



NORSK TILLITSMANN ASA

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To the bondholders in:

**ISIN: NO 001 031075.8 - 8.00 % TMG International AB Convertible Subordinated Bond
Issue 2006/2011**

**ISIN: NO 001 033198.6 - 7.00 % TMG International AB Convertible Subordinated Bond
Issue 2006/2011**

Oslo, 6 February 2008

Summons to Bondholders meeting - TMGI – Restructuring

Norsk Tillitsmann ASA (“**NTM**”) is appointed as Loan Trustee for the above mentioned bond issues (the “**NOK Bonds**”) where TMG International AB (“**TMGI**” or the “**Company**”) is the issuer. The terms and conditions of the NOK Bonds are set out in two loan agreements (the “**Loan Agreements**”) between TMGI and NTM (on behalf of the Bondholders) dated 18 May 2006 and 7 September 2006 for ISIN NO 001 031075.8 (“**NOK Bond 1**”) and NO 001 033198.6 (“**NOK Bond 2**”) respectively. The Remaining Loan in NOK Bond 1 and NOK Bond 2 is NOK 153,825,000 and NOK 80,058,000 respectively - NOK 233,883,000 in aggregate.

All capitalised terms used herein shall have the meaning assigned to them in the Loan Agreements or the summons to this Bondholders’ meeting unless otherwise stated.

BACKGROUND

As pointed out in a previous notice to the Bondholders, the financial situation of TMGI has been gradually weakened. TMGI is now in a stressed financial situation facing a possible bankruptcy petition situation unless a restructuring is reached within a very short time.

According to the Q3 report for 2007, TMGI had a net loss of SEK 97,577,000 for the nine month period ending 30 September 2007, and the equity in TMGI was lost per 30 September 2007.

TMGI made a share issue of SEK 31,922,332 at an issue price of SEK 3.20 in Q4 of 2007 (the “**Previous Share Issue**”). The proceeds of the placement has been transferred to TMGI, but due to legal requirements (prospectus etc) only 45 % of the shares of the Previous Share Issue have been issued at the date hereto. The remaining 55 % of the Previous Share Issue therefore constitute a debt position until remaining shares are issued (the “**Previous Share Issue Debt**”). The shareholders of the Previous Share Issue are in addition on certain conditions (to

MAILING ADDRESS ☉ P.O.BOX 1470 VIKÅ, N-0116 OSLO LOCATION ☉ HAAKON VII GATE 1, OSLO, NORWAY

phone ☉ +47 22 87 94 00 fax ☉ +47 22 87 94 10 org.nr ☉ no 963 342 624 MVA e-mail ☉ mail@trustec.no



be addressed below) given warrants. The Previous Share Issue has proved not to be a sufficient capital inflow in order to make TMGI able to overcome its financial difficulties.

According to the Q3 report TMGI has signed a letter of intent with MTI Topco Inc., to enter into binding agreements to combine TMGI with Meridian Technologies Inc., a subsidiary of MTI Topco. A potentially merger with Meridian Technologies (www.meridian-mag.com) is still subject to negotiations.

The TMGI shares are listed on the Nordic Growth Market stock exchange www.ngm.se.

For further information we refer to the press releases and financial reports available from TMGI's website <http://www.tmgint.com> and information available at the Meridian website <http://www.meridian-mag.com>.

It should also be mentioned that some of TMGI's transactions have been criticised by minority shareholders and they have called for an investigation ("*granskning*") of TMGI and requested a minority auditor and a special examiner to be appointed. The decision regarding investigation will be addressed and decided by an extraordinary shareholders meeting to be held on 12 February 2008.

NTM has since August last year been in a process with TMGI to get the Board and/or the management to present an overall plan for restructuring TMGI that is recommendable to the Bondholders. In NTM's view the Board has throughout the process not acted in accordance with their responsibility to handle the Company. Recognizing TMGI's need to perform a restructuring very soon in order to continue its operations, TMGI's legal counsel and its financial advisors have approached NTM to discuss possible solutions which can serve as a foundation for continued operation in a long-term perspective.

