving these issues. We do not anticipate that the ultimate amount of penalties combined with the cost of any injunctive relief would have a material adverse effect on our financial position or results of operations.

We are performing operations and maintenance at two Superfund sites for matters arising out of past waste disposal activity associated with closed facilities. We are also under orders or directives to perform environmental remediation by agencies in five states and two non-U.S. countries at eight sites, five of which are located at our operating facilities.

Our aggregate accrual for environmental matters was $45.4 million as of December 31, 2007. $7.3 million of this accrual is indemnified by Corus. Although the outcome of any such matters, to the extent they exceed any applicable accrual, could have a material adverse effect on our consolidated results of operations or cash flows for the applicable period, we currently believe that any such outcome would not have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

The processing of scrap generates solid waste in the form of salt cake and baghouse dust. This material is disposed of at off-site landfills or at permitted landfills at our, Morgantown, Kentucky and Wabash, Indiana facilities. If salt cake were ever classified as a hazardous waste in the United States, the costs to manage and dispose of it would increase, which could result in significant increased expenditures.

Our three landfill sites have finite lives and we incur costs related to retiring them. The amounts recognized for landfill asset retirement obligations, as of December 31, 2007, were $8.5 million for our Morgantown, Kentucky landfill $1.6 million for our Wabash, Indiana landfill, and $1.3 million for our Sapulpa, Oklahoma landfill. The related asset retirement costs for each facility was capitalized as a long-lived asset (asset retirement cost), and is being amortized over the remaining useful lives of the landfills. See Note K of our audited consolidated financial statements included elsewhere in this annual report.

Our expected total expenditures for capital improvements regarding environmental control facilities for 2008 are currently expected to be approximately $28.7 million.

ITEM 1A. RISK FACTORS.

If we fail to successfully integrate past or future acquisitions or address risks associated with divestitures, our financial condition and results of operations could be adversely affected.

The integration of the operations of Corus Aluminum and the operations of other acquired companies, such as Wabash Alloys, involves consolidating products, operations, and administrative functions of two companies that previously operated separately. Achieving the anticipated benefits of our business combinations, such as the combination of Aleris and Corus Aluminum, will depend in part upon our ability to integrate separate businesses in an efficient and effective manner. The integration of two businesses that have previously operated separately faces significant challenges, and we may be unable to accomplish the integration successfully. In addition, we will need to continue integrating the 2005 Acquisitions.

In particular, the need to coordinate geographically dispersed organizations and address possible differences in corporate cultures and management philosophies may increase the difficulties of the integration of Corus Aluminum. Additionally, we may incur substantial expense in our efforts to integrate the information technology systems of Corus Aluminum, the 2007 Acquisitions and the 2005 Acquisitions with ours, and these efforts may not prove successful. Our integration of Corus Aluminum, the 2007 Acquisitions and the 2005 Acquisitions may take longer than planned and may be subject to unanticipated difficulties and expenses. The integration of these acquisitions will require the dedication of significant management resources and may temporarily distract management s attention from our day-to-day businesses. Employee uncertainty and lack of focus during the integration process may also disrupt our businesses. We may lose key personnel from the acquired organizations and employees in the acquired organizations may be resistant to change and may not adapt well to our corporate structure. The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of our businesses and the loss of key personnel.

Any inability of management to successfully integrate the operations of Corus Aluminum, the 2007 Acquisitions and the 2005 Acquisitions with our operations could result in our not achieving the projected efficiencies, cost savings and synergies of these transactions and could adversely affect our businesses and financial condition.

We continue to consider strategic alternatives on an ongoing basis, including having discussions concerning potential acquisitions, which may be material.

If we fail to implement our business strategy, our financial condition and results of operations could be adversely affected.

Our future financial performance and success depend in large part on our ability to successfully implement our business strategy. We cannot assure you that we will be able to successfully implement our business strategy or be able to continue improving our operating results. In particular, we cannot assure you that we will be able to achieve all of the operating synergies targeted through focused integration of acquisitions, focused productivity improvements and capacity optimization, further enhancements of our business and product mix, expansion in selected international regions, opportunistic pursuit of strategic acquisitions and management of key commodity exposures.

Furthermore, we cannot assure you that we will be successful in our growth efforts or that we will be able to effectively manage expanded or acquired operations. Our ability to achieve our expansion and acquisition objectives and to effectively manage our growth depends on a number of factors, including:

- our ability to introduce new products and end-use applications;
- our ability to identify appropriate acquisition targets and to negotiate acceptable terms for their acquisition;
- our ability to integrate new businesses into our operations; and
- the availability of capital on acceptable terms.

Implementation of our business strategy could be affected by a number of factors beyond our control, such as increased competition, legal and regulatory developments, general economic conditions or the increase of operating costs. Any failure to successfully implement our business strategy could adversely affect our financial condition and results of operations. We may, in addition, decide to alter or discontinue certain aspects of our business strategy at any time.

