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Total recycling pounds processed	873,977	832,064	5%
Percentage tolled:			
Aluminum recycling	58%	52%	6%
International	55	58	(3)
Zinc	1	1	
Total percentage tolled	53%	50%	3%

Consolidated revenues for the three months ended March 31, 2006 increased $202,552 as compared to the three months ended March 31, 2005. The acquired operations of ALSCO, Tomra Latasa Reciclagem, Alumitech, Inc. and the acquired assets of Ormet Corporation accounted for an estimated $148,900 of this increase. Excluding the impact of the acquired businesses, the rolled products segment s revenues decreased in the first quarter of 2006 as compared to the first quarter of 2005 as lower shipment levels were only partially offset by the impact of the rising LME price of aluminum. The aluminum recycling segment s revenues increased in the first quarter of 2006 as compared to the first quarter of 2005 as a result of improved volumes and selling prices driven partly by rising primary aluminum prices as well as higher tolling fees. Zinc revenues increased $41,933 in the first quarter of 2006 as compared to the first quarter of 2005 despite lower shipment levels as LME zinc selling prices were approximately 70% higher in the first quarter of 2006 as compared to the first quarter of 2005.

Rolled products revenues

Rolled products revenues for the three months ended March 31, 2006 increased $62,103 as compared to the three months ended March 31, 2005. The increase in revenues primarily resulted from the fourth quarter 2005 acquisitions of ALSCO and the blanking operations of Ormet, which contributed revenues of $76,560. Further, we estimate that the incremental revenues realized by our rolling mills as a result of the acquired rolling assets of Ormet totaled an additional $27,040. Finally, a 22% increase in the average price of primary aluminum in the first quarter of 2006 as compared to the first quarter of 2005 increased revenues by an estimated $50,800. These factors were partially offset by an 18% reduction in rolled product shipment levels which reduced revenues by approximately $87,000, excluding the impact of the acquired businesses. In addition to the volume decrease, we experienced a slight decrease in rolling margins in the first quarter of 2006.

Aluminum recycling revenues

Revenues increased $34,372 in the three months ended March 31, 2006 compared to the three months ended March 31, 2005 as a result of our acquisitions of Alumitech and certain assets of Ormet, which processed approximately 61,100 pounds and contributed additional revenues of $15,857 in the first quarter of 2006. Pounds processed at our other recycling facilities decreased as a result of shifting management responsibility for certain recycling facilities to the rolled products segment beginning in 2006. Segment revenues for the three months ended March 31, 2005 have not been restated to reflect this change. Management estimates aluminum recycling s revenues would have been lower by approximately $5,800 in the three months ended March 31, 2005 as a result of this change. Excluding this change, production volumes increased by 4% in the first quarter of 2006 compared to the first quarter of 2005. This increased production coupled with higher selling prices per pound as a result of rising metal prices and higher toll fees increased revenues by approximately $24,300, or 17%, from the three months ended March 31, 2005 to the three months ended March 31, 2006.

International revenues

Segment revenues increased $64,112 in the first quarter of 2006 compared to the first quarter of 2005 due to the acquisition of Tomra Latasa in August 2005, which contributed revenues of $29,398 and processed 24,162 pounds of aluminum in the first quarter of 2006. In addition, VAW-IMCO s revenues increased $30,558 in the first quarter of 2006 as compared to the first quarter of 2005 as higher average selling prices and volumes increased revenues by approximately $24,800 and $16,300, respectively. Partially offsetting these increases was the impact of the strengthening U.S. Dollar against the Euro which reduced revenues by approximately $10,800.

Zinc revenues

Our zinc segment revenues increased 76% in the first quarter of 2006 compared to the first quarter of 2005 driven by an approximate 70% increase in the LME price of zinc. First quarter production levels remained consistent with the prior year s first quarter while pounds shipped decreased 10% as a result of management s continued determination to forego lower margin business.