TMGI has hired CAR ASA ("**CAR**") as their financial advisors and has given CAR a mandate to raise new equity through a share issue (the "**New Share Issue**"). In order to assess the situation of TMGI as a fundament for raising the New Share Issue, CAR has performed an analysis of TMGI (the "**CAR Analysis**") which is attached to this summons.

THE RESTRUCTURING PLAN

The restructuring plan addresses the debt situation, the need for new equity and the need for a strengthening of the management of TMGI.

The key elements of the plan are;

- to raise a minimum of SEK 80,000,000 through the New Share Issue
- a conversion of all Convertible Bonds (as defined below) to shares in TMGI
- to extend the maturity with minimum 18 months of the remaining interest bearing debt

The debt

The interest bearing debt of TMGI currently consists of three bond issues, one private placement convertible bond issue in SEK (the "**SEK Bond**") and the NOK Bond 1 and the NOK Bond 2 (the SEK Bond and the two NOK Bonds collectively the "**Convertible Bonds**"). The remaining interest bearing debt consists of three facilities managed and syndicated by Carnegie (the "**Carnegie Facilities**"). The Carnegie Facilities are mainly



secured by pledge over shares in subsidiaries of TMGI. Additionally there is the Previous Share Issue Debt (which is not interest bearing).

Debt	Currency	Amount
Convertible bond issue - the SEK Bond	SEK	8,620,517
Convertible bond issue - NOK Bond 1	NOK	153,825,000
Convertible bond issue - NOK Bond 2	NOK	80,058,000
Carnegie Facility NOK 40M	NOK	40,000,000
Carnegie Facility NOK 10M short term	NOK	10,000,000
Carnegie Facility USD 2M revolver	USD	2,000,000
Previous Share Issue Debt	SEK	17,260,784

The Convertible Bonds

The restructuring plan implies that the Convertible Bonds including accrued interest until conversion date are converted into shares in TMGI. Any interest due after the date hereof and before the conversion takes place will be capitalized when calculating accrued interest. The conversion price will be the lower of:

- 110 % of the issue price in the New Share Issue, and
- SEK 1.46 (estimated market price of the TMGI shares on the date of this summons)

The Bondholders are asked to irrevocably commit to convert their bonds on these terms when the conditions precedent listed in the resolution are met.

Shares will be issued to the Bondholders simultaneously and in the same operation as shares are issued in the New Share Issue (“**the Restructuring Date**”).

The Carnegie Facilities

The Carnegie Facilities shall be subject to the following changes:

- All accrued interest and interest due shall be capitalized and added to the principal.
- Maturity to be extended with minimum 18 months of the Restructuring Date.
- TMGI may call the Carnegie Facilities at any time (*American call*) at nominal value plus accrued interest. If the call option is exercised within the extension period up to, but not including, the new maturity date as set out in clause b), Carnegie is entitled to compensation in the form of warrants (the “**Carnegie Call Warrants**”) to subscribe for 30,000,000 shares at SEK 1.00 (par). Redemption of the Carnegie Facilities on the new maturity date falling 18 months after the Restructuring Date is not to be compensated.
- TMGI has an option to extend maturity with an additional six months beyond the said 18 months in clause b) against compensation in warrants (the “**Carnegie Extension Warrants**”) to subscribe for 60,000,000 shares in TMGI with an exercise price of SEK 1.00 (par). (For the avoidance of doubt; if the maturity of the Carnegie Facilities is extended as set out in this clause d), and the Carnegie Facilities are called during this extension period, Carnegie is not to be compensated with Carnegie Call Warrants)

The Carnegie Facilities run at a rather high interest rate (close to 15 % p.a.) In NTM’s opinion the capitalisation of the Company through the restructuring should result in a lower interest rate, however Carnegie has not been willing to negotiate on lowering the interest rate.