The cyclical nature of the metals industry, our end-use segments and our customers industries could limit our operating flexibility, which could negatively impact our financial condition and results of operations.

The metals industry in general is cyclical in nature. It tends to reflect and be amplified by changes in general and local economic conditions. These conditions include the level of economic growth, financing availability, the availability of affordable energy sources, employment levels, interest rates, consumer confidence and housing demand. Historically, in periods of recession or periods of minimal economic growth, metals companies have often tended to underperform other sectors. We are particularly sensitive to trends in the transportation and construction industries, which are both seasonal and highly cyclical in nature, and dependent on general economic conditions. For example, during recessions or periods of low growth, the transportation and construction industries typically experience major cutbacks in production, resulting in decreased demand for aluminum. This leads to significant fluctuations in demand and pricing for our products and services. Because we generally have high fixed costs, our profitability is significantly affected by decreased processing volume. Accordingly, reduced demand and pricing pressures may significantly reduce our profitability and adversely affect our financial condition and results of operations. Economic downturns in regional and global economies or a prolonged recession in our principal industry segments have had a negative impact on our operations in the past, and could have a negative impact on our future financial condition or results of operations. In addition, in recent years global economic and commodity trends have been increasingly correlated. Although we continue to seek to diversify our business on a geographic and industry end-use basis, we cannot assure you that diversification will significantly mitigate the effect of cyclical downturns.

Changes in the market price of aluminum impact the selling prices of our products. Market prices of aluminum are dependent upon supply and demand and a variety of factors over which we have minimal or no control, including:

- regional and global economic conditions;
- availability and relative pricing of metal substitutes;
- labor costs;
- energy prices;
- environmental and conservation regulations;
- seasonal factors and weather; and
- import and export restrictions.

The loss of certain members of our management may have an adverse effect on our operating results.

Our success will depend, in part, on the efforts of our senior management and other key employees. These individuals possess sales, marketing, engineering, manufacturing, financial and administrative skills that are critical to the operation of our business. If we lose or suffer an extended interruption in the services of one or more of our senior officers, our financial condition and results of operations may be negatively affected. Moreover, the market for qualified individuals may be highly competitive and we may not be able to attract and retain qualified personnel to replace or succeed members of our senior management or other key employees, should the need arise.

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We had substantial historical net losses prior to 2005 and had a net loss for the year ended 2007, and any continuation of net losses in the future may reduce our ability to raise needed capital.

We reported net losses for the years ended December 31, 2003, 2004 and 2007. Our ability to continue operations may become increasingly constrained if we incur net losses in the future.

If we sustain net losses in future periods, our ability to raise needed financing, or to do so on favorable terms, may be limited if losses are taken into account by the organizations that issue investment ratings on our indebtedness. Our debt ratings would continue to remain below the investment grade category, which results in higher borrowing costs as well as a reduced pool of potential purchasers of our debt as some investors would not purchase debt securities that are not rated in an investment grade rating category. Also, any rating assigned may not remain in effect for any given period of time and could be lowered or withdrawn entirely by a rating agency if, in that rating agency s judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. A lowering or withdrawal of a rating could further increase our borrowing costs.

The Company s management has identified a material weakness in its internal controls over financial reporting.

We are required to comply with Section 404(a) of the Sarbanes-Oxley Act and the related SEC rules, which require our management to assess the effectiveness of our internal control over financial reporting on an annual basis and to include in our annual report on Form 10-K management s report on that assessment, together with an attestation by our independent registered public accounting firm. If there are any material weaknesses in internal control over financial reporting that are identified, then our management is not permitted to conclude in its report that the Company s internal control over financial reporting is effective. This assessment resulted in the identification of several deficiencies that, in the aggregate, represent a material weakness in the Company s internal controls over financial reporting. Consequently, the Company s management has concluded that the Company s internal controls over financial reporting were not effective as of December 31, 2007. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The Company s management has developed remediation steps to correct the deficiencies that were identified. The Company cannot be certain its remediation efforts will ensure that the Company s management designs, implements and maintains adequate controls over the Company s financial processes and reporting in the future or will be sufficient to address and eliminate the material weakness identified. The Company s inability to remedy the identified material weaknesses or any additional deficiencies or material weaknesses that may be identified in the future could, among other things, cause the Company to fail to file its periodic reports with the SEC in a timely manner or require it to incur additional costs or to divert management resources. Due to its inherent limitations, even effective internal control over financial reporting can provide only reasonable assurance with respect financial statement preparation and presentations. These limitations may not prevent or detect all misstatements or fraud, regardless of their effectiveness. In addition, management has also performed an evaluation of the effectiveness of the Company s disclosure controls and procedures. Based on this evaluation and the identification of the material weakness in its internal control over financial reporting, the Company s management has concluded that the Company s disclosure controls and procedures were not effective as of December 31, 2007. See Item 9A. Controls and Procedures located in Part II of this report for further discussion regarding the Company s disclosure controls and procedures and internal controls.

