AMG Advanced Metallurgical Group N.V.
Interim consolidated balance sheet at 31 March 2007

In thousands of US Dollars	**March 31, 2007 Unaudited**	**December 31, 2006 Unaudited**
Assets		
Property, plant and equipment	115,347	101,256
Intangible assets	45,422	44,898
Investments in associates	12,764	13,303
Deferred tax assets	24,580	21,731
Other assets	5,357	4,981
Total non-current assets	203,470	186,169
Inventories	157,746	169,068
Trade and other receivables	162,973	140,976
Derivative financial instruments	2,094	2,448
Prepayments	34,192	17,367
Cash and cash equivalents	88,382	54,610
Total current assets	445,387	384,469
Total assets	648,857	570,368
Equity		
Issued capital	441	59
Share premium	108,492	129,986
Other reserves	(19,956)	(15,313)
Retained earnings	(141,442)	(148,840)
Total equity attributable to shareholders of the Company	(52,465)	(34,108)
Minority interests	17,159	10,367
Total equity	(35,306)	(23,741)
Liabilities		
Loans and borrowings	195,928	185,386
Related party debt	21,965	721
Employee benefits	95,885	94,245
Provisions	5,841	5,835
Other liabilities	9,995	9,579
Deferred tax liabilities	17,701	12,989
Total non-current liabilities	347,315	308,755
Loans and borrowings	15,827	22,659
Short-term bank debt	47,601	53,180
Related party debt	17,438	14,815
Trade and other payables	110,708	93,841
Other liabilities	52,279	44,417
Derivative financial instruments	2,406	1,303
Advance payments	60,935	29,739
Current taxes payable	18,397	13,126
Provisions	11,257	12,544
Total current liabilities	336,848	285,624
Total liabilities	684,163	594,379
Total equity and liabilities	648,857	570,638

AMG Advanced Metallurgical Group N.V.
Interim consolidated income statement for the three months ended 31 March 2007

For the three months ended 31 March		
In thousands of US Dollars	**2007 Unaudited**	**2006 Unaudited**
Continuing operations		
Revenue	265,936	234,853
Cost of sales	220,833	194,769
Gross profit	45,103	40,084
Selling, general and administrative expenses	25,638	23,483
Restructuring and asset impairment expense	7	404
Environmental expenses	120	5,745
Other expenses	25	152
Other income	(1,278)	(23)
Operating profit	20,591	10,323
Interest expense	9,381	8,671
Interest income	(966)	(609)
Net finance costs	8,415	8,062
Share of profit of associates	(130)	(402)
Profit before income tax	12,046	1,859
Income tax expense	5,043	2,191
Profit for the period	7,003	(332)
Attributable to:		
Shareholders of the Company	7,398	139
Minority interests	(395)	(471)
	7,003	(332)
Earnings per share		
Basic earnings per share	199.14	-
Diluted earnings per share	2.11	-

AMG Advanced Metallurgical Group N.V.
Interim consolidated statement of changes in equity for the three months ended 31 March 2007

In thousands of US Dollars

	Equity attributable to shareholders of the parent					Minority interests	Total Equity
	Issued capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total**		
Balance at 1 January 2007	**59**	**129,986**	**(15,313)**	**(148,840)**	**(34,108)**	**10,367**	**(23,741)**
Foreign currency translation	-	-	(4,203)	-	(4,203)	(284)	(4,487)
Gain on cash flow hedges, net of tax	-	-	(440)	-	(440)	-	(440)
Total income and expense for the period recognised directly in equity	-	-	(4,643)	-	(4,643)	(284)	(4,927)
Profit (loss) for the period	-	-	-	7,398	7,398	(395)	7,003
Total income and expense for the period	-	-	(4,643)	7,398	2,755	(679)	2,076
Issuance of shares for contribution in kind	**382**	(21,548)	-	-	(21,166)	-	(21,166)
Consolidation of FNE	-	-	-	-	-	5,917	5,917
Convertible debt	-	-	-	-	-	1,509	1,509
Equity-settled share-based payments	-	54	-	-	54	45	99
Balance at 31 March 2007	**441**	**108,492**	**(19,956)**	**(141,442)**	**(52,465)**	**17,159**	**(35,306)**

AMG Advanced Metallurgical Group N.V.