Segment income and gross profit

	For the three months ended March 31		Percent
	2006	2005	change
Segment income:			
Rolled products	$ 42,367	$ 49,539	(14)%
Aluminum recycling	15,764	4,201	275
International	2,441	4,480	(46)
Zinc	15,072	5,288	185
Total segment income	$ 75,644	$ 63,508	19%
Items not included in gross profit:			
Segment selling, general and administrative expense	$ 11,460	$ 8,494	35%
Equity in loss of affiliates		134	*
Other income	10		*
Gross profit	$ 87,114	$ 72,136	21%

* - Calculation not meaningful.

Rolled products segment income

Segment income for the three months ended March 31, 2006 decreased $7,172 as compared to the three months ended March 31, 2005. This decrease was primarily due to lower shipments levels, which reduced segment income by an estimated $27,300 excluding the impact of the acquired business of ALSCO and certain assets of Ormet. Segment income was further reduced by an estimated $15,600 due primarily to the impact of reducing inventory levels and higher energy related costs. These decreases were partially offset by a 9% increase in material margins as widening scrap spreads offset a slight decrease in rolling margins, excluding the impact of the acquired business of ALSCO and certain acquired assets of Ormet. The material margin improvement increased segment income by an estimated $14,000 from the first quarter of 2005 to the first quarter of 2006. The acquired businesses of ALSCO and certain acquired assets of Ormet produced an estimated $7,300 of segment income in the three months ended March 31, 2006. Synergies from the Commonwealth merger and productivity benefits improved 2006 first quarter segment income by an estimated $7,400 as compared to the first quarter of 2005 primarily related to reduced metal procurement costs. Additionally, the amortization of the write-up of acquired inventory to fair value and purchase accounting adjustments related to natural gas hedges reduced segment income by $1,100 and $5,558 in the first quarter of 2006 and 2005, respectively.

Aluminum recycling segment income

Segment income for the three months ended March 31, 2006 increased by $11,563, or 275%, from the prior year principally as a result of widening scrap spreads caused by the rapidly increasing value of primary aluminum and higher tolling fees. Productivity initiatives and reduced metal procurement costs resulted in a $3,500 increase in segment income in 2006. In addition, the acquired business of Alumitech in the fourth quarter of 2005 contributed approximately $2,600 of segment income in the first quarter of 2006. Segment income in the first three months of 2005, which has not been restated, included $460 related to the recycling facilities which are now accounted for as part of the rolled products segment.

International segment income

Segment income for our international segment decreased $2,039 for the three months ended March 31, 2006 compared to the same period in the prior year. This decrease was the result of a $4,900 reduction in VAW-IMCO s gross margin as increased revenues were offset by the higher cost of scrap aluminum due to increased demand for scrap from China. The average cost of VAW-IMCO s raw materials increased 27% in 2006 while average selling prices increased 23%, resulting in a $1,300 reduction in segment income. Further reducing segment income were operating costs due to the start-up of the Deizisau facility. Partially offsetting the decrease in VAW-IMCO s income was $1,890 of segment income contributed by the acquired business of Tomra Latasa Reciclagem.

Zinc segment income

Zinc segment income nearly tripled for the three months ended March 31, 2006 compared to the same period in 2005. The increase is due to the rising LME zinc price. Our zinc segment prices its product at a premium to the prevailing LME price and, as LME prices rise, our zinc operations benefit. The higher zinc prices increased segment income an estimated $11,300 in the first quarter of 2006 as compared to the first quarter of 2005.

Other expense and income items

	For the three months ended March 31		
	2006	**2005**	**Percent change**
Selling, general and administrative expense	$ 26,740	$ 22,542	19%
Interest expense	13,927	10,332	35
Restructuring and other charges		2,791	*

* Calculation not meaningful.

Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) increased $4,198, or 19%, in the first quarter of 2006 compared to the first quarter of 2005 primarily as a result of the acquisitions made in 2005. These acquired businesses incurred selling, general and administrative expense of $3,390. As a percentage of revenues, SG&A decreased from 3.5% in the first quarter of 2005 to 3.2% during the comparable 2006 period due partly to the increasing selling prices resulting from the rising LME prices of aluminum and zinc. Also impacting total SG&A expense as well as SG&A as a percentage of revenues was the elimination of duplicative positions of certain corporate personnel as a result of the acquisition of Commonwealth that occurred early in the second quarter of 2005 as well as reduced compliance costs associated with the Sarbanes-Oxley Act which more than offset higher incentive compensation and stock-based compensation expense.

