<u>Liquidation Analysis</u>

Section 1129(a)(7) of the Bankruptcy Code requires that each holder of an impaired allowed claim or interest either (a) accept the plan of reorganization or (b) receive or retain under the plan property of a value, as of the effective date, that is not less than the value such holder would receive or retain under the plan of reorganization if the applicable debtor were liquidated under chapter 7 of the Bankruptcy Code on the effective date. This requirement is referred to as the "best interests" test. To make these findings, a bankruptcy court must: (a) estimate the cash liquidation proceeds that a chapter 7 trustee would generate if the assets of such debtor's estate were liquidated pursuant to chapter 7 of the Bankruptcy Code; (b) determine the liquidation distribution that each non-accepting holder of a claim or an interest would receive from such liquidation proceeds under the priority scheme dictated in chapter 7; and (c) compare the holder's liquidation distribution to the distribution under the plan that the holder would receive if the plan were confirmed and consummated.

To demonstrate compliance with the "best interests" test, the Debtors estimated a range of proceeds that would be generated from a hypothetical chapter 7 liquidation (the "***Liquidation Analysis***"). The Liquidation Analysis was prepared by the Debtors with assistance from their financial advisors and represents the Debtors' best estimate of the proceeds that would be realized if the Debtors were liquidated in accordance with chapter 7 of the Bankruptcy Code. The Liquidation Analysis assumes that the Debtors' chapter 11 cases are converted into liquidations under chapter 7 as of the Petition Date. The Debtors' management does not believe that including more historical information or projected information would cause the result of this analysis to vary significantly. The Liquidation Analysis, however, is subject to any changes due to the Debtors' continued operation subsequent to the reference date.

The Liquidation Analysis is premised upon a number of estimates and assumptions that, although developed and considered reasonable by the Debtors, are inherently subject to significant business, economic and competitive uncertainties beyond the control of the Debtors, and, as discussed below, upon assumptions that could be subject to change. Thus, there can be no assurance that the values reflected in the Liquidation Analysis would be realized if the Debtors were, in fact, to undergo such a liquidation. In addition, any liquidation ultimately undertaken would take place under future circumstances that cannot be predicted with certainty. Accordingly, although the Liquidation Analysis that follows is necessarily presented with numerical specificity, if the Debtors' estates were in fact liquidated as described herein, the actual proceeds from such liquidation could vary significantly from the amounts set forth in the Liquidation Analysis. Such actual liquidation proceeds could be materially higher or lower than the amounts set forth above, and no representation or warranty can be or is being made with respect to the actual proceeds that would be generated from the liquidation of the Debtors under chapter 7 of the Bankruptcy Code. The Liquidation Analysis has been prepared solely for the purposes of estimating the proceeds that would be available if the Debtors liquidated under chapter 7 of the Bankruptcy Code and does not represent values that may be appropriate for any other purpose, including the values applicable in the context of the Plan. Nothing contained in the Liquidation Analysis is intended as or constitutes a concession or admission for any purpose other than the presentation of a hypothetical liquidation analysis, as required by the "best interests" test set forth in section 1129(a)(7) of the Bankruptcy Code.

Because the First Lien Lenders have senior priority security interests on a substantial portion of each Debtor's assets, and because the Intercreditor Agreement provides that the First Lien Lenders must be paid in full prior to paying any junior class, the Liquidation Analysis was performed on a consolidated basis. In estimating the amount of proceeds available under a hypothetical chapter 7 liquidation, the Debtors estimated the cash proceeds that might be realized from the liquidation of the Debtors' assets based on the book value of assets as set forth on the Debtors' consolidated balance sheet dated as of February 28, 2010. These values have not been subject to any review, compilation or audit by any independent accounting firm. Subject to the qualifications, assumptions and schedules herein, the Debtors estimate that the range of gross proceeds, net of wind-down costs, trustee fees and professional fees will not be adequate to satisfy the Holders of Claims under the Senior Credit Agreement in full. The assumptions and schedules supporting these results are set forth herein.