We may encounter increases in the cost of raw materials and energy, which could cause our cost of goods sold to increase thereby reducing operating results and limiting our operating flexibility.

We require substantial amounts of raw materials and energy in our business, consisting principally of primary-based aluminum, aluminum scrap, alloys and other materials, and natural gas. Any substantial increases in raw materials or energy costs could cause our operating costs to increase and negatively affect our financial condition and results of operations.

Aluminum scrap and primary aluminum metal prices are subject to significant cyclical price fluctuations. The LME primary aluminum prices declined by approximately 47% between 1988 and 2002 and rose approximately 75% from December 2002 to December 2007. Metallics (primary aluminum metal, aluminum scrap and aluminum dross) represent the largest component of our costs of sales. We purchase scrap primarily from aluminum scrap dealers. We meet our remaining requirements with purchased primary-based aluminum. We have limited control over the price or availability of these supplies in the future.

The availability and price of aluminum scrap depend on a number of factors outside our control, including general economic conditions, international demand for metallics and internal recycling activities by primary aluminum producers. Increased regional and global demand for aluminum scrap can have the effect of increasing the prices that we pay for these raw materials thereby increasing our cost of sales. We often cannot adjust the selling prices for our products to recover the increases in scrap prices. If scrap and dross prices were to increase significantly without a commensurate increase in the market value of the primary metals, our future financial condition and results of operations could be affected by higher costs and lower profitability. In addition, a significant decrease in the pricing spread between aluminum scrap and primary aluminum could make recycling less attractive compared to primary production, and thereby reduce customer demand for our recycling business.

After raw material and labor costs, utilities represent the third largest component of our cost of sales. The price of natural gas, and therefore the costs, can be particularly volatile. As a result, our natural gas costs may fluctuate dramatically, and we may not be able to reduce the effect of higher natural gas costs on our cost of sales. If natural gas costs remain at current levels or increase further, our financial condition and results of operations may be adversely affected. Although we attempt to mitigate volatility in natural gas costs through the use of hedging and the inclusion of price escalators in certain of our long-term supply contracts, we may not be able to eliminate the effects of such cost volatility. Furthermore, in an effort to offset the effect of increasing costs, we may have also limited our potential benefit from declining costs.

We may be unable to manage effectively our exposure to commodity price fluctuations, and our hedging activities may affect profitability in a changing metals price environment and subject our earnings to greater volatility from period-to-period.

Significant increases in the price of primary aluminum, aluminum scrap, or alloys and other materials would cause our cost of goods sold to significantly increase and, if not offset by product price increases, would negatively impact our future financial condition and results of operations. Similarly, as we maintain large quantities of base inventory, significant decreases in the price of primary aluminum would reduce the realizable value of our inventory, negatively impacting our future financial condition and results of operations.

We purchase LME forwards, futures and options contracts to reduce our exposure to changes in metal prices. Despite the use of LME forwards and futures contracts, we remain exposed to the variability in prices of scrap metal. While scrap metal is priced in relation to prevailing LME prices, it is also priced at a premium or discount to LME metal (depending on the quality of the material supplied). This premium or discount is referred to in the industry as the scrap spread and fluctuates depending on market conditions. Furthermore, our global rolled and extruded products segment is exposed to variability in the market price of a premium differential (referred to as Midwest Premium in the United States and Duty Paid/Unpaid Rotterdam in Europe) charged by industry participants to deliver metal from the smelter to the manufacturing facility. This premium differential also fluctuates in relation to market and other conditions. Our global rolled and extruded products segment follows a pattern of increasing or decreasing its selling prices to customers in response to changes in the Midwest Premium and the Duty Paid/Unpaid Rotterdam.

We do not account for our metal LME forwards, futures and options contracts as hedges of the underlying risks. As a result, unrealized gains and losses on our metal derivative financial instruments must be reported in our consolidated results of operations. The inclusion of such unrealized gains and losses in earnings may produce significant period-to-period earnings volatility that is not necessarily reflective of our underlying operating performance. See Management s Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures about Market Risk.

If we were to lose order volumes from any of our largest customers, our sales volumes and revenues could be reduced and our cash flows lessened.

Our business is exposed to risks related to customer concentration. In 2007, our ten largest customers were responsible for 19% of our consolidated revenues. No one customer accounted for more than 4% of our revenues in 2007. A loss of order volumes from, or a loss of industry share by, any major customer could negatively affect our financial condition and results of operations by lowering sales volumes, increasing costs and lowering profitability. In addition, our strategy of having dedicated facilities and dedicated arrangements with customers where appropriate carries the inherent risk of increased dependence on a single or a few customers with respect to a particular facility of ours. In such cases, the loss of such a customer, or the reduction of that customer s business at one or more of our facilities, could negatively affect our financial condition and results of operations, and any timely replacement of volumes could prove difficult. In addition, several of our customers have become involved in bankruptcy or insolvency proceedings and have defaulted on their obligations to us in recent years. We currently provide no significant reserves for sales to our U.S. automotive customers, as we believe amounts currently included in our consolidated balance sheet to be collectible. However, should the recent poor financial performance and economic conditions experienced by the U.S. automotive industry continue, we may be required to record significant additional reserves which may have a material impact on our financial condition, results of operations and cash flows. As of December 31, 2007, we estimate that $59.7 million of our accounts receivable were payable by U.S. automobile manufacturers or their direct suppliers.