Interest expense

Interest expense in the first quarter of 2006 increased $3,595, or 35%, from the first quarter of 2005. The increase resulted from higher levels of debt outstanding as a result of our 2005 acquisitions as well as higher average interest rates.

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Restructuring and other charges

There were no restructuring charges recorded in the first quarter of 2006. During the first quarter of 2005 we incurred charges of $1,396 for severance, relocation and other benefits related to the integration of Commonwealth. In addition, we recorded a charge of $591 related to the resignation of the former president of our aluminum recycling business and an $804 asset impairment charge related to idled equipment at our Wendover, Utah recycling facility. See Note M of the Notes to Consolidated Financial Statements.

Provision for income taxes

Our effective tax rate was 36.8% and 11.6% for the three months ended March 31, 2006 and 2005, respectively. The effective tax rate for the three months ended March 31, 2006 differed from the federal statutory rate applied to earnings before income taxes primarily as a result of differences in international tax rates, state and local income taxes, and the manufacturing deduction which was enacted in the American Jobs Creation Act of 2004. The effective tax rate for the three months ended March 31, 2005 differed from the federal statutory rate applied to earnings before income taxes primarily as a result of the reversal of deferred tax valuation allowances against U.S. federal deferred tax assets.

At March 31, 2006 and December 31, 2005, we had valuation allowances totaling approximately $30,812 and $30,660, respectively, 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 the existing 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 tax valuation allowances will result in a reduction in the otherwise determinable income tax expense.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our operations and capital expenditures from internally generated cash and available credit facilities. We have traditionally financed our acquisitions and capacity expansions from a combination of available cash, funds from long-term borrowings and equity issuances. We believe that our cash on hand and our anticipated internally generated funds will be sufficient to fund our current level of operational needs for at least the next twelve months.

Cash Flows from Operations

Cash flows generated from our operating activities were $35,404 in the three months ended March 31, 2006 and $12,878 in the three months ended March 31, 2005. Operating cash flows primarily reflect the Company s strong operating performance in the first quarter of 2006. Negatively impacting operating cash flows were significantly higher accounts receivable balances primarily due to a $108,745 increase in revenues during the month of March 2006 as compared to December 2005. However, days sales outstanding have decreased from 43 days at December 31, 2005 to 39 days at March 31, 2006. Partially offsetting this use of cash was a $56,271 increase in accounts payable and accrued expenses primarily resulting from higher raw material prices resulting from the rising LME price of aluminum.

Cash Flows from Investing Activities

Cash flows from investing activities primarily reflect capital expenditures. During the three months ended March 31, 2006, cash used by investing activities was $10,968 compared to $8,933 in the comparable period of 2005. Capital expenditures in 2006 relate primarily to expansions at our rolling mills in Lewisport, Kentucky and Uhrichsville, Ohio.

Overall capital expenditures for 2006 are expected to be approximately $63,000.

Cash Flows from Financing Activities

Cash flows from financing activities generally reflect changes in our borrowings and debt obligations. Net cash used by our financing activities was $23,231 for the three months ended March 31, 2006, compared to $3,178 for the three months ended March 31, 2005. In the first quarter of 2006, $30,725 of cash was used to repay amounts borrowed on our amended and restated senior credit facility while $5,283 was drawn on VAW-IMCO s credit facilities to finance operating expenses as a result of the rising primary aluminum prices. Cash of $931 was received during the first quarter of 2006 from the exercise of 106,290 employee stock options.

As of March 31, 2006, $232,600 was outstanding under our amended and restated $425,000 senior credit facility. Under this facility, we are subject to a borrowing base limitation based on eligible domestic inventory and receivables. As of March 31, 2006, we estimate that our borrowing base would have supported borrowings of $425,000, the maximum amount under the terms of the senior credit facility. After giving effect to the $232,600 of outstanding borrowings as well as outstanding letters of credit of $15,946, we had $176,454 available for borrowing as of March 31, 2006.