Based on the Liquidation Analysis, the Debtors believe that Holders of Claims in Classes 2(a)-(k) through 4(a)-(k) and Classes 7(a)-(k) under the Plan will recover more value as a result of Confirmation of the proposed Plan than through a hypothetical chapter 7 liquidation.

General Assumptions

In chapter 7, a trustee (the "***Chapter 7 Trustee***") is appointed to manage the debtor's affairs and conduct a liquidation. Accordingly, the Liquidation Analysis assumes that the Debtors would be forced to liquidate and would do so on an expedited, but orderly basis under the supervision of the Chapter 7 trustee. The Debtors would be forced to cease substantially all operations in an orderly manner after the Petition Date and use their cash position to liquidate their assets and pay priority claims. The likely consequences of the conversion of the Debtors' chapter 11 cases to cases under chapter 7 of the Bankruptcy Code include the following:

- The Debtors' workforce consists of specialized employees who are crucial to the operations of the businesses. With the Debtors facing certain liquidation, those employees would likely quickly leave the Debtors to the extent there were employment opportunities elsewhere. The loss of these employees would make an orderly liquidation significantly more difficult and would render the possibility of continuing operations in an effort to complete a going concern sale highly remote, if not impossible.

- The Debtors' revenues are primarily derived from sales of alumina products in a highly competitive environment. A chapter 7 liquidation would cause customers quickly to seek other sources of supply, making it highly unlikely that many of the Debtors' customers could be maintained by a Chapter 7 Trustee for any significant period of time. The Debtors may also, as a result, experience high levels of uncollectible accounts receivable.

- The Liquidation Analysis assumes that the holders of secured debt obligations have perfected security interests in substantially all of the assets of the Debtors' estates that must be satisfied in accordance with the priorities set forth in the Bankruptcy Code and in accordance with the Intercreditor Agreement.

- The Liquidation Analysis assumes that the Chapter 7 Trustee will sell all of the assets of the Debtors. While many of the assets are located outside the United States, we expect the proceeds from the sale of these assets to be consistent across jurisdictions. Further, we assume that the expenses incurred to sell assets located outside of the United States would be comparable to the expenses incurred to sell such assets if they were located in the United States.

- The Debtors assume an expedited but orderly wind-down of their businesses to maximize recovery values. While the Debtors assume the majority of the wind-down would be accomplished in approximately 90 days, the liquidation would be expected to take six months to complete fully.

- Recoveries do not reflect any potential negative impact on the distributable value available to the Debtors' creditors on account of any potential unknown and contingent liabilities, including, but not limited to, environmental obligations and litigation claims, which could be material.

The table below summarizes the estimated proceeds that would be available for distribution to the Debtors' creditors in a hypothetical liquidation of the Debtors' estates under chapter 7 of the Bankruptcy Code. Additional assumptions with respect to the Liquidation Analysis are provided below.