We do not have long-term contractual arrangements with a substantial number of our customers, and our sales volumes and revenues could be reduced if our customers switch their suppliers.

Approximately 79% of our revenues for the year ended December 31, 2007, were generated from customers who do not have long-term contractual arrangements with us. These customers purchase products and services from us on a purchase order basis and may choose not to continue to purchase our products and services. The loss of these customers or a significant reduction in their purchase orders could have a material negative impact on our sales volume and business.

We may not be able to generate sufficient cash flows to fund our capital expenditure requirements or to meet our debt service obligations.

In recent periods prior to 2007, we did not generate sufficient cash flows from operations to fund our capital expenditure requirements. Our operations may not be able to generate sufficient cash flows to service our indebtedness, fund our capital expenditures or provide the ability to raise needed financing on terms favorable to us. If we are not able to reduce our high leverage through the generation of cash flows from our business, we would have to do one or more of the following: raise additional capital through debt or equity issuances or both; cancel or scale back current and future business initiatives; or sell businesses or properties.

We may be unable to raise additional capital on favorable terms or at all. In addition, any failure to pursue business initiatives could adversely affect our ability to compete effectively. Further, any of the actions above could provide only temporary assistance with the cash flows of the business.

Our business requires substantial capital investments that we may be unable to fulfill.

Our operations are capital intensive. Our total capital expenditures were approximately $191.8 million, $119.4 million and $60.3 million for the years ended December 31, 2007, 2006 and 2005, respectively. We may not generate sufficient operating cash flows and our external financing sources may not be available in an amount sufficient to enable us to make anticipated capital expenditures, service or refinance our indebtedness or fund other liquidity needs. If we are unable to make upgrades or purchase new plants and equipment, our financial condition and results of operations could be affected by higher maintenance costs, lower sales volumes due to the impact of reduced product quality, and other competitive influences.

We may not be able to compete successfully in the industry segments we serve and aluminum may become less competitive with alternative materials, which could reduce our share of industry sales, lower our selling prices and reduce our sales volumes.

Aluminum competes with other materials such as steel, plastic and composite materials and glass for various applications. Higher aluminum prices tend to make aluminum products less competitive with these alternative materials. We compete in the production and sale of rolled aluminum products with a number of other aluminum rolling mills, including large, single-purpose sheet mills, continuous casters and other multi-purpose mills, some of which are larger and have greater financial and technical resources than we do. We compete with other rolled products suppliers, principally multi-purpose mills, on the basis of quality, price, timeliness of delivery, technological innovation and customer service. We also compete with other aluminum recyclers in segments that are highly fragmented and characterized by smaller, regional operators. The principal factors of competition in our aluminum and zinc recycling business include price, metal recovery rates, proximity to customers, customer service, molten metal delivery capability, environmental and safety regulatory compliance, and types of services offered. Additional competition could result in a reduced share of industry sales or reduced prices for our products and services, which could decrease revenues or reduce volumes, either of which could have a negative effect on our financial condition and results of operations.

As a result from acquisitive growing, a portion of our revenue is derived from our international operation which exposes us to certain risks inherent in doing business abroad.

We have aluminum recycling operations in Germany, the United Kingdom, Mexico and Brazil, and magnesium recycling operations in Germany. As a result of the acquisition of Corus Aluminum, we also have rolled products and extrusions operations in Germany, Canada, and China. As a result of the Wabash Alloys Acquisition, we have aluminum casting alloys and molten metal production facilities in Canada and Mexico. We plan to continue to explore opportunities to expand our international operations. Our international operations generally are subject to risks, including:

- changes in U.S. and international governmental regulations, trade restrictions and laws, including tax laws and regulations;
- currency exchange rate fluctuations;
- tariffs and other trade barriers;
- the potential for nationalization of enterprises;
- interest rate fluctuations;
- high rates of inflation;
- currency restrictions and limitations on repatriation of profits;
- divergent environmental laws and regulations; and
- political, economic and social instability.

The occurrence of any of these events could cause our costs to rise, limit growth opportunities or have a negative effect on our operations and our ability to plan for future periods, and subject us to risks not generally prevalent in the United States.