Interim consolidated statement of changes in equity for the three months ended 31 March 2006

In thousands of US Dollars

	Equity attributable to shareholders of the parent					Minority interests	Total Equity
	Issued capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2006	**-**	**129,131**	**(3,593)**	**(153,347)**	**(27,809)**	**18,984**	**(8,825)**
Foreign currency translation	-	-	219	-	219	(17)	202
Gain on cash flow hedges, net of tax	-	-	(129)	-	(129)	-	(129)
Total income and expense for the period recognised directly in equity	-	-	90	-	90	(17)	73
Profit (loss) for the period	-	-	-	139	139	(471)	(332)
Total income and expense for the period	-	-	90	139	229	(488)	(259)
Convertible Debt	-	-	-	-	-	642	642
Equity-settled share-based payments	-	58	-	-	58	49	107
Balance at 31 March 2006	**-**	**129,189**	**(3,503)**	**(153,208)**	**(27,522)**	**19,187**	**(8,335)**

AMG Advanced Metallurgical Group N.V.
Interim consolidated condensed cash flow statement for the three months ended 31 March 2007

For the three months ended 31 March

In thousands of US Dollars	**2007 Unaudited**	**2006 Unaudited**
Cash flows from operating activities		
Profit for the period	7,003	(332)
Adjustments for:		
Depreciation and amortization	4,523	4,181
Restructuring expense and impairment losses	7	404
Environmental expense	68	5,745
Net finance costs	8,415	8,062
Share of loss of associates	130	402
Income tax expense	5,043	2,191
Change in working capital	25,587	(8,118)
Other	(1,458)	309
Interest paid	(1,042)	(1,400)
Income tax paid	(1,951)	(1,852)
Cash paid for dividends	(3,622)	-
Net cash flows from operating activities	42,703	9,592
Cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	701	417
Acquisitions of property, plant and equipment	(6,676)	(5,516)
Acquisitions, net of cash	(1,547)	-
Other	1,008	476
Net cash flows used in investing activities	(6,514)	(4,623)

Interim consolidated condensed cash flow statement for the three months ended 31 March 2007 (continued)

For the three months ended 31 March *In thousands of US Dollars*	**2007** **Unaudited**	**2006** **Unaudited**
Cash flows (used in) from financing activities		
Proceeds from issuance of debt	127	3,388
Repayment of borrowings	(3,502)	(1,253)
Capital infusion	67	-
Other	(456)	(48)
Net cash flows (used in) provided by financing activities	(3,764)	2,087
Net increase in cash and cash equivalents	32,425	7,056
Cash and cash equivalents at 1 January	54,610	50,317
Effect of exchange rate fluctuations on cash held	1,347	911
Cash and cash equivalents at 31 March	88,382	58,284

1. Reporting entity

AMG Advanced Metallurgical Group N.V. (the "Company") is domiciled in the Netherlands. The Company was incorporated in the Netherlands as a public limited liability company on 21 November 2006 by Safeguard International Fund and did not have ownership interest in any company at that time. It is comprised of a group of companies that were contributed to the Company by Safeguard in March 2007. The subsidiaries that make up the combined entity are primarily located in Europe, North America and South America. The principal activities of the company and its subsidiaries are described in Note 6.

The interim condensed consolidated financial statements of the Company for the three months ended 31 March 2007 were authorised for issue by the Supervisory Board on 5 June 2007.

2. Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2007 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements represent the combined financial information of the Company and its subsidiaries, which have been contributed to the Company by Safeguard on 29 March 2007.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual combined financial information as at 31 December 2006.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual combined financial information for the year ended 31 December 2006, except for the adoption of the following amendments mandatory for the annual periods beginning on or after 1 January 2007:

- IFRIC 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Adoption of IFRIC 10 did not have any significant impact on the condensed consolidated financial statements.
- IFRIC 11 *IFRS 2: Company and Treasury shares transactions* clarifies IFRS 2 in stating whether cash-settled or equity-settled accounting treatment should be used for certain share-based arrangements. Adoption of IFRIC 11 did not have any significant impact on the condensed consolidated financial statements.
- IFRIC 12 *Service Concession Arrangements* gives guidance on the accounting by operators for public-to-private service concession arrangements. Adoption of IFRIC 12 did not have any impact on the condensed consolidated financial statements.

3. Cash and Cash equivalents

Cash and cash equivalents are comprised of the following:

	31 March, 2007	**31 December , 2006**
Bank balances	81,294	58,284
Time deposits	7,088	-
	88,382	58,284

Bank balances earn interest at floating rates based on daily bank deposit rates while cash equivalents are time deposits with maturities of three months or less which earn interest based on the maturities.

4. Income Tax

The major components of income tax expense in the consolidated income statement are:

	31 March, 2007	31 March 2006
Current income tax		
Current income tax charge	4,539	2,069
Deferred income tax		
Relating to origination and reversal of temporary differences	504	122
Total income tax expense reported in the income statement	5,043	2,191

5. Business Combinations and acquisitions

On 7 June 2006, GfE made a payment, valued at approximately $2,700, to purchase a 24.9% share of ownership in FNE Forschungsinstitut für Nichteisen-Metalle Freiberg GmbH ("FNE") from its current family ownership. The subsidiary FNE has state-of-the-art production capabilities for rotatable targets, a key to large area coating requirements.

The purchase agreement included a call option under which GfE was entitled to purchase the remaining shares for a defined purchase price within the timeframe from 1 January 2007 through 1 January 2008. Additionally, the seller is entitled to a put option under which the purchase of the shares by GfE can be requested for the same consideration in the timeframe from 1 January 2008 through 31 March 2008. The purchase price for 100% of FNE, according to the purchase agreement, is approximately $6,268. The payment made has been recorded as an investment in associates of $1,694 and an option value of $1,078. As of 31 December 2006, this has been accounted for as an equity investment. However, due to the call option that is effective starting 1 January 2007, this is being consolidated in the year ended 31 December 2007.

The fair value of identifiable assets and liabilities of FNE approximated carrying value. These values as at the date of consolidation were:

Property, plant and equipment	11,685
Cash	759
Prepayments	1,630
Trade receivables	1,646
Inventories	2,558
	18,278
Trade payables	6,315
Income tax payable	3
Debt	4,049
Deferred tax liability	11
Pension liability	437
	10,815
Fair value of net assets	7,463
Fair value of net assets acquired (24.9%)	1,858
Negative goodwill arising on acquisition	164
Total acquisition cost of 24.9%	**1,694**

5. Business combinations and acquisitions (continued)

From the date of consolidation, FNE has contributed $380 to the profit of the Company.

In March 2007, Timminco acquired an additional 453 shares of FundoWheels from treasury for approximately $1,547. The Hoyanger Community, which owns a portion of Fundo Wheels, also invested such that Timminco's ownership interest remained at 47%. The acquisition of the interest did not create any purchase discrepancy.

6. Segment information

The primary segment reporting format is determined to be business segments as the Company's risks and rates of return are affected primarily by differences in the products and services it provides.

Advanced Materials Unit – This unit manufactures and sells high-quality specialty metals, alloys and metallic chemicals which are essential to the production of high-performance aluminium and titanium alloys, superalloys, steel and certain non-metallic materials for various applications in the aerospace, power supply, automotive, petrochemical processing and telecommunications industries. It also manufactures and supplies engineered magnesium extrusion. These products are used in a broad range of specialized industrial applications in the aluminum, steel, lead, and automotive industries. These products are used as components in sporting goods, tools, luggage frames, storage containers, aerospace and nuclear applications. This unit operates in the U.S., Canada, Brazil, the United Kingdom, Germany and France.

