UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended June 30, 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

(Address of principal executive offices) (Zip Code)

(216) 910-3400

(Registrant s telephone number, including area code)

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 whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the close of business on April 30, 2007.

Common Stock, $0.01 par value: 900 shares

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALERIS INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEET

(in millions, except share and per share data)

	(Successor) June 30, 2007 (Unaudited)	December 31, 2006
ASSETS		
Current Assets		
Cash and cash equivalents	$ 74.8	$ 126.1
Accounts receivable (net of allowance of $9.2 and $9.9 at June 30, 2007 and December 31, 2006, respectively)	820.2	692.5
Inventories	936.6	1,023.6
Deferred income taxes	4.8	34.6
Prepaid expenses	25.6	20.6
Derivative financial instruments	75.1	77.5
Other current assets	30.1	18.3
Total Current Assets	1,967.2	1,993.2
Property, plant and equipment, net	1,270.6	1,223.1
Goodwill	1,442.2	1,362.4
Intangible assets, net	79.5	84.1
Derivative financial instruments	61.8	48.5
Deferred income taxes	8.1	8.1
Other assets	86.6	89.0
	$ 4,916.0	$ 4,808.4
LIABILITIES AND STOCKHOLDER S EQUITY		
Current Liabilities		
Accounts payable	$ 672.9	$ 554.3
Accrued liabilities	322.4	338.7
Deferred income taxes	37.7	37.7
Current maturities of long-term debt	18.0	20.5
Total Current Liabilities	1,051.0	951.2
Long-term debt	2,572.7	2,567.5
Deferred income taxes	135.5	141.2
Accrued pension benefits	179.6	179.2
Accrued postretirement benefits	57.3	57.5
Other long-term liabilities	69.1	66.4
Stockholder s Equity		
Preferred stock; par value $.01; 100 shares authorized; none issued at June 30 2007 and December 31, 2006, respectively		
Common stock; par value $.01; 900 shares authorized and issued at June 30, 2007 and December 31, 2006, respectively		

Additional paid-in capital	850.5	848.8
Retained deficit	(21.6)	(3.4)
Accumulated other comprehensive income	21.9	
Total Stockholder s Equity	850.8	845.4
	$ 4,916.0	$ 4,808.4

See Notes to Consolidated Financial Statements.

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ALERIS INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

(in millions)

	(Successor) For the three months ended June 30 2007	(Predecessor) For the three months ended June 30 2006	(Successor) For the six months ended June 30 2007	(Predecessor) For the six months ended June 30 2006
Revenues	$ 1,616.1	$ 1,012.8	$ 3,215.2	$ 1,860.4
Cost of sales	1,495.6	890.1	3,027.9	1,647.3
Gross profit	120.5	122.7	187.3	213.1
Selling, general and administrative expense	58.6	29.7	120.3	56.5
Restructuring and other charges (credits)	1.7	(0.3)	8.9	(0.3)
Gains on derivative financial instruments	(29.9)	(9.3)	(35.3)	(5.2)
Operating income	90.1	102.6	93.4	162.1
Interest expense	54.7	13.7	110.5	27.7
Interest income	(0.8)	(0.4)	(2.2)	(0.6)
Other expense, net	5.6	0.8	7.3	1.3
Income (loss) before provision for income taxes and minority interests	30.6	88.5	(22.2)	133.7
(Benefit from) provision for income taxes	(4.5)	32.9	(4.4)	49.7
Income (loss) before minority interests	35.1	55.6	(17.8)	84.0
Minority interests, net of provision for income taxes	0.2	0.2	0.4	0.4
Net income (loss)	$ 34.9	$ 55.4	$ (18.2)	$ 83.6

See Notes to Consolidated Financial Statements.