The financial condition and results of operations of some of our operating entities are reported in various currencies and then translated into U.S. dollars at the applicable exchange rate for inclusion in our consolidated financial statements. As a result, generally speaking, appreciation of the U.S. dollar against these currencies will have a negative impact on reported revenues and operating profit while depreciation of the U.S. dollar against these currencies will have a positive effect on reported revenues and operating profit. However, a portion of the revenues generated by our international operations are denominated in U.S. dollars, while the majority of costs incurred are denominated in local currencies. As a result, appreciation in the U.S. dollar will have a positive impact on earnings while depreciation of the U.S. dollar will have a negative impact on earnings. We seek to reduce the risks associated with currency exchange rate fluctuation by using derivative financial investments.

Current environmental liabilities, as well as the cost of compliance with and liabilities under health and safety laws, could increase our operating costs, and negatively impact our financial condition and results of operations.

Our operations are subject to environmental laws and regulations, which govern, among other things, air emissions, wastewater discharges, the handling, storage, and disposal of hazardous substances and wastes, the remediation of contaminated sites, and employee health and safety. Future environmental regulations could impose stricter compliance requirements on the industries in which we operate. Additional equipment or process changes at some of our facilities may be needed to meet future requirements.

Processing and manufacturing activities at current and formerly owned and operated properties and adjacent areas have resulted in environmental impacts requiring remediation. We are subject to indemnification obligations to third parties for certain of these properties. Financial responsibility for the remediation of contaminated property or for the amelioration of damage to natural resources can be imposed on us where current or prior operations have had an environmental impact. Such liability can include the cost of investigating and cleaning up contaminated soil or ground water, fines and penalties sought by environmental authorities, and damages arising out of personal injury, contaminated property, and other toxic tort claims, as well as lost or impaired natural resources. In addition Corus has agreed to indemnify us for certain known environmental liabilities relating to the facilities of Corus Aluminum. However, if Corus becomes unable to, or otherwise does not, comply with its indemnity obligations in the future, we could become subject to significant liabilities. Certain environmental laws impose strict, and in certain circumstances joint and several, liability for some of these matters, meaning that a person can be held liable without regard to fault for all costs even though others were also involved in causing them. These costs have not been material to net income (loss) for any accounting period since January 1, 2002. However, future remedial requirements at current and formerly owned or operated properties or adjacent areas, or identification of previously unknown conditions, could result in liabilities significantly in excess of this amount.

In connection with certain pending proceedings, we are engaged in discussions with the United States Department of Justice, the United States Environmental Protection Agency and several states for the purpose of resolving in one proceeding similar issues that have arisen at a number of our facilities in different states. Although discussions are ongoing with respect to the amount of penalties and the scope of injunctive relief, the government has recently demanded that we pay a combined civil penalty of $7.2 million as part of a consent decree resolving these issues. We do not anticipate that the ultimate amount of penalties combined with the cost of any injunctive relief would have a material adverse effect on our financial position or results of operations.

Changes in environmental requirements or changes in their enforcement could materially increase our costs. For example, if salt cake, a by-product from some of our recycling operations, were to become classified as a hazardous waste in the United States, the costs to manage and dispose of it would increase and could result in significant increased expenditures.

We could experience labor disputes that could disrupt our business.

Approximately 45% of our U.S. employees and substantially all of our non-U.S. employees, located primarily in Europe where union membership is common, are represented by unions or equivalent bodies and are covered by collective bargaining or similar agreements that are subject to periodic renegotiation. Although we believe that we will successfully negotiate new collective bargaining agreements when the current agreements expire, these negotiations:

- may not prove successful;
- may result in a significant increase in the cost of labor; or
- may break down and result in the disruption of our operations.

Labor negotiations may not conclude successfully and, in that case, work stoppages or labor disturbances may occur. Any such stoppages or disturbances may have a negative impact on our financial condition and results of operations by limiting plant production, sales volumes and profitability.

We may have to take further charges to earnings if our goodwill or asset values are impaired.

We perform an annual goodwill impairment review to estimate the fair value of our reporting units. This valuation entails a discounted cash flow model using internal projections and budgets and a market multiple approach to determine a reporting unit s fair value. In the event that we are not able to achieve expected cash flow levels, or other factors indicate that goodwill is impaired, we may need to write off all or part of our goodwill. The amount of the impairment would be charged as an expense in the period in which the impairment occurred. Any such goodwill or other asset impairment charges in the future would reduce our net income and could be a factor in causing future net losses.

In addition, our landfill assets are subject to charges for asset retirement obligations, which are adjusted over time to recognize the current fair market value of the obligations. We are also subject to charges for impairment or disposal of certain of our long-lived assets and facilities. Underutilization of our facilities could result in additional write-downs and impairment charges. In addition, the carrying value of certain of our properties could be reduced in the future if the fair value of these assets were to decline in the future, resulting in additional asset impairment charges at that time.

Our substantial leverage and debt service obligations could adversely affect our financial condition and restrict our operating flexibility.