Engineering Systems Unit – This unit is the leading global supplier of processes and services in the field of vacuum process technology. Core specialties of ALD are the development of processes and the design of plants, which are made to ALD's concept by partners in the supplier industry. ALD serves a demanding group of international customers with its branches in North America, Japan and Britain, and more than 70 representative offices around the world.

Quarter Ended 31 March 2007

	Advanced Materials	Engineering Systems	Other and Eliminations	Total
Revenue				
Revenue from external customers	$204,734	$61,202	-	$265,936
Segment Result				
Operating Profit	9,297	11,361	(67)	20,591
Interest income	273	1,021	(328)	966
Interest expense	(9,334)	(375)	328	(9,381)
Share of (loss) profit of associates	(147)	17	-	(130)
Profit before income tax	89	12,024	(67)	12,046
Income tax expense (benefit)	370	4,673	-	5,043
Profit for period	(281)	7,351	(67)	7,003

6. Segment reporting (continued)

Quarter Ended 31 March 2006

	Advanced Materials	Engineering Systems	Other and Eliminations	Total
Revenue				
Revenue from external customers	$194,667	$40,186	-	$234,853
Segment Result				
Operating Profit	2,525	7,798	-	10,323
Interest Income	441	168	-	609
Interest Expense	(7,912)	(759)	-	(8,671)
Share of loss of associates	(392)	(10)	-	(402)
Profit (loss) before income tax	(5,338)	7,197	-	1,859
Income tax expense (benefit)	(594)	2,785	-	2,191
Profit for period	(4,744)	4,412	-	(332)

7. Property, plant and equipment

Acquisitions and disposals
During the three months ended 31 March 2007, assets with a cost of $6,676 (2006: $5,516) were acquired, not including property, plant and equipment acquired through a business combination (note 5).

Assets with a book value of $987 were disposed of during the three months ended 31 March 2007 (2006: $57) resulting in a gain on disposal of $77 (2006: loss of $25).

8. Inventories

During the three months ended 31 March 2007, inventory in the amount of $308 (2006: $448) was impaired. This expense is included in cost of goods sold in the consolidated income statement.

9. Provisions

Restructuring
During the three months ended 31 March 2007, payments of $1,801 (2006: $834) were made from the restructuring provision and additional provisions of $7 (2006: $404) were accrued.

Environmental
During the three months ended 31 March 2007, payments of $220 (2006: $348) were made from the environmental provision and additional provisions of $68 (2006: $5,745) were accrued.

Other
During the three months ended 31 March 2007, payments of $656 (2006: $164) were made from the warranty provision and additional provisions of $2,192 (2006: $0) were accrued.

10. Pension plans

The subsidiaries of the Company have several defined benefit pension plans in North America and Europe. Some of these plans require that contributions be made to separately administered funds. The increase in the employee benefits liability is due to the pension expense recognised in the first quarter which was in excess of the pension contributions made.

11. Share-based payment

No new stock options were granted.

12. Interest-bearing loans and borrowings

Borrowing and repayment of debt
In the three months ended 31 March 2007 and 2006, certain subsidiaries borrowed additional funds from credit facilities that were in place at 31 December 2006 and 2005. Total borrowings were $127 (2006: $3,388) and total repayments on those same facilities were $3,502 (2006: $1,253).

13. Commitments and contingencies

No new commitments and contingencies have developed since 31 December 2006 and no new capital commitments have been made in that period.

14. Related party transactions

On 1 March, 2007, Safeguard, through an affiliate, loaned Timminco CAD 4.5 million to expedite product development and to fund its further investment in Fundo Wheels. The loan is repayable on demand, and bears interest at the U.S. prime rate plus 1%. The loan and related security are subordinate to the indebtedness and the security provided by Timminco's senior lender, Bank of America, N.A. Under the terms of the loan, Safeguard, through its affiliate, has the option to convert the whole or any part of the outstanding principal amount at any time into common shares of the Corporation at a conversion rate of CAD$0.42 per common share. A call option is in place for AMG whereby if the conversion feature is exercised by Safeguard, the Company can call upon the applicable new issued shares.