Liquidation Analysis of Consolidated Almatis Group

($ millions, unless otherwise specified)		Notes	Value as of 2/28/10	Estimated Recovery Low Case	Estimated Recovery High Case	Estimated Liquidation Low Value	Estimated Liquidation High Value	Going Concern Reorg Recoveries
Assets:								
Current Assets								
Cash & Equivalents		1	$85.7	100%	100%	$85.7	$85.7	
Account Receivables		2	51.5	58%	78%	29.9	40.0	
Notes and Other Receivables		3	6.0	46%	68%	2.8	4.1	
Inventories		4	71.9	32%	43%	23.1	31.3	
Other Non-Financial Assets		5	12.8	80%	100%	10.2	12.8	
Total Current Assets			$227.9			$151.7	$173.8	
Non-Current Assets								
PP&E		6	198.0	30%	49%	$58.9	$97.5	
Goodwill		7	738.5	0%	0%	-	-	
Intangibles		7	315.2	0%	0%	-	-	
Deferred Tax Assets		8	7.8	0%	0%	-	-	
Other Non Current Assets		9	1.4	0%	0%	-	-	
Total Non-Current Assets			$1,260.9			$58.9	$97.5	
Total Assets			**$1,488.7**					
Total Estimated Proceeds from Liquidation of Almatis			**$1,488.7**	**14%**	**18%**	**$210.6**	**$271.3**	
Recovery Analysis								
Administrative Expenses								
Active Plant/Corporate Wind Down	50%	10				$24.8	$24.8	
Professionals and Other	25%	11				1.6	2.0	
Chapter 7 Trustee	3%	12				6.3	8.1	
Total Costs Associated with Liquidation						$32.7	$34.9	
Total Estimated Proceeds from Liquidation of Almatis after Admin. Expenses						**$177.9**	**$236.4**	
Secured Claims - Including accrued interest to 4/6/2010				**Claim**				
1st Lien Debt (RCF and TL A, B, C and Capitalized Swaps)		13		$681.1				
Recovery ($)						**$177.9**	**$236.4**	
Recovery (%)						*26%*	*35%*	*100%*
2nd Lien Debt		13		77.7				
Recovery ($)						**-**	**-**	
Recovery (%)						*0%*	*0%*	*90%*
Mezzanine Debt		13		200.6				
Recovery ($)						**-**	**-**	
Recovery (%)						*0%*	*0%*	*26%*
Total Secured Claims		13		**$959.4**				
Total Secured Recovery ($)						**$177.9**	**$236.4**	
Recovery (%)						*19%*	*25%*	*84%*
Capitalised Leases				$7.8				
Recovery ($)						**-**	**-**	
Recovery (%)						*0%*	*0%*	*100%*
Total Estimated Proceeds Available after Admin. Expenses and Secured Claims Recovery						**-**	**-**	
Unsecured Claims								
Junior Mezzanine Debt		14		$80.6				
Recovery ($)						**-**	**-**	
Recovery (%)						*0%*	*0%*	*9%*
Other Short Term Borrowings		14		4.8				
Recovery ($)						**-**	**-**	
Recovery (%)						*0%*	*0%*	*100%*
Other Unsecured Claims		14		251.9				
Recovery ($)						**-**	**-**	
Recovery (%)						*0%*	*0%*	*100%*
Total Unsecured Claims		14		**$337.4**				
Total Unsecured Recovery ($)						**-**	**-**	
Recovery (%)						*0%*	*0%*	*78%*
Total Claim				**$1,304.6**				
Total Recovery ($)						**$177.9**	**$236.4**	
Recovery (%)						*14%*	*18%*	*82%*
Residual Value Available for Distribution						**-**	**-**	
Net Estimated Liquidation Proceeds Available for Distribution / (Deficit)						**($1,126.7)**	**($1,068.3)**	

Note:
(1) Pursuant to the Intercreditor Agreement, all payments/value must be turned over to the First Lien Lenders until the First Lien Lender Claims are paid in full.
(2) Going Concern Reorg Recoveries based on Capstone Valuation; for illustrative purposes only

Specific Assumptions

Note 1

The Debtors' actual cash balance as of the week of April 9, 2010 was $85.7 million. Cash and equivalents consist of all cash and liquid investments with maturities of three months or less, in bank accounts.

Note 2

Estimated proceeds realized from accounts receivable under a liquidation are based on management's estimate of collectability and the assumption that every reasonable effort will be made by the Chapter 7 Trustee to collect receivables from customers, a number of whom may be in various foreign jurisdictions. An estimated recovery percentage has been applied to balances based on the trade accounts receivable aging as of February 28, 2010. Accounts aged over 60 days are assumed to have *de minimis* liquidation value. Based on management's estimates of collectability, the aggregate estimated recovery range is 58% to 78% of net accounts receivable.