**The Previous Share Issue Debt**

All remaining shares (5,393,995) subscribed to in the Previous Share Issue are to be issued to the subscribing investors before the Restructuring Date.

The New Share Issue

TMGI carries out the New Share Issue to raise a minimum of SEK 80,000,000. The shares are to be issued at market price, though not less than face value (SEK 1.00). The CAR Analysis (see attachment) operates with a minimum cash requirement of SEK 60,000,000 to compensate for the negative net cash flow in the years 2007-2009, giving TMGI sufficient working capital to address the production problems at the plant in Mexico, creating consistency in the production and uptime of the production lines. An issue of minimum SEK 80,000,000 should give TMGI an acceptable margin to the minimum requirement.

Board / Management

Prior to the Restructuring Date a new Board of TMGI shall be elected.. The Board should reflect the new shareholder structure of TMGI after the restructuring and shall be acceptable to NTM as representative of the Bondholders.

NEW SHAREHOLDERS STRUCTURE

The shareholder structure after the Restructuring Date depends upon several factors, i.a. the conversion rate for the bonds, the issue price and number of shares issued in the New Share Issue, the exchange rates of USD/SEK/NOK and the Restructuring Date (as interest accrue up to that date). Any warrants, anti-dilution agreements or other rights to have shares issued will have an impact as well.

The following table shows the shareholder structure after the Restructuring Date for two different scenarios. One is based on the base case scenario in the CAR Analysis with a conversion price of SEK 1.43 and an issue price of SEK 1.30. The second case is based on the shares being issued at SEK 1.00 (par) and conversion at SEK 1.10. Both scenarios are based on interest accruing up to 1 March 2008. Bondholders in the two NOK Bonds will receive between 62-65 % of the shares in both scenarios.

Shareholder structure after conversion and shares issue

	Base Case Conv. Price SEK 1.43 Issue price SEK1.30	Base Case Number of shares	Par Case Conv. Price SEK 1.10 Issue price SEK1.00	Par Case Number of shares
Shares per august 2007	13.97 %	45,817,342	11.19 %	45,817,342
Previous Share Issue (excluding Previous Share Issue Warrants and Previous Share Issue Meridian Warrants)	3.04 %	9,975,729	2.44 %	9,975,729
Bondholders SEK Bond	1.84 %	6,028,334	1.91 %	7,836,834
Bondholders NOK Bonds	62.38 %	204,532,331	64.93 %	265,892,030
Shareholders New Share Issue (SEK 80,000,000)	18.77 %	61,538,462	19.53 %	80,000,000



- The calculation shown above is based on a New Share Issue raising SEK 80,000,000. Accrued interest on the NOK Bonds is calculated up to 1 March 2008, however accrued interest has not been calculated for the SEK Bond.
- Warrants to the investors in the Previous Share Issue to subscribe for 4,987,864 shares at an exercise price of SEK 4.08 (the “**Previous Share Issue Warrants**”) is not part of the calculation shown above.
- Warrants to the investors in the Previous Share Issue to subscribe for 1,000,000 compensation shares on certain conditions relating to the possible merger with Meridian (the “**Previous Share Issue Meridian Warrants**”) are not considered in the calculation shown above.
- The 60,000,000 Carnegie Extension Warrants are not considered in the calculation shown above
- Warrants to subscribe for shares granted to TMGI employees (the “**Employee Program Warrants**”), in a total of 3,070,000 warrants at prices in the range of SEK 6.08 to SEK 47.60 are not considered in the calculation shown above

A Base case scenario taking into account the Previous Share Issue Warrants, the Previous Share Issue Meridian Warrants and the Carnegie Extension Warrants gives the result shown below:

Shareholder structure after conversion and shares issue taking warrants into account