We have substantial debt and, as a result, significant debt service obligations. As of December 31, 2007, our total indebtedness was $2.8 billion. We also had approximately $258.9 million of unused commitments, net of outstanding letters of credit, under our 2006 Credit Facilities. In March 2007, we entered into an interest rate swap to fix the base interest rate paid on a portion of the amount outstanding under the Term Loan Facility. Under the terms of the swap agreement, we will receive interest based upon LIBOR and pay a base rate of 4.93%. The swap matures in March 2010. Our substantial level of debt and debt service obligations could have important consequences including the following:

- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including the Notes, which could result in an event of default under the indentures governing the Notes and the agreements governing our other indebtedness;

- limiting our ability to obtain additional financing on satisfactory terms to fund our working capital requirements, capital expenditures, acquisitions, investments, debt service requirements and other general corporate requirements;

- increasing our vulnerability to general economic downturns, competition and industry conditions, which could place us at a competitive disadvantage compared to our competitors that are less leveraged and therefore we may be unable to take advantage of opportunities that our leverage prevents us from exploiting;

- exposing our cash flows to changes in floating rates of interest such that a 1% increase in floating rates will negatively impact our cash flows by approximately $9.3 million;

- imposing additional restrictions on the manner in which we conduct our business under financing documents, including restrictions on our ability to pay dividends, make investments, incur additional debt and sell assets; and

- reducing the availability of our cash flows to fund our working capital requirements, capital expenditures, acquisitions, investments, other debt obligations and other general corporate requirements, because we will be required to use a substantial portion of our cash flows to service debt obligations.

The occurrence of any one of these events could have an adverse effect on our business, financial condition, results of operations, prospects and ability to satisfy our obligations under our indebtedness.

In the future we may incur additional indebtedness which could exacerbate the impact of the foregoing.

Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness, including secured indebtedness, in the future. Although the indentures governing the Notes and the agreements governing our 2006 Credit Facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and any indebtedness incurred in compliance with these restrictions could be substantial. In addition, the 2006 Credit Facilities and the Notes allow us to incur a significant amount of indebtedness in connection with acquisitions and a significant amount of purchase money debt. If new debt is added to our and our subsidiaries current debt levels, the related risks that we and they face would be increased.

Covenant restrictions under our indebtedness may limit our ability to operate our business and, in such event, we may not have sufficient assets to pay amounts due under the Notes.

The terms of our 2006 Credit Facilities and the Notes restrict us and our subsidiaries from taking various actions such as incurring additional debt under certain circumstances, paying dividends, making investments, entering into transactions with affiliates, merging or consolidating with other entities and selling all or substantially all of our assets. In addition, under certain circumstances, our Revolving Credit Facility requires us to comply with a minimum fixed charge coverage ratio and may require us to reduce our debt or take other actions in order to comply with this ratio. These restrictions could limit our ability to obtain future financings, make needed capital expenditures, withstand future downturns in our business or the economy in general or otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of limitations imposed on us by the restrictive covenants under our 2006 Credit Facilities and the Notes. A breach of any of these provisions could result in a default under our 2006 Credit Facilities or the Notes, as the case may be, that would allow lenders or noteholders to declare our outstanding debt immediately due and payable. If we are unable to pay those amounts because we do not have sufficient cash on hand or are unable to obtain alternative financing on acceptable terms, the lenders or noteholders could initiate a bankruptcy proceeding or, in the case of the 2006 Credit Facilities, proceed against any assets that serve as collateral to secure such debt.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control, and any failure to meet our debt service obligations could harm our business, financial condition and results of operations.

For the year ended December 31, 2007, the period from December 20, 2006 to and for the years ended December 31, 2004 and 2003 earnings were insufficient to cover fixed charges by $187.4 million, $4.0 million, $29.4 million and $6.0 million, respectively. Our ratio of earnings to fixed charges was 1.7x for the period January 1, 2006 to December 19, 2006 and 2.3x for the year ended December 31, 2005 (calculated as described under Selected Historical Financial Data). Our ability to pay interest on and principal of the Notes and to satisfy our other debt obligations will primarily depend upon our future operating performance. As a result, prevailing economic conditions and financial, business and other factors, many of which are beyond our control, will affect our ability to make these payments.

If we do not generate sufficient cash flow from operations to satisfy our debt service obligations, including payments on the Notes, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indentures governing the Notes may restrict us from adopting some of these alternatives, which in turn could exacerbate the effects of any failure to generate sufficient cash flow to satisfy our debt service obligations. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on acceptable terms.

Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance our obligations at all or on commercially reasonable terms, would have an adverse effect, which could be material, on our business, financial condition and results of operations, as well as on our ability to satisfy our obligations in respect of the Notes.

The terms of our 2006 Credit Facilities and the indentures governing the Notes may restrict our current and future operations, particularly our ability to respond to changes in our business or to take certain actions.

The credit agreements governing our 2006 Credit Facilities and the indentures governing the Notes contain, and the terms of any future indebtedness of ours would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions, including restrictions on our ability to engage in acts that may be in our best long-term interests. The indentures governing the Notes and the credit agreements governing our 2006 Credit Facilities include covenants that, among other things, restrict our and our subsidiaries ability to:

- incur additional indebtedness;
- pay dividends on our capital stock and make other restricted payments;
- make investments and acquisitions;
- engage in transactions with our affiliates;
- sell assets;
- merge; and
- create liens.