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ALERIS INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(in millions)

	(Successor) For the six months ended June 30 2007	(Predecessor) 2006
Operating activities		
Net (loss) income	$ (18.2)	$ 83.6
Depreciation and amortization	82.3	31.7
(Benefit from) provision for deferred income taxes	(5.8)	13.0
Excess income tax benefits from exercise of stock options		(3.0)
Restructuring and other charges (credits):		
Charges (credits)	8.9	(0.3)
Payments	(9.2)	(3.7)
Stock-based compensation expense	1.8	4.5
Unrealized gains on derivative financial instruments	(47.6)	(17.2)
Charges related to step up in carrying value of inventory	55.6	
Other non-cash charges	5.4	3.7
Changes in operating assets and liabilities:		
Accounts receivable	(104.5)	(161.8)
Inventories	64.5	(42.8)
Other assets	(1.5)	(0.7)
Accounts payable and accrued liabilities	68.9	159.6
Net cash provided by operating activities	100.6	66.6
Investing activities		
Acquisition of Aleris International, Inc.	(11.5)	
Purchase of business, net of cash acquired.	(38.2)	
Payments for property, plant and equipment	(92.2)	(25.8)
Proceeds from sale of property, plant and equipment	0.4	
Other	(0.6)	(1.0)
Net cash used by investing activities	(142.1)	(26.8)
Financing activities		
Net payments on long-term revolving credit facilities	(9.4)	(24.8)
Payments on long-term debt	(3.1)	(2.2)
Decrease in restricted cash	0.2	
Proceeds from exercise of stock options		1.2
Excess income tax benefits from exercise of stock options		3.0
Repurchase of common stock for treasury		(2.6)
Other	(0.3)	(0.4)
Net cash used by financing activities	(12.6)	(25.8)
Effect of exchange rate differences on cash and cash equivalents	2.8	(0.9)
Net (decrease) increase in cash and cash equivalents	(51.3)	13.1
Cash and cash equivalents at beginning of period	126.1	6.8

Cash and cash equivalents at end of period	$ 74.8	$ 19.9

See Notes to Consolidated Financial Statements.

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ALERIS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

JUNE 30, 2007

(amounts in millions, except share and per share data)

NOTE A BASIS OF PRESENTATION

On July 14, 2006, Texas Pacific Group (TPG) formed Aurora Acquisition Holdings, Inc. (Holdings) and Aurora Acquisition Merger Sub, Inc. (Merger Sub), for purposes of acquiring Aleris International, Inc. (we, our or the Company). On August 7, 2006, we entered into an Agreement and Plan of Merger with Holdings, pursuant to which each share of our common stock (other than shares held in treasury or owned by Holdings) would be converted into the right to receive $52.50 in cash, subject to stockholder approval. The acquisition of the Company (the Acquisition) was completed on December 19, 2006 at which time TPG and certain members of our management made a cash contribution of $844.9 and a non-cash contribution of $3.9 to Holdings in exchange for 8,520,000 shares of Holdings stock. The non-cash contribution consisted of shares of common stock held by management. Holdings contributed this amount to Merger Sub in exchange for Merger Sub issuing 900 shares of its common stock to Holdings. The cash contribution, along with the additional indebtedness jointly entered into by us and Merger Sub, was used to acquire and retire all of our then outstanding common stock, redeem all stock options and non-vested stock, refinance substantially all of our indebtedness and to pay fees and expenses associated with the Acquisition. Immediately upon consummation of the Acquisition, Merger Sub was merged with and into the Company. As the surviving corporation in the merger, we assumed, by operation of law, all of the rights and obligations of Merger Sub.

The Acquisition was recorded as of December 19, 2006. The accompanying consolidated financial statements as of December 31, 2006 and for the three and six months ended June 30, 2007 (the Successor period) include the preliminary application of purchase accounting and the establishment of a new basis of accounting necessitated by the Acquisition. The accompanying financial statements for the three and six months ended June 30, 2006 (the Predecessor period) do not reflect this new basis of accounting.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. The accompanying financial statements include the accounts of Aleris International, Inc. and all of its subsidiaries (collectively, except where the context otherwise requires, referred to as we, us, our or similar terms). All intercompany accounts and transactions have been eliminated. For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2006.

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NOTE B INVENTORIES

The components of inventories are:

	(Successor)	
	June 30, 2007	December 31, 2006
Finished goods	$ 298.1	$ 344.4
Raw materials	298.8	369.3
Work in process	289.7	270.7
Supplies	50.0	39.2
	$ 936.6	$ 1,023.6

At December 31, 2006, consolidated inventories included approximately $58.0 associated with the write-up of acquired inventory to fair value in connection with the Acquisition. Substantially all of this write-up was included within Cost of Sales in the consolidated statement of operations for the six months ended June 30, 2007.

NOTE C GOODWILL

The following table details the changes in the carrying amount of goodwill for the six months ended June 30, 2007.