Proposed acquisition of the downstream aluminum business of Corus Group plc.

On March 16, 2006, we announced that we had entered into a non-binding letter of intent to acquire the downstream aluminum business of Corus Group plc. The net cash consideration for the acquisition would be approximately 700,000 Euros (US $840,000), excluding the assumption of approximately 28,000 Euros of debt as well as certain other liabilities. We intend to enter into a binding agreement following Corus s consultations with the appropriate European employee works councils and trade unions as required by applicable labor laws and the acquisition would be subject to regulatory approvals, with the closing expected to occur in the third quarter of 2006. In addition, we expect to fund the acquisition with a combination of debt and equity to provide us with the optimum financial flexibility in the future. We have received a joint commitment from Deutsche Bank AG and Citigroup Corporate and Investment Banking to provide all funding necessary to close the transaction.

EBITDA

We report our financial results in accordance with U.S. generally accepted accounting principles (U.S. GAAP). However, our management believes that certain non-GAAP performance measures, which we use in managing the business, may provide investors with additional meaningful comparisons between current results and results in prior periods. EBITDA is an example of a non-GAAP financial measure that we believe provides investors and other users of our financial information with useful information. Management uses EBITDA as a performance metric and believes this measure provides additional information commonly used by our stockholders, noteholders and lenders with respect to the performance of our fundamental business activities, as well as our ability to meet our future debt service, capital expenditures and working capital needs.

Our EBITDA calculations represent net income, before interest income and expense, provision for income taxes, depreciation and amortization and minority interests, net of provision for income taxes. EBITDA is also used for internal analysis purposes and is a component of the fixed charge coverage financial covenants under our senior credit facility and our outstanding senior notes. EBITDA should not be construed as an alternative to net income as an indicator of our performance, or cash flows from our operating activities, investing activities or financing activities as a measure of liquidity, in each case as such measure is determined in accordance with GAAP. EBITDA as we use it may not be comparable to similarly titled measures used by other entities. Historical EBITDA as presented below may be different than EBITDA as defined under the indentures for our senior notes and the loan agreement for our senior credit facility.

Our reconciliation of EBITDA to net income and net cash from operating activities is as follows:

	Three months ended March 31	
	2006	2005
EBITDA	$ 74,743	$ 56,476
Interest expense	13,927	10,332
Interest income	(191)	(202)
Provision for income taxes	16,846	3,828
Depreciation and amortization	15,751	13,370
Minority interest, net of provision for income taxes	219	60
Net income	$ 28,191	$ 29,088
Depreciation and amortization	15,751	13,370
Provision for (benefit from) deferred income taxes	5,378	(1,841)
Excess income tax benefits from exercise of stock options	(1,459)	
Restructuring and other charges:		
Expenses		2,791
Payments	(299)	(542)
Stock-based compensation expense	1,831	742
Equity in earnings of affiliates		134
Unrealized losses on derivative financial instruments	856	3,654
Other non-cash charges	1,413	1,220
Net change in working capital	(16,258)	(35,738)
Cash provided by operating activities	$ 35,404	$ 12,878

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to the valuation of inventory, property and equipment and goodwill, the effectiveness of our derivative instruments under SFAS 133, allowances for doubtful accounts, workers compensation liabilities, income taxes, pensions and other postretirement benefits and environmental liabilities. Our management bases its estimates on historical experience, actuarial valuations and other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates.

A summary of our significant accounting policies and estimates is included in ITEM 7. Management s Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended December 31, 2005. There has been no significant change to our critical accounting policies or estimates during the three months ended March 31, 2006.