In addition, our ability to borrow under our Revolving Credit Facility is limited by a borrowing base. Moreover, our Revolving Credit Facility provides discretion to the agent bank acting on behalf of the lenders to impose additional availability and other reserves, which could materially impair the amount of borrowings that would otherwise be available to us. There can be no assurance that the agent bank will not impose such reserves or, were it to do so, that the resulting impact of this action would not materially and adversely impair our liquidity.

A breach of any of the restrictive covenants in the 2006 Credit Facilities would result in a default under those facilities. If any such default occurs, the lenders under the 2006 Credit Facilities may elect to declare all outstanding borrowings under such facilities, together with accrued interest and other fees, to be immediately due and payable, or enforce their security interest, any of which could result in an event of default under the Notes. The lenders will also have the right in these circumstances to terminate any commitments they have to provide further borrowings.

The operating and financial restrictions and covenants in these debt agreements and any future financing agreements may adversely affect our ability to finance future operations or capital needs or to engage in other business activities.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None

ITEM 2. PROPERTIES.

Our production and manufacturing facilities are listed below by segment:

Segment	Location	Owned/Leased
Global rolled and extruded products	Lewisport, Kentucky	Owned
	Uhrichsville, Ohio *	Owned
	Bedford, Ohio	Leased
	Roxboro, North Carolina	Owned
	Ashville, Ohio	Owned
	Richmond, Virginia	Owned
	Terre Haute, Indiana	Owned
	Clayton, New Jersey	Owned
	Buckhannon, West Virginia	Owned
	Cap-de-la-Madeleine, Canada	Owned
	Koblenz, Germany	Owned
	Duffel, Belgium	Owned
	Vogt, Germany	Owned
	Bonn, Germany	Owned
	Bitterfeld, Germany	Owned
	Tianjin, China	Owned
Global recycling	Coldwater, Michigan	Owned
	Morgantown, Kentucky	Owned
	Post Falls, Idaho	Owned
	Shelbyville, Tennessee	Owned
	Sapulpa, Oklahoma	Owned
	Saginaw, Michigan	Owned
	Loudon, Tennessee	Owned
	Chicago Heights, Illinois	Owned
	Goodyear, Arizona	Leased
	Elyria, Ohio	Owned
	Rock Creek, Ohio	Owned
	Cleveland, Ohio	Owned
	Wabash, Indiana *	Owned
	Friendly, West Virginia *	Owned
	Hammond, Indiana	Owned
	LaPorte, Indiana	Owned
	Macedonia, Ohio	Owned
	Steele, Alabama	Owned
	Tipton, Indiana	Owned
	Mississauga, Canada	Owned
	Monclova, Mexico	Owned
	Töging, Germany	Owned
	Ruadsand, Norway	Owned
	Romsdal, Norway	Owned
	Grevenbroich, Germany	Owned
	Deizisau, Germany	Owned
	Swansea, Wales	Leased
	Pindamonhangaba, Brazil *	Owned

* Two facilities in this location.

Substantially all of our real property, fixtures and equipment at all of our aluminum recycling facilities are mortgaged to secure indebtedness under the Revolving Credit Facility.

The average operating rates for our global rolled and extruded products segment s facilities for 2007 and 2006 was 68% and 93%, respectively, of stated capacity. The average operating rates for our global recycling segment s facilities in 2007 and 2006 were 75% and 88%, respectively, of stated capacity.

General Motors has a right to acquire our Saginaw, Michigan facility under its long-term supply agreement with us. This right is exercisable under certain conditions beginning in 2011. If the supply agreement with GM were terminated, GM would then have a right to acquire ownership of the Saginaw facility.

Our principal executive corporate offices are in Beachwood, Ohio and we currently lease approximately 43,000 square feet. Our global recycling segment offices are also based at that location. We also lease approximately 8,200 square feet of office space in Irving, Texas. That location provides information technology support for our consolidated operations.

In Louisville, Kentucky, we currently lease approximately 10,000 square feet for our global rolled and extruded products segment offices. In Raleigh, North Carolina, our global rolled and extruded products segment leases approximately 11,000 square feet for financial, accounting and administrative support functions.

In late 2006, we located our principal European corporate offices near Zurich, Switzerland and currently lease approximately 12,000 square feet. We believe that our facilities are suitable and adequate for our operations.

ITEM 3. LEGAL PROCEEDINGS.

Legal Proceedings

We are a party from time to time to what we believe are routine litigation and proceedings considered part of the ordinary course of our business. We believe that the outcome of such existing proceedings would not have a material adverse effect on our financial position or results of operation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is privately held, and there is no public trading market for our common stock. As of the date of this filing, Holdings is the sole holder of record of our common stock.