	Unallocated goodwill	Global rolled products	Total
Balance at December 31, 2006	$ 1,362.4	$	$ 1,362.4
Acquisitions		2.9	2.9
Purchase price allocation adjustments	73.2		73.2
Currency translation adjustments	3.7		3.7
Balance at June 30, 2007	$ 1,439.3	$ 2.9	$ 1,442.2

During the six months ended June 30, 2007 we recorded adjustments to the preliminary purchase price allocation associated with the Acquisition to increase the estimated purchase price to be paid for our acquisition of the downstream aluminum business of Corus Group plc (Corus Aluminum), to finalize the adjustment necessary to state the acquired inventories to their fair value, to record certain liabilities assumed, and to record deferred income taxes related to purchase price allocation adjustments.

The purchase price allocation associated with the Acquisition remains preliminary and subject to the completion of valuations of the acquired tangible and intangible long-lived assets, the finalization of our restructuring activities and the determination of deferred income taxes. In addition, the purchase price paid to acquire Corus Aluminum in August 2006 remains subject to the finalization of an adjustment that is based upon the working capital delivered and the net debt assumed. During the three months ended June 30, 2007, we increased our estimate of the amount to be paid by us to Corus Group plc by $29.7, recording the offsetting amount to goodwill. As of June 30, 2007, we have accrued an estimated purchase price adjustment of $94.7 within Accrued liabilities in the consolidated balance sheet. Any change in this estimate will result in an additional adjustment to goodwill.

The purchase price allocation is expected to be completed in 2007 and may result in significant changes to the long-lived assets included in our consolidated balance sheet as of June 30, 2007 and to the amount of depreciation and amortization expense associated with these long-lived assets. Upon finalization of the purchase price allocation, goodwill will be allocated to our reporting units and presented within our reportable segments, and depreciation and amortization expense will be adjusted to reflect the new basis and useful lives associated with these assets.

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In addition, we acquired the assets of EKCO Products during the second quarter of 2007 for a cash purchase price of $38.2, including acquisition related expenses. The preliminary purchase price allocation resulted in $2.9 of goodwill which has been included within the global rolled and extruded products segment. The purchase price allocation is subject to the finalization of appraisals of the acquired tangible and intangible assets.

NOTE D LONG-TERM DEBT

Our long-term debt is summarized as follows:

	(Successor) June 30, 2007	December 31, 2006
Revolving Credit Facility	$ 327.5	$ 328.6
Term Loan Facility	1,232.0	1,225.0
9% Senior Notes, due December 15, 2014	600.0	600.0
10% Senior Subordinated Notes, due December 15, 2016	400.0	400.0
7.65% Morgantown, Kentucky Solid Waste Disposal Facilities Revenue Bonds-1996 Series, due May 1, 2016, net	5.7	5.7
7.45% Morgantown, Kentucky Solid Waste Disposal Facilities Revenue Bonds-1997 Series, due May 1, 2022	4.6	4.6
6.00% Morgantown, Kentucky Solid Waste Disposal Facilities Revenue Bonds-1998 Series, due May 1, 2023	4.1	4.1
Morgantown, Kentucky Solid Waste Disposal Facilities Revenue Bonds-2004 Series, due October 1, 2027 bearing interest at 3.86% at June 30, 2007	5.0	5.0
Other	11.8	15.0
Subtotal	2,590.7	2,588.0
Less current maturities	18.0	20.5
Total	$ 2,572.7	$ 2,567.5

On December 19, 2006, in conjunction with the Acquisition, we amended and restated the $750.0 revolving credit facility entered into on August 1, 2006 in connection with the acquisition of Corus Aluminum (the Revolving Credit Facility) to, in part, increase the maximum borrowings by $100.0, subject to lender approval. In addition, we amended and restated the term loan facility entered into on August 1, 2006 to increase the maximum borrowings to $825.0 and 303.0 (the Term Loan Facility and, together with the Revolving Credit Facility, the 2006 Credit Facilities). We also issued $600.0 of senior notes (the Senior Notes) and $400.0 of senior subordinated notes (the Senior Subordinated Notes). We used proceeds from these facilities to refinance substantially all of our existing indebtedness and to fund a portion of the purchase price of the Acquisition. We incurred $86.1 of fees and expenses associated with the refinancing which have been capitalized as debt issuance costs.