NEW ACCOUNTING PRONOUNCEMENTS

On January 1, 2006, we adopted Statement of Financial Accounting Standards (SFAS) No. 123 (R), Share-Based Payments, issued by the Financial Accounting Standards Board (FASB) in December 2004. The provisions of SFAS No. 123(R) are similar to those of SFAS No. 123; however, SFAS No. 123(R) requires all share based payments to employees, including grants of employee stock options, to be recognized in the financial statements as compensation based on their fair value on the date of grant. The fair value of share-based awards will be determined using option pricing models (e.g., Black-Scholes or binomial models) and assumptions that appropriately reflect the specific circumstances of the awards. Compensation cost will be recognized over the vesting period based on the fair value of awards that actually vest.

We elected to adopt the modified prospective transition method of SFAS No. 123(R). Under this method, stock-based compensation expense beginning as of January 1, 2006 includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of, December 31, 2005 based on the grant date fair value estimated under the provisions of SFAS No. 123 and previously used to value the awards for the pro forma footnote disclosures required by SFAS Nos. 123 and 148. Compensation expense also includes the grant-date fair value for all stock-based compensation awards granted subsequent to December 31, 2005 estimated in accordance with SFAS No. 123(R). In addition, all remaining unamortized stock-based compensation expense previously included as a separate component of stockholders equity was reversed against additional paid-in-capital on January 1, 2006.

As a result of adopting SFAS No. 123(R), income before income taxes and minority interests and net income decreased by $708 and $446, respectively, for the three months ended March 31, 2006. Basic and diluted earnings per share decreased by $.01 for the three months ended March 31, 2006. Total stock-based compensation expense for the three months ended March 31, 2006, which is included in cash flows from operating activities in the consolidated statement of cash flows, was $1,831 and included $1,123 related to non-vested shares and share units, the accounting for which was not impacted by SFAS No. 123(R). In accordance with SFAS No. 123(R), the consolidated statement of cash flows reports the excess tax benefits from the stock-based compensation as cash flows from financing activities. For the three months ended March 31, 2006, $1,459 of excess tax benefits were reported as cash flows from financing activities. At March 31, 2006, unamortized compensation expense related to those stock options and non-vested shares and share units expected to vest totaled $15,656 and will be recognized over a weighted average period of 2.3 years.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of our business, we are exposed to potential losses arising from changes in the price of aluminum, zinc and natural gas. Changes in currency values and the level of interest rates also expose us to potential losses. We use derivative instruments, such as futures, options, swaps and interest rate caps to manage the effect of such changes. Because of the use of swap and forward contract hedging instruments, we are limited in our ability to take advantage of potential changes in aluminum, gas and zinc prices. The hedging instruments require us to exercise the hedging instrument at the settlement date regardless of the market price at that time. Therefore, in an effort to offset the effect of increasing prices, we have also limited our potential benefit of declining prices.

All derivative contracts are held for purposes other than trading, and are used primarily to mitigate uncertainty and volatility and cover underlying exposures. Our commodity and derivative activities are subject to the management, direction and control of our Risk Management Committee, which is composed of our chief executive officer, chief financial officer, and other officers and employees that the chief executive officer designates. The Risk Management Committee reports to our Board of Directors, which has supervisory authority over all of its activities.

We are exposed to losses in the event of non-performance by the counter-parties to the derivative contracts discussed below. Although non-performance by counter-parties is possible, we do not currently anticipate any non-performance by any of these parties. Counter-parties are evaluated for creditworthiness and risk assessment prior to our initiating contract activities. The counter-parties creditworthiness is then monitored on an ongoing basis, and credit levels are reviewed to ensure that there is not an inappropriate concentration of credit outstanding to any particular counter-party.

COMMODITY PRICE RISK

Aluminum and zinc ingots are internationally produced, priced and traded commodities, with their principal trading market being the LME. As part of our efforts to preserve margins, we enter into futures and options contracts. In our aluminum recycling and zinc segments, most of the unrealized future gains and losses on these futures and options contracts qualify for deferred treatment under SFAS No. 133. As a result, unrealized gains and losses related to the effective portions of these hedges are recorded in other comprehensive (loss) income within our consolidated balance sheet until the underlying transaction impacts earnings. The futures and options contracts entered into by our rolled products and international segments have not met the requirements for the election to defer unrealized gains and losses under SFAS No. 133, resulting in immediate recognition of the unrealized gains and losses in the income statement. The unrealized gains and losses recognized in the income statement are not included in management s determination of segment profit and loss.