Contribution to AMG
By an amendment of the articles of association of the Company made on 29 March 2007, the authorised share capital of the Company was increased to € 500,000 and the 450 issued shares in the capital of the Company with a nominal value of € 100 each were divided into 450,000 Shares with a nominal value of € 0.10 each.
The Company's share capital has since been increased as described below. As described below, more than 10% of the Company's share capital has been paid for with assets other than cash.

MDHC Contribution
On 29 March 2007 the Company issued a total of 549,746 Shares in consideration for the contribution in kind (*inbreng anders dan in geld*) to the Company of shares held by each subscriber in the capital of MDHC. The value of the contribution in kind in excess of the nominal value of the issued Shares has been recorded as a voluntary share premium (*niet bedongen agio*). The table below sets forth the numbers of Shares issued to each subscriber on 29 March 2007.

SUBSCRIBER	NUMBER OF SHARES
Safeguard	272,077
Safeguard Co-Investment Partnership, L.P.	167,414
SCP Private Equity Partners, L.P	101,632
Safeguard Interfund	4,987
DLJ WIN I, L.L.C	1,268
Joseph Marren	1,268
Safeguard International Advisors, L.L.C.	423
Scott Honour	254
Robert McEvoy	254
Scott Morrison	169
Total	**549,746**

14. Related party transactions (continued)

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

ALD Contribution

On 29 March 2007 the Company issued 2,129,486 Shares to ALD International in partial consideration for the contribution in kind to the Company of all of the outstanding shares in the capital of ALD (the remainder of the consideration being satisfied by the Company's assumption of a debt payable to PFW Aerospace of approximately € 16.1 million). The value of the contribution in kind in excess of the nominal value of the issued Shares has been recorded as voluntary share premium payment. On the same date ALD International transferred 2,114,937 Shares to Safeguard and its remaining 14,549 Shares to Safeguard Interfund.

Timminco Contribution

On 29 March 2007 the Company issued 173,893 Shares to BLP in consideration for the contribution in kind to the Company of 40,909,093 shares in the capital of Timminco. The value of the contribution in kind in excess of the nominal value of the issued Shares has been recorded as voluntary share premium payment. On the same date BLP transferred 170,977 Shares to Safeguard, 1,177 Shares to Safeguard Interfund and its remaining 1,739 Shares to Becancour G.P., Inc. The Company issued an additional 189,840 shares with respect to this contribution in June.

Current Share Capital

The Company’s authorised share capital as at 31 March 2007 was € 500,000, divided into 5,000,000 Shares, each with a nominal value of € 0.10. The Company’s issued share capital as at 31 March 2007 was € 330,312.50, divided into 3,303,125 Old Shares, all of which were paid up in full. The Company’s issued share capital was increased was increased on 2 April 2007 by the issue of 254 old shares, fully paid, to The Lanigan Trust as described above.

No other significant related party transactions have occurred in the three months ended 31 March 2007, other than the continuing payment of rent and utilities by Metallurg to Safeguard, as more fully disclosed in the annual report.

15. Subsequent events

On 30 April 2007, Timminco completed its public offering of 10,000,000 common shares at a price of C$2.60 per share and raised gross proceeds of C$26.0 million. The underwriters on the public offering also exercised their over-allotment option in full and purchased an additional 1,500,000 common shares at a price of C$2.60 per common share for gross proceeds of C$3.9 million. The total gross proceeds of the Offering were C$29.9 million. On 30 April 2007, the financing and the exercise of the over-allotment option were completed resulting in proceeds of C$28.0 million net of transaction fees.