	Base Case Conv. Price SEK 1.43 Issue price SEK1.30	Base Case Number of shares
Shares per august 2007	11.63 %	45,817,342
Previous Share Issue (including Previous Share Issue Warrants and Previous Share Issue Meridian Warrants)	4.05 %	15,963,593
Bondholders SEK Bond	1.53 %	6,028,334
Bondholders NOK Bonds	51.93 %	204,532,331
Carnegie Extension Warrants	15.23 %	60,000,000
Shareholder New Share Issue (SEK 80,000,000)	15.62 %	61,538,462
Total	100.00 %	393,880,061

- The calculation takes into account the Previous Share Issue Warrants, the Previous Share Issue Meridian Warrants and the Carnegie Extension Warrants. The Employee Program Warrants are not taken into account.

BONDHOLDERS MEETING

In the responsibility statement as attached hereto, the Board of TMGI states that the information given in the summons to the Bondholders’ meeting and the CAR Analysis is correct, and that it has not omitted or given any misleading information. The Board recommends the Bondholders of the NOK Bonds to accept the restructuring plan. All present Board members have signed the responsibility statement.

NTM regards a restructuring of the financial situation of TMGI a necessity. Without a restructuring plan in place TMGI will possibly have to consider a bankruptcy petition. NTM has tried to achieve accept for restructuring solutions where the Bondholders would retain their creditor position. A reduction of the conversion price to the current market price



combined with an option for TMGI to a forced conversion of the NOK Bonds (at price SEK 1.00) 18 months ahead and a resetting of the interest rate to zero would mainly have the same effect for TMGI as a conversion of the NOK Bonds to shares. Such solutions have been rejected by TMGI and their financial advisor. The restructuring plan presented above seems to be a solution which may achieve approval from all parties and give the foundation for a successful share issue. An assessment of the rate of recovery for the NOK Bonds in a bankruptcy situation has not been made, but it should be noted that the NOK Bonds are subordinated to all other debt of TMGI.

The Bondholders must independently evaluate whether the proposed restructuring plan is acceptable. It is recommended that the Bondholders seek counsel from their tax advisors, legal advisors and financial advisors regarding the effect of the proposed restructuring plan, including issues related to Swedish company law and ownership of shares in Swedish public companies.

A joint Bondholders meeting will be held for both the NOK Bonds, but voting will be counted and processed separately for NOK Bond 1 and NOK Bond 2 respectively.

The Bondholders are hereby summoned to a Bondholders' meeting:

Time: 25 February 2008 at 14:00 hours (Oslo time),
Place: The premises of Norsk Tillitsmann ASA,
Haakon VII's gt 1, 01061 Oslo - 7th floor

Agenda:

- 1. Approval of the summons.**
- 2. Approval of the agenda.**
- 3. Election of two persons to co-sign the minutes together with the chairman.**
- 4. Approval of the restructuring plan.**

It is proposed that the Bondholders' meeting resolve the following:

- 1. The Bondholders irrevocably grant NTM power of attorney, on their behalf, to convert the NOK Bonds including accrued interest into shares in TMGI as set out in the summons to this Bondholders' meeting. (Any matured interest will be capitalized and added to the principal prior to conversion). NTM is also granted authority on behalf of each Bondholder individually to subscribe for the number of shares the conversion result in. Fraction of shares will not be issued.*

The Conversion Price will be the lower of

- a. 110% of the issue price in the New Share Issue, and*
 - b. SEK 1.46 (estimated market price of the TMGI shares on the date of this letter)*
- 2. Conversion of NOK Bonds is subject to the following conditions precedent:*
 - a. The corresponding resolution for the other NOK Bond to be approved by the Bondholders.*
 - b. The SEK Bond to be converted to shares in TMGI simultaneously with, and on equal terms as the NOK Bonds.*