Aluminum Hedging

The rolled products segment conducts a substantial amount of hedging activity in an effort to eliminate the impact of movements in the price of aluminum from the time of order entry and acceptance through product shipment. However, unlike the aluminum recycling and zinc segments, the cash flow hedges entered into by the rolled products segment do not meet the required effectiveness criteria established in SFAS No. 133 for deferral of gains and losses. As a result, all cash flow hedges entered into by the rolled products segment are marked-to-market each reporting period with the corresponding unrealized gains and losses reflected in the income statement. For the three months ended March 31, 2006 and 2005, we recorded unrealized losses of $1,917 and $3,393, respectively, related to these cash flow hedges while gains of $1,085 and $5,493 for settled cash flow hedges were included in segment income in the first quarter of 2006 and 2005, respectively.

In addition, beginning in the first quarter of 2006, the rolled products segment has entered into future sales contracts to protect the fair value of a portion of its aluminum inventory against a potential decline in aluminum selling prices. We have designated these futures contracts as fair value hedges. Like the rolled products cash flow hedges, the fair value hedges do not meet the required effectiveness criteria established in SFAS No. 133. As a result gains and losses on fair value hedges are

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marked-to-market each reporting period with the corresponding unrealized gains and losses reflected in the income statement with no offset to the carrying value of the hedged inventory. For the three months ended March 31, 2006, we recorded unrealized losses of $3,342 related to these fair value hedges. In addition, losses of $627 for settled fair value hedges were included in segment income in the first quarter of 2006.

The aluminum recycling segment enters into LME high-grade and alloy aluminum forward sales and purchase contracts to mitigate the risk associated with changing metal prices. These forward contracts are settled in the month of pricing of shipments. At March 31, 2006, the aluminum recycling segment s outstanding aluminum hedges were not material.

In the first quarter of 2006 and 2005, our aluminum recycling segment s income was lower by $175 and $941, respectively, due to settled metal hedging contracts.

VAW-IMCO also enters into LME high-grade and specification alloy aluminum forward sales and purchase contracts to mitigate the risk associated with changing metal prices. The functional currency of VAW-IMCO is the Euro; however, certain of the derivatives utilized in hedging the market risk of changing prices of aluminum purchases and sales at VAW-IMCO facilities are based in U.S. Dollars. This results in currency risk in addition to the risk of changing aluminum prices.

The unrealized gains and losses on VAW-IMCO s derivative contracts do not qualify for deferred treatment under SFAS No. 133. As a result, VAW-IMCO s derivative contracts are recorded at fair value with unrealized gains and losses recognized currently in the statement of operations. Unrealized gains (losses) on metal hedging transactions were approximately $1,784 and $(691) for the three months ended March 31, 2006 and 2005, respectively. Realized (losses) gains of $(3,529) and $606 were included in the international segment s income in the first quarter of 2006 and 2005, respectively.

Zinc Hedging

In the normal course of business, the zinc segment enters into fixed-price sales and purchase contracts with a number of its customers and suppliers. In order to hedge the risk of changing LME zinc prices, we enter into LME forward sale and future purchase contracts. The effective portions of these hedges are included within other comprehensive (loss) income while the ineffective portions are included within unrealized (gains) losses on derivative financial instruments. These contracts are settled in the month of the corresponding production or shipment. At March 31, 2006, we held net forward purchase contracts totaling 5,288 metric tonnes, expiring in 2006 and 2007.

In the first quarter of 2006 and 2005, our zinc segment s income was higher (lower) by $314 and $(957), respectively, due to settled zinc metal hedging contracts.