Revolving Credit Facility

Our Revolving Credit Facility provides senior secured financing of up to $750.0. We and certain of our U.S. and international subsidiaries are borrowers under this Revolving Credit Facility. The availability of funds to the borrowers located in each jurisdiction is subject to a borrowing base for that jurisdiction, calculated on the basis of a predetermined percentage of the value of selected accounts receivable and U.S. and Canadian inventory, less certain ineligible amounts. Non-U.S. borrowers also have the ability to borrow under this Revolving Credit Facility based on excess availability under the borrowing base applicable to U.S. borrowers, subject to certain sublimits. The Revolving Credit Facility provides for the issuance of up to $50.0 of letters of credit as well as borrowings on same-day notice, referred to as swingline loans, and will be available in U.S. dollars, Canadian dollars, euros and certain other currencies. As of June 30, 2007, we estimate that our borrowing base would have supported borrowings of $750.0, the maximum amount under the terms of the Revolving Credit Facility. After giving effect to the $327.5 of outstanding borrowings as well as outstanding letters of credit of $23.4, we had $399.1 available for borrowing as of June 30, 2007.

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The weighted average interest rate under the Revolving Credit Facility as of June 30, 2007 was 6.9%.

There is no scheduled amortization under the Revolving Credit Facility. The principal amount outstanding will be due and payable in full at maturity, on December 19, 2011.

Term Loan Facility

Our Term Loan Facility is a seven-year credit facility maturing on December 19, 2013. The Term Loan Facility permits $825.0 in U.S. dollar borrowings and 303.0 in euro borrowings. We have borrowed the maximum amount under this Term Loan Facility as of June 30, 2007. On March 16, 2007, the Company entered into a First Amendment (the First Amendment) to the Term Loan Agreement, pursuant to which, the pricing grid for loans under the Term Loan Agreement has been reduced by 37.5 basis points. In addition, the First Amendment provides that in the case of certain future repricing transactions, the Company will pay the existing lenders under the Term Loan Agreement a fee equal to 1% of the aggregate principal amount of all loans prepaid, converted or outstanding in the repricing transaction.

At June 30, 2007, the weighted average interest rate for borrowings under the Term Loan Facility was 6.9%.

In March 2007, we entered into an interest rate swap to fix the base interest rate paid on $700.0 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.

Senior Notes

On December 19, 2006, Merger Sub, Inc. issued $600.0 aggregate original principal amount of 9.0% / 9.75% Senior Notes under a senior indenture (the Senior Indenture) with LaSalle Bank National Association, as trustee. As the surviving corporation in the Acquisition, we assumed all the obligations of Merger Sub under the Senior Indenture. The Senior Notes mature on December 15, 2014.

For any interest payment period through December 15, 2010, we may, at our option, elect to pay interest on the Senior Notes entirely in cash (Cash Interest), entirely by increasing the principal amount of the outstanding Senior Notes or by issuing additional Senior Notes (PIK Interest) or by paying 50% of the interest on the Senior Notes in Cash Interest and the remaining portion of such interest in PIK Interest. Cash Interest on the Senior Notes accrues at the rate of 9% per annum. PIK Interest on the Senior Notes accrues at the rate of 9.75% per annum. After December 15, 2010, we will make all interest payments on the Senior Notes entirely in cash. All Senior Notes mature on December 15, 2014 and have the same rights and benefits as the Senior Notes issued on December 19, 2006. Interest on the Senior Notes is payable semi-annually in arrears on each June 15 and December 15, and commenced on June 15, 2007 with a Cash Interest payment.

Senior Subordinated Notes

On December 19, 2006, Merger Sub issued $400.0 aggregate original principal amount of 10.0% Senior Subordinated Notes under a senior subordinated indenture (the Senior Subordinated Indenture) with LaSalle Bank National Association, as trustee. As the surviving corporation in the Acquisition, we assumed all the obligations of Merger Sub under the Senior Subordinated Indenture. The Senior Subordinated Notes mature on December 15, 2016. Interest on the Senior Subordinated Notes is payable in cash semi-annually in arrears on each June 15 and December 15, and commenced on June 15, 2007.

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NOTE E COMMITMENTS AND CONTINGENCIES

Environmental Proceedings and Asset Retirement Obligations

Our operations are subject to environmental laws and regulations governing air emissions, wastewater discharges, the handling, disposal and remediation of hazardous substances and wastes and employee health and safety. These laws can impose joint and several liabilities for releases or threatened releases of hazardous substances upon statutorily defined parties, including us, regardless of fault or the lawfulness of the original activity or disposal. Given the changing nature of environmental legal requirements, we may be required, from time to time, to take environmental control measures at some of our facilities to meet future requirements.