- c. *The Carnegie Facilities to be amended with effect from the Restructuring Date, i.e.:*
 - i. *All accrued interest and interest due to be capitalised and added to the principal.*
 - ii. *The maturity of all Carnegie Facilities to be extended with a minimum of 18 months from the Restructuring Date.*
 - iii. *Call option for TMGI to call the Carnegie Facilities at any time (American call) at nominal value plus accrued interest. If the call option is exercised within the extension period, up to but not including, the new maturity date as set out in clause ii) above, Carnegie is entitled to compensation with the Carnegie Call Warrants (to subscribe for 30,000,000 shares in TMGI at an exercise price of par (SEK 1.00)). Redemption of the Carnegie Facilities on the new maturity date falling 18 months after the Restructuring Date is not to be compensated*
 - iv. *Option for TMGI to extend the maturity of the Carnegie Facilities with an additional six months beyond the 18 months extension in clause ii). Such additional six months extension, if exercised, to be compensated with the Carnegie Extension Warrants (to subscribe for 60,000,000 shares in TMGI at an exercise price of par- SEK 1.00).*
 - d. *The Previous Share Issue to be finalized with all shares issued to those subscribing shareholders at the subscription price of SEK 3.20 prior to the Restructuring Date.*
 - e. *No anti-dilution or compensation agreements or any other warrants or other authorizations or obligations to issue additional shares in TMGI existing except for*
 - i. *The Previous Share Issue Warrants for 4,987,864 shares.*
 - ii. *The Previous Share Issue Meridian Warrants for 1,000,000 shares.*
 - iii. *The Carnegie Extension Warrants for 60,000,000 shares (or the Carnegie Call Warrants for 30,000,000 shares)*
 - iv. *The Employee Program Warrants for 3,070,000 shares.*
 - f. *The planned New Share Issue is successfully carried out raising a minimum of SEK 80,000,000. The shares in the New Share Issue to be issued at market price, however not lower than SEK 1.00 (par).*
 - g. *A new Board to be elected prior to the Restructuring Date, reflecting the shareholder structure after the restructuring and being acceptable to NTM as Bondholders representative.*
 - h. *Any legal opinions from legal counsels, confirmations and statements from the Company and the Company's auditor NTM reasonably may request related to the restructuring to be submitted.*
 - i. *No new information is disclosed before the Restructuring Date resulting in a major adverse change in the premises on which the restructuring plan is based upon.*
 - j. *The restructuring plan to be executed and finalized in its entirety no later than 30 June 2008.*
3. *NTM is granted power of attorney to make any amendments of the Loan Agreement and may on behalf of the Bondholders enter into any agreement necessary as to accomplish the restructuring. NTM is also granted the authority, on behalf of the Bondholders, to agree to any minor adjustment to the restructuring plan and conditions precedent needed to facilitate the implementation of the restructuring plan.*



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The above mentioned resolution will according to the Loan Agreement require a qualified majority of 2/3 of the bonds represented at the Bondholders' meeting voting in favour and a minimum 2/10 of the outstanding bonds being represented at the meeting. If the proposal is not adopted, the Loan Agreements will remain unchanged.

Please find attached a Bondholder's Form from the Securities Depository (VPS), indicating your bondholding at the printing date. The Bondholder's Form will serve as proof of ownership of the bonds and of the voting rights at the bondholders' meeting. (If the bonds are held in custody - i.e. the owner is not registered directly in the VPS - the custodian must confirm; (i) the owner of the bonds, (ii) the aggregate nominal amount of the bonds and (iii) the account number in VPS on which the bonds are registered.)

The individual bondholder may authorise the Norsk Tillitsmann to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholder's Form, authorising Norsk Tillitsmann to vote, must then be returned to Norsk Tillitsmann in due time before the meeting is scheduled (by scanned e-mail, telefax or post – please see the first page of this letter for further details).

In the event that Bonds have been transferred to a new owner after the Bondholder's Form was made, the new Bondholder must bring to the Bondholders' meeting or enclose with the proxy, as the case may be, evidence which the Bond Trustee accepts as sufficient proof of the ownership of the Bonds.