Natural Gas Hedging

Natural gas is the principal fuel used in the production of our rolled aluminum products as well as in the processing of aluminum and zinc. Natural gas prices are volatile, and we attempt to manage this volatility through the use of derivative commodity instruments. Our natural gas financial derivatives are traded in months forward, and settlement dates are scheduled to coincide with gas purchases during those future periods. These contracts reference physical natural gas prices or appropriate NYMEX futures contract prices. These contracts are accounted for as cash flow hedges, with gains and losses recognized in cost of sales in the same period as the underlying gas purchases. Gains on the settlement of these contracts totaled $2,702 and $1,198 for the three months ended March 31, 2006 and 2005, respectively, and were included within cost of sales.

We have entered into forward pricing positions for a portion of our U.S. natural gas requirements for 2006. At March 31, 2006, we had contracts in place to cover approximately 56% of our expected natural gas requirements for the remainder of 2006.

In addition, a portion of our natural gas cost is recovered through price escalation clauses in our long-term contracts.

FINANCIAL RISK

Interest Rates

We have historically funded our operations from our existing credit facilities. Approximately 55% of our outstanding long-term debt as of March 31, 2006 is at fixed rates.

Our earnings are affected by changes in interest rates due to the impact those changes have on our interest expense from variable-rate debt instruments. The impact of a 10% change in interest rates prevailing as of March 31, 2006, would not be material to our operating results.

Currency

We are increasingly subject to exposure from fluctuations in currencies. When we consider it appropriate, we will utilize currency exchange contracts to hedge the variability in cash flows from forecasted payment or receipts of currencies. Generally, we have not sought to mitigate currency translation effects through the use of derivative instruments.

FAIR VALUES

The following table shows the fair values of outstanding derivative contracts at March 31, 2006:

Derivative	Amounts hedged	Maturity dates	Fair value	Deferred gain (loss), net
Aluminum purchase contracts	61,225 MT	2006	$ 39,077	$
Aluminum cash flow hedge sales contracts	(22,995) MT	2006	(43,738)	
Aluminum fair value hedge sales contracts	(55,000) MT	2006	(3,342)	
Zinc purchase contracts	3,177 MT	2006-2007	2,008	1,245
Zinc sales contracts	(3,654) MT	2006	(1,486)	(922)
Natural gas	5,250 MMBTU	2006-2007	10,648	5,232

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Aleris has established and maintains disclosure controls and procedures designed to ensure that information required to be disclosed by it in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in rules and forms promulgated by the Securities Exchange Commission (SEC). As of March 31, 2006, an evaluation was carried out, under the supervision and with the participation of our management, including our chairman of the board and chief executive officer, and our executive vice president and chief financial officer, of the effectiveness of Aleris s disclosure controls and procedures as of March 31, 2006.

During the first quarter of 2006, our management completed its evaluation of the effectiveness of Aleris s internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act, which required our management to assess and report on the effectiveness of our internal control over financial reporting as of our fiscal year-end, December 31, 2005 (the 404 Assessment). As previously disclosed, our management determined that it would exclude Tomra Latasa Reciclagem, ALSCO Holdings, Inc., certain operations of Ormet Corporation and Alumitech, Inc., all of which were acquired during the year ended December 31, 2005, from the scope of its assessment of internal control over financial reporting as of December 31, 2005 in reliance on the guidance set forth in Question 3 of a Frequently Asked Questions interpretive release issued by the staff of the SEC s Office of the Chief Accountant and the Division of Corporation Finance in September 2004 (and revised on October 6, 2004).

Changes in Internal Control over Financial Reporting

There have not been any changes in Aleris s internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the three months ended March 31, 2006 that have materially affected, or are reasonably likely to materially affect, Aleris s internal control over financial reporting.

PART II. OTHER INFORMATION

<u>ITEM 6.</u> EXHIBITS AND REPORTS ON FORM 8-K

Number	**Description**
12	Ratio of Earnings to Fixed Charges
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Aleris International, Inc.
(Registrant)

Date: May 10, 2006	By:	/s/ ROBERT R. HOLIAN **Robert R. Holian** **Senior Vice President** **Controller and Chief Accounting Officer**

EXHIBIT INDEX

Number	Exhibit Title
12	Ratio of Earnings to Fixed Charges
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.