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 in discussions with government authorities for the purpose of resolving similar issues that have arisen at a number of our facilities in different states. At present, discussions are not sufficiently advanced to determine the scope of relief or the amount of penalties. However, with respect to these pending proceedings, the company does not anticipate that the amount of penalties would have a material adverse effect on our financial position or results of operations.

We have been named as a potentially responsible party in certain proceedings initiated pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act 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 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 by agencies in four states for environmental remediation at five sites, two of which are located at our operating facilities.

Our reserves for environmental remediation liabilities totaled $14.7 and $15.0 at June 30, 2007 and December 31, 2006, respectively, and have been classified as Other long-term liabilities in the consolidated balance sheet.

In addition to environmental liabilities, we have recorded asset retirement obligations associated with legal requirements related primarily to the normal operation of our landfills and the retirement of the related assets. At June 30, 2007 and December 31, 2006, our total asset retirement obligations for our landfills were $11.9 and $12.0, respectively.

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, results of operations or cash flows.

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NOTE F COMPREHENSIVE (LOSS) INCOME

The following table presents the components of comprehensive (loss) income for the three and six months ended June 30, 2007 and 2006.

	(Successor)	(Predecessor)	(Successor)	(Predecessor)
	For the three months ended		For the six months ended	
	June 30		June 30	
	2007	2006	2007	2006
Net income (loss)	$ 34.9	$ 55.4	$ (18.2)	$ 83.6
Changes in other comprehensive (loss) income, net of tax:				
Currency translation adjustments	13.3	2.6	21.7	6.3
Unrealized (losses) gains on derivative financial instruments:				
Net change from periodic revaluations	(0.1)	(5.6)	(1.8)	(18.7)
Net amount reclassified to income	0.6	1.6	2.1	(1.5)
Income tax effect	(0.2)	1.5	(0.1)	7.7
Net unrealized gains (losses) on derivative financial instruments	0.3	(2.5)	0.2	(12.5)
Comprehensive income	$ 48.5	$ 55.5	$ 3.7	$ 77.4

See Note K for further information relating to our derivative financial instruments.

NOTE G SEGMENT REPORTING

The acquisition of Corus Aluminum increased the size and scope of our international operations substantially and, as a result, we re-aligned our reporting structure into global business units that offer different types of metal products and services. Our operating segments consist of global rolled and extruded products, global recycling, global specification alloy, and global zinc. As a result, the former international segment is now included within the global recycling and global specification alloy segments. The Predecessor Periods have been restated to reflect this change.

Our global rolled and extruded products segment produces aluminum sheet, plate and extruded and fabricated products for distributors and customers serving the aerospace, building and construction, transportation and consumer durables industry segments. For financial reporting purposes, the global recycling and global specification alloy operating segments have been aggregated into the global recycling reportable segment. The global recycling segment represents all of our aluminum melting, processing, alloying and salt cake recycling activities. We have aggregated these businesses because the products produced are identical (except for minor differences in chemical composition), are delivered in the same manner (either molten or in bars), the raw materials used are very similar, the production processes and equipment used are identical and the long-term gross margins have been and are expected to remain similar. Our global zinc segment represents all of our zinc melting, processing and trading activities.

Measurement of Segment Profit or Loss and Segment Assets

Our measure of the profitability of our operating segments is referred to as segment income. Segment income excludes provisions for income taxes, restructuring and other charges, interest, unrealized losses (gains) on derivative financial instruments and corporate general and administrative costs, including depreciation of corporate assets. Intersegment sales and transfers are recorded at market value. Consolidated cash, long-term debt, net capitalized debt costs, deferred tax assets and assets recorded at corporate are not allocated to the reportable segments. In addition, as discussed in Note C, we have not allocated goodwill associated with the Acquisition to the reportable segments as of June 30, 2007 as the allocation of the purchase price paid for the Acquisition has not been finalized.