($ millions, unless otherwise specified)		Estimated Recovery %		Estimated Liquidation Value	
Current Accounts Receivable	**Estimated Claim**	**Low**	**High**	**Low**	**High**
Current A/R	$43.8	65%	85%	$28.5	$37.2
1-5 Days Overdue A/R	2.2	40%	60%	0.9	1.3
6-15 Days Overdue A/R	1.9	25%	45%	0.5	0.9
16-30 Days Overdue A/R	1.2	10%	30%	0.1	0.4
31-60 Days Overdue A/R	0.3	0%	20%	0.0	0.1
> 60 Days Overdue A/R	0.1	0%	10%	0.0	0.0
Indian Entity and Allowance for Doubtful Accounts	2.1	0%	10%	0.0	0.2
Recoverable Trade Accounts Receivable	**$51.5**	**58%**	**78%**	**$29.9**	**$40.0**

Note 3

Notes and other receivables include notes receivable, other loans receivable, income taxes receivable, other taxes receivable and other current financial assets and receivables. An estimated recovery percentage has been applied by category, which results in an aggregate estimated recovery range of 46% to 68% of the total amount of notes and other receivables.

($ millions, unless otherwise specified)		Estimated Recovery %		Estimated Liquidation Value	
Category	**Book Value**	**Low**	**High**	**Low**	**High**
Notes receivable	$1.5	65%	85%	0.9	1.2
Other loan receivables employees	0.0	10%	30%	0.0	0.0
Income taxes receivable	0.1	70%	90%	0.0	0.0
Other taxes receivable	2.6	70%	90%	1.8	2.3
Other current financial assets & receivables	1.9	0%	25%	0.0	0.5
Total Notes & Other Receivables	**$6.0**	**46%**	**68%**	**$2.8**	**$4.1**

Note 4

The Debtors assume that the liquidation of inventory assets will occur through the sale of specific products to competitors, vendors and on the secondary market. Inventory assets are primarily categorized as finished goods, work-in-progress, raw materials and operating supplies. An estimated recovery percentage has been applied by category, which results in an aggregate estimated recovery range of 32% to 43% of the sale price if Almatis continued as a going concern on the book value of total net inventory.

($ millions, unless otherwise specified)		Estimated Recovery %		Estimated Liquidation Value	
Category	Book Value	Low	High	Low	High
Finished Goods	$15.9	55%	65%	$8.8	$10.4
Work in Progress	23.6	25%	35%	5.9	8.3
Raw Materials	13.7	55%	65%	7.5	8.9
Operating Supplies	18.6	5%	20%	0.9	3.7
Total Inventory	**$71.9**	**32%**	**43%**	**$23.1**	**$31.3**

Note 5

Other non-financial assets include prepaid expenses and other current assets, mainly prepayments to Alcoa. The Debtors assume the vast majority of these prepaid expenses made to Alcoa will be refunded upon a liquidation, resulting in an assumed recovery range for prepaid expenses and other current assets of 80% to 100% in a liquidation.

Note 6

Property, plant and equipment primarily consists of owned assets such as land, buildings, building improvements, machinery and equipment, furniture and fixtures and data processing equipment and software. A large portion of these items are significantly depreciated and may not result in significant liquidation value. The Debtors have applied an estimated recovery percentage by asset category as outlined below. Total proceeds are estimated at 30% to 49% on a net basis.

($ millions, unless otherwise specified)			Estimated Recovery %		Estimated Liquidation Value	
Category	Notes	Book Value	Low	High	Low	High
Land and land rights						
Net land and land use right	A	$11.3	55%	75%	$6.2	$9.5
Net lease land	A	0.1	0%	0%	-	-
Buildings						
Net building and structures	A	79.1	30%	50%	$23.7	$39.5
Net capitalised interest buildings and structures	A	1.3	0%	0%	-	-
Machinery and equipment						
Net machinery and equipment	B	93.8	30%	50%	$28.2	$46.9
Net capitalized interest on equipment	C	0.1	0%	0%	-	-
Net vehicle	C	0.7	20%	40%	0.1	0.3
Net electronical equipment	C	4.0	10%	20%	0.4	0.8
Net fixture and fitting	C	1.8	10%	20%	0.2	0.4
Net low value assets (local)	C	0.7	5%	10%	0.0	0.1
Net investment allowance	C	(0.3)	0%	0%	-	-
Construction in progess						
Assets under construction (CWIP)	D	5.3	0%	0%	$0.0	$0.0
Total PP&E		**$198.0**	**30%**	**49%**	**$58.9**	**$97.5**