The terms of our 2006 Credit Facilities and the indentures governing our Notes restrict our ability to pay dividends. We do not intend to pay dividends in the foreseeable future. Our future dividend policy will be determined by the Board of Directors on the basis of various factors, including our results of operations, financial condition, capital requirements and investment opportunities. See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources December 2006 Refinancing for a more detailed description of the restrictions on our ability to pay dividends.

ITEM 6. SELECTED FINANCIAL DATA

	(Successor)			(Predecessor)		
			For the period from January 1,	For the year ended December 31,		
	For the year ended December 31, 2007	For the period from December 20, 2006 to December 31, 2006	2006 to December 19, 2006	2005	2004	2003
			(in millions, except ratios)			
Statement of Operations Data: (a)						
Revenues	$ 5,989.9	$ 94.1	$ 4,101.5	$ 2,184.9	$ 1,019.8	$ 736.0
Operating income	31.9	2.5	170.0	97.8	0.5	8.4
(Loss) income from continuing operations	(92.9)	(3.3)	35.5	63.0	(31.9)	(3.1)
(Loss) income from discontinued operations (b)	(32.7)	(0.1)	38.2	11.3	8.1	2.3
Net (loss) income	$ (125.6)	$ (3.4)	$ 73.7	$ 74.3	$ (23.8)	$ (0.8)
Balance Sheet Data (at end of period): (a)						
Cash and cash equivalents	$ 109.9	$ 126.1		$ 6.8	$ 17.8	$ 14.8
Total assets	5,120.5	4,801.9		1,554.1	1,081.2	550.7
Total debt	2,764.3	2,588.0		651.8	412.4	256.2
Total stockholder s equity	850.7	845.4		393.8	282.7	121.8
Other Financial Data: (a)						
Net cash provided (used) by:						
Operating activities	$ 307.9	$ (147.1)	$ 357.1	$ 97.5	$ (7.9)	$ 15.7
Investing activities	(510.6)	(1,736.1)	(898.1)	(372.2)	(36.4)	(2.4)
Financing activities	109.4	1,880.5	700.3	260.9	31.2	18.2
Depreciation and amortization	202.9	5.3	101.5	52.4	27.0	26.4
Capital expenditures	191.8	10.7	108.7	60.3	43.6	17.5
Ratio of earnings to fixed charges (c)			1.7	2.3		

(a) Our financial position, results of operations and cash flows have been affected by acquisitions of companies during certain periods presented. The most significant of which are as follows: on December 9, 2004, the acquisition of Commonwealth Industries, Inc.; on August 1, 2006, the downstream aluminum business of Corus Group plc; and on September 11, 2007, the acquisition of Wabash Alloys.

(b) On November 19, 2007, the Company entered into a definitive stock purchase agreement to sell all of the issued and outstanding shares of capital stock of each of U.S. Zinc Corporation, Interamerican Zinc, Inc., and Aleris Asia Pacific Zinc, the Zinc business. On January 11, 2008, the Company consummated the sale of the Zinc business to a third party for cash consideration of $295.0 million, resulting in an after-tax loss of $26.3 million. Net assets included in the sale of the Zinc business totaled $249.0 million.

(c) For purposes of computing the ratio of earnings to fixed charges, earnings consists of (loss) income from continuing operations before income taxes and minority interest, plus cash dividends received from equity interests less the equity income recorded. Fixed charges consist of interest expense, including amortization of debt issuance costs and capitalized interest and the interest portion of rental expense. For the year ended December 31, 2007, period from December 20, 2006 to December 31, 2006 and for the years ended December 31, 2004 and 2003, earnings were insufficient to cover fixed charges by $187.4 million, $4.0 million, $29.4 million and $6.0 million, respectively.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Management s Discussion and Analysis of our Financial Condition and Results of Operations (MD&A) is intended to help you understand our operations as well as the industry in which we operate. This discussion should be read in conjunction with our audited financial statements and notes and other financial information appearing elsewhere in this annual report. Our discussions of our financial condition and results of operations also include various forward-looking statements about our industry, the demand for our products and services, and our projected results. These statements are based on certain assumptions that we consider reasonable. For information about these assumptions and other risks relating to our businesses and our company, you should refer to Item 1A Risk Factors.

Overview

This overview summarizes the MD&A, which includes the following sections:

Our Business a general description of our operations and business segments, the Zinc Disposition, the aluminum industry and the critical measures of financial performance;

Review of 2007 and Future Outlook a discussion of the TPG acquisition of us in 2006 on our 2007 results of operations, our acquisition of Wabash, other significant factors that impacted our business in 2007 as well as material trends and uncertainties that may impact our operations;

Operations Review an analysis of our consolidated and segment results of operations and production for the years presented in our consolidated financial statements;

Liquidity and Capital Resources an analysis of our cash flows, EBITDA, exchange rates and contractual and environmental obligations as well as a discussion of our December 2006 and August 2006 refinancings;