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Reportable Segment Information

The following table shows our segment assets as of June 30, 2007 and December 31, 2006:

	(Successor) June 30, 2007	December 31, 2006
Assets:		
Global rolled and extruded products	$ 2,516.6	$ 2,480.7
Global recycling	562.5	597.8
Global zinc	166.2	184.4
Other unallocated assets	1,670.7	1,545.5
Total assets	$ 4,916.0	$ 4,808.4

The following table shows our revenues and segment income for the three months ended June 30, 2007 and 2006:

	(Successor) For the three months ended June 30 2007	(Predecessor) For the three months ended June 30 2006	(Successor) For the six months ended June 30 2007	(Predecessor) For the six months ended June 30 2006
Revenues:				
Global rolled and extruded products	$ 1,089.9	$ 477.8	$ 2,153.5	$ 890.3
Global recycling	417.9	389.0	842.0	734.6
Global zinc	148.0	151.7	290.6	248.6
Intersegment revenues	(39.7)	(5.7)	(70.9)	(13.1)
Total revenues	$ 1,616.1	$ 1,012.8	$ 3,215.2	$ 1,860.4
Segment income:				
Global rolled and extruded products	$ 27.5	$ 52.4	$ 38.3	$ 94.8
Global recycling	25.2	30.2	40.9	48.3
Global zinc	7.1	19.8	6.5	34.9
Total segment income	$ 59.8	$ 102.4	$ 85.7	$ 178.0
Unallocated amounts:				
Corporate general and administrative expenses	$ (19.0)	$ (19.8)	$ (37.1)	$ (35.2)
Restructuring and other (charges) credits	(1.7)	0.3	(8.9)	0.3
Interest expense	(54.7)	(13.7)	(110.5)	(27.7)
Unrealized gains on derivative financial instruments	46.7	18.0	47.6	17.2
Interest and other income, net	(0.5)	1.3	1.0	1.1
Income (loss) before provision for income taxes and minority interests	$ 30.6	$ 88.5	$ (22.2)	$ 133.7

NOTE H STOCK-BASED COMPENSATION

Successor Stock-Based Compensation Plan

In February 2007 the Board of Directors of Holdings approved the Aurora Acquisition Holdings, Inc. Amended and Restated Management Equity Incentive Plan (2007 Plan). Under the 2007 Plan, Holdings may grant up to 740,870 stock options. During the six months ended June 30, 2007, Holdings granted 663,766 stock options to certain members of the Company s senior management. The options have a weighted average exercise price of $100.98 and a ten year life with 60% of the options vesting ratably over five years and 40% vesting upon the occurrence of a liquidity event, as defined under the terms of the 2007 Plan agreement, and the achievement of certain returns on TPG s investment. A portion of the time-based options will be paid out upon a liquidity event

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should the event occur prior to full vesting of these awards. While the time based portion of the options will be expensed over the requisite service period, the event-based awards will not be expensed until the occurrence of the liquidity event.

During the three and six months ended June 30, 2007, we recorded $1.1 and $1.8, respectively, of compensation expense associated with these options. We have recorded the expense under the push down accounting provisions of SEC Staff Accounting Bulletin No. 107. The weighted-average fair value of the time and event-based options was approximately $51.38 and $36.18 per option, respectively. At June 30, 2007, there was $18.7 of compensation expense that will be expensed over the next five years and $9.6 of compensation expense that will be expensed upon the occurrence of the liquidity event.

The Company used the Monte Carlo Simulation method to estimate the fair value of the stock options granted in 2007. Under this method, the estimate of fair value is affected by the assumptions included in the following table, certain of which are highly complex and subjective. Expected equity volatility was determined based upon historical stock prices of our peer companies. The expected term of the event-based options granted was determined based upon a range of estimates regarding of the timing of a liquidity event. The following table summarizes the significant assumption used to determine the fair value of the stock options granted during the six months ended June 30, 2007:

Expected timing of liquidity event in years	2-7
Weighted average expected option life in years	4.6
Risk-free interest rate	4.8%
Equity volatility factor	65.8%
Dividend yield	0.0%

Predecessor Stock-Based Compensation Plan

As of December 31, 2006, 185,017 share units which were granted prior to the Acquisition remained outstanding. During the six months ended June 30, 2007, the Company paid $11.5 to holders of these share units. The payments have been classified as Investing activities in the consolidated statement of cash flows.