Also on 30 April 2007, Timminco announced that Safeguard had completed its conversion of the entire amount outstanding under the $2.0 million convertible promissory note issued March 7, 2006 into 5,601,000 shares. Those shares were contributed to AMG in order to ensure that AMG maintained control of the entity. As at 30 April 2007, AMG owned 50.4% of the shares of Timminco.

15. Subsequent events (continued)

On 4 May 2007, the Company received a letter of default from the trustee of the Class A Term Notes. The default was in reference to the Company's inability to provide audited US GAAP financials for the year ended 31 December 2006. The default was waived and financial statement covenants were amended to allow for reporting under IFRS through a supplemental indenture signed on 21 June 2007.

Purchase of Land in Berlin by ALD

On 13 June 2007, ALD entered into a purchase agreement (the "**CNH Purchase Agreement**") to purchase, through its subsidiary Monopol 487. GmbH ("**Monopol**"), assets in Berlin, Germany from CNH Baumaschinen GmbH ("**CNH**"). The CNH Purchase Agreement remains subject to several conditions precedent and will terminate if these have not been satisfied by the end of September 2007. The principal asset is a hereditary building right which includes rights over a factory building and a multifunctional building that the Company intends to use to produce solar silicon melting and crystallisation furnaces following the acquisition.

By a share purchase agreement dated 13 June 2007 (the "**Monopol SPA**"), on that date ALD and Cello Vermögensverwaltungs- und Beteiligungsgesellschaft mbH ("**Cello**") acquired respectively 51% and 49%, of the shares in Monopol from CNH, for a total purchase price of € 100 (net of value added tax). Before completion of the Monopol SPA, CNH established Monpol as a special purpose company with a share capital of € 1,000,000 and undertook to make voluntary contributions of € 14,500,000 into Monopol's capital reserve.

Pursuant to the CNH Purchase Agreement, CNH has agreed to sell to Monopol a hereditary building right which it holds relating to real estate in Berlin-Spandau, Germany, together with certain other assets for a total purchase price of € 100 (net of value added tax). The hereditary building right is encumbered with, inter alia, a land charge in the amount of DEM 11,600,000 (€ 5,930,986.80) in favour of the State of Berlin. Monopol will assume this land charge as well as CNH's rights and obligations under the existing hereditary building right contract with Liegenschaftsfonds Berlin & Co. KG, the owner of the real estate encumbered with the hereditary building right. These obligations include the payment of ground rent of € 396,384 per annum, which will be reduced to € 248,503.20 per annum; the latter amount will be increased to € 258,503.20 per annum with effect from 1 January 2013 and increased by a further € 10,000 per annum every five years thereafter. The hereditary building right expires on 31 December 2038.

Monopol undertook to the State of Berlin in the CNH Purchase Agreement that ALD or companies nominated by ALD and Cello and accepted by the State of Berlin would establish at least 70 permanent jobs at the site by the end of 2007 and a further 80 by the end of 2008 and would maintain these 150 permanent jobs until the end of 2009. In the event of a breach of this undertaking, Monopol is required to pay to CNH a penalty of € 50,000 multiplied by the number of jobs under 150 provided at the site at that time. Monopol has also undertaken to CNH in a separate service agreement to continue the provision of certain services needed by CNH and to let office and other space to CNH, in both cases until 31 December 2011, and CNH has the option to extend the provision of these services and the lease for a further five years.

ALD as a party to the CNH Purchase Agreement guarantees the performance of all obligations of Monopol under that agreement, even though ALD holds only 51% of the shares of Monopol. If the CNH Purchase Agreement is terminated or otherwise avoided, ALD and Cello are obliged to pay EUR€ 15,500,000 (plus interest) to CNH upon demand as joint and several debtors. Any claims of Monopol against CNH arising out of or in connection with the CNH Purchase Agreement will lapse one year after the date of that agreement.

All agreements and statements in respect of this transaction become null and void if CNH does not comply with its obligations to pay up the share capital of Monopol in full and make the voluntary contributions of € 14,500,000 into Monopol's capital reserve.