A. Land, land rights and buildings consist of real property owned by the Debtors. These assets were subject to valuation appraisals as of February 15, 2008, and the Debtors used the appraisals of these assets to estimate recovery proceeds available in a liquidation. Specifically, the Debtors applied adjustments to the valuations that considered the change in real estate market conditions, the additional depreciation of the land, buildings and structures, and the selling costs associated with the sale of these assets in a liquidation.

B. Net machinery and equipment assets were subject to valuation appraisals as of February 15, 2008. The Debtors used the appraisals of these assets to estimate recovery proceeds available in a liquidation. Specifically, the Debtors applied adjustments to the valuations to reflect the change in market conditions, the additional depreciation of the machinery and equipment and the selling costs associated with the sale of these assets in a liquidation. Additionally, the Debtors believe the potential universe of buyers for these assets is narrow and is primarily comprised of competing companies.

C. Remaining machinery and equipment consist of vehicles, electronic equipment, fixtures and fittings and other equipment. Generally, the Debtors believe the recoveries associated with these assets in a liquidation will be minimal relative to the book values.

D. The Debtors believe that assets under construction are of little value to a third-party and are not estimated to provide any recovery proceeds in a liquidation.

Note 7
Goodwill and other intangible assets are primarily related to unpatented technology (e.g. proprietary processes and technological know-how), value associated with the feedstock contract, order back log and in-process R&D. Given the nature of these assets, the Debtors estimate that goodwill and intangibles will yield no recovery in a liquidation.

Note 8
The Debtors estimate that deferred tax assets will have no recovery to the Debtors in a liquidation as these relate to timing of tax payments.

Note 9
Other non-current assets consist primarily of money in accounts for retirement plans. The Debtors estimate that there will be no residual value associated with these accounts in a liquidation.

Note 10
Active plant/corporate wind down costs include general and administrative ("***G&A***") expenses, severance and retention over a six month period. G&A costs mainly include the retention of the accounts receivable department and key management. G&A is calculated to be six months of 2010 G&A and $3.0million of WARN costs in the U.S.[1]

Note 11
The costs associated with the Chapter 7 Trustee's legal counsel and professional advisors are estimated to be 25% of the fees paid to the Chapter 7 Trustee.

Note 12
Fees to the Chapter 7 Trustee are estimated to be 3.0% of total liquidated proceeds net of cash on hand. The Liquidation Analysis assumes that the 3.0% fee would be payable if all the assets were sold in the United States; this analysis further assumes expenses incurred in selling the assets would be comparable across jurisdictions.

Note 13
As of the Petition Date, the Debtors have three tranches of secured debt obligations consisting of the following amounts: (1) $681.1 million in principal and accrued interest of First Lien Lender Claims, including the revolving facility, Term Loan A, Term Loan B, Term Loan C and capitalized amounts pursuant to the Swap Agreement; (2) $77.7 million in principal and accrued interest of Second Lien Claims; and (3) $200.6 million in principal and accrued interest in Mezzanine Claims.

Note 14
Prepetition non-priority unsecured claims (which do not include the secured claims set forth in Note 13) are estimated to be approximately $337.4 million as of the Petition Date. The Debtors' estimate $80.6 million due of Junior Mezzanine Claims, $4.8 million due of other short term borrowings, pension liabilities of $18.4 million and General Unsecured Claims of $233.6 million in a chapter 7 liquidation. Other short term borrowings and local borrowings are claims in non-Debtor entities. In addition, no assumption has been made with respect to contract rejection damage claims, because they cannot be accurately calculated at this time**.**

[1] Subject to lower reduction for European severance costs