NOTE I INCOME TAXES

Our effective tax rate was (17.2)% and 36.9% for the three months ended June 30, 2007 and 2006, respectively and 25.5% and 36.9% for the six months ended June 30, 2007 and 2006, respectively. The effective tax rate for the six months ended June 30, 2007 represents our current estimate of our annual effective tax rate and differs from the federal statutory rate applied to losses before income taxes primarily as a result of the mix of income, losses and tax rates between tax jurisdictions.

We have valuation allowances recorded to reduce certain deferred tax assets to amounts that are more likely than not to be realized. The remaining valuation allowances relate to our potential inability to utilize certain foreign net operating loss carry forwards and U.S. state net operating loss and tax credit carry forwards. We intend to maintain these valuation allowances until sufficient positive evidence exists (such as cumulative positive earnings and estimated future taxable income) to support their reversal. Any subsequent reversal of the valuation allowances will be recorded against goodwill, other identifiable intangible assets or income tax expense.

We adopted the provisions of Financial Accounting Standards Board Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109 on January 1, 2007. The effect of adoption was not material. As of the date of adoption, we had $1.9 of unrecognized tax benefits, all of which would be recorded against goodwill and other identifiable intangible assets. As of June 30, 2007, we have $2.7 of unrecognized tax benefits. The incremental $0.8 of unrecognized benefit will impact our effective rate if recognized.

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We recognize interest and penalties related to uncertain tax positions within the Provision for income taxes in the consolidated statement of operations. As of June 30, 2007, we had approximately $0.1 of accrued interest related to uncertain tax positions.

The 2001 through 2006 tax years remain open to examination by the major taxing jurisdictions to which we are subject. We do not anticipate any significant changes to our total unrecognized tax benefits through the end of the first quarter of 2008. The Internal Revenue Service is currently examining the Aleris 2004 U.S. Federal income tax return. After completion of the 2004 examination, it is expected that the Internal Revenue Service will also exam the 2005 and 2006 U.S. Federal income tax returns.

NOTE J EMPLOYEE BENEFITS

Defined Benefit Pension Plans

Components of the net periodic benefit expense for the three and six months ended June 30, 2007 and 2006 are as follows:

	U.S. pension benefits				European and Canadian pension benefits			
	(Successor)	(Predecessor)	(Successor)	(Predecessor)	(Successor)	(Predecessor)	(Successor)	(Predecessor)
	For the three months ended		For the six months ended		For the three months ended		For the six months ended	
	June 30		June 30		June 30		June 30	
	2007	2006	2007	2006	2007	2006	2007	2006
Service cost	$ 0.7	$ 0.9	$ 1.3	$ 1.8	$ 1.5	$ 0.2	$ 2.7	$ 0.3
Interest cost	1.8	1.8	3.7	3.5	3.1	0.2	6.0	0.5
Amortization of net loss						0.1		0.2
Expected return on plan assets	(2.2)	(1.9)	(4.4)	(3.8)	(1.9)		(3.7)	
Net periodic benefit cost	$ 0.3	$ 0.8	$ 0.6	$ 1.5	$ 2.7	$ 0.5	$ 5.0	$ 1.0

Other Postretirement Benefit Plans

The components of net postretirement benefit expense for the three and six months ended June 30, 2007 and 2006 are as follows:

	(Successor)	(Predecessor)	(Successor)	(Predecessor)
	For the three months ended		For the six months ended	
	June 30		June 30	
	2007	2006	2007	2006
Service cost	$ 0.2	$ 0.3	$ 0.5	$ 0.5
Interest cost	0.8	0.7	1.6	1.4
Net periodic benefit cost	$ 1.0	$ 1.0	$ 2.1	$ 1.9

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NOTE K DERIVATIVE FINANCIAL INSTRUMENTS

We enter into derivatives to hedge the cost of energy, the sale and purchase prices of certain aluminum and zinc products as well as certain alloys used in our production processes, and certain currency and interest rate exposures. The fair value gains (losses) of outstanding derivative contracts are included in the consolidated balance sheet as Derivative financial instruments and Other current liabilities. The fair value of our derivative financial instruments and amounts deferred in Accumulated other comprehensive income as of June 30, 2007 and December 31, 2006 are as follows:

	(Successor)			
	June 30, 2007		December 31, 2006	
	Fair value	Deferred gains (losses), net of tax	Fair value	Deferred gains, net of tax
Natural gas	$ (3.6)	$ (2.5)	$ (1.0)	$
Aluminum	97.4		89.7	
Zinc	7.3		0.4	
Currency	13.8			