For practical purposes, we request those who intend to attend the bondholders' meeting, either in person or by proxy other than to Norsk Tillitsmann, to notify Norsk Tillitsmann by telephone or by e-mail (as set out at the first page of this letter) within 16:00 hours (4 pm) (Oslo time) the Banking Day before the meeting takes place.

Yours sincerely

Norsk Tillitsmann ASA



Ragnar Sjoner
Managing Director

Enclosed: Bondholder's Form
 Analysis of TMGI made by CAR, dated 21 January 2008
 Responsibility statement by the Board



TMG International AB

Turnaround case in a growth industry

Industrials

21 January, 2008

Price: SEK 1,55

Listing: NGM Equity,
SWE

Corporate Advice & Research AS

Cort Adelersgate 17,
0254 Oslo

Analysts:

Bård Rognlien

Tel: (+47) 23 28 22 72

Mob: (+47) 92 88 81 01

Mail: br@car1.no

Martin Korsvold

Tel: (+47) 23 28 22 69

Mob: (+47) 90 60 13 07

Mail: mk@car1.no

TMG International AB (TMGI) manufactures magnesium die-cast auto components for sub-suppliers in the automobile industry. TMGI's production based on hot chamber technology has considerable cost- and manufacturing advantages compared to traditional production of auto parts in aluminum. Magnesium also has proven advantages over aluminum in cars. The company is currently in financial difficulties, but if the current situation is solved TMGI should be well positioned to become a leading supplier of magnesium auto components to the automobile industry.

Financial situation

TMGI's economic performance has been very disappointing the last couple of years despite a unique production technology of magnesium components and a solid customer base. The company has not been able to create positive cash flow in the past and has increased their debt significantly to finance company operations. We believe it is necessary to convert existing bond debt to equity and raise new capital in order to avoid bankruptcy.

Increased use of magnesium in automobiles

MIT has estimated the use of magnesium in cars to be 3 kg per car indicating a total market value of USD 480m in 2007 (33m cars x USD 4,85 pr kg) based on estimated car sales in Europe and the US. They estimate the potential for magnesium in cars to be 150 kilograms per car corresponding to a market value of USD 24 billion in Europe and the US. Magnesium is 30% lighter than aluminum and it is stronger relative to its weight. It is also more flexible. We believe that demand for magnesium products in cars will continue to increase as magnesium has both cost-, safety- and environmental advantages compared to aluminum.

The Tonsberg System – A unique production process

By drawing on its unique production process (Tonsberg System™), we believe the company will be able to produce magnesium die-cast auto parts more efficiently (lower cycle time) than competitors. It is evident that TMGI's hot chamber technology has clear advantages compared to cold chamber technology if production can be optimized.

Valuation

Our valuation is based on increased production in Mexico going forward. We expect a steady growth in production until 2012. Revenue from operations in Germany is expected to break even in 2007 and grow slightly going forward. We believe there might be further upside potential in the German operation. We have devised two scenarios, one which can be said to be a conservative base case and another a scenario based on the management's own projections. **Our base case DCF calculation results in a fair value of SEK 1,9 per share whilst the high case based on the management's own projections returns a fair value of SEK 4,3 per share. Both valuations are based on post- share issue and post-debt to equity conversion scenario.**

Share price (SEK)		Share performance		
		1M	3M	12M
Current shareprice	1,55	Absolute	-25%	-66%
52 week range	1,3-31,0		-96%	
Capitalisation (SEK m)				
Market cap	71,0			
Net debt 07e	354,0			
Outstanding shares (m)	55,7			

About this analysis

Disclaimer

This document is not an analysis of TMGI "as is", but is based on certain assumptions and gives different scenarios. As such it is not an analysis for publication in the public domain, but rather an assessment of the company meant for specific investors only. Any investor who considers investing in TMGI at the current stage is strongly advised to make his or her own investigations into the company.

Assumptions

As per Q3 the company had a negative equity of SEK 38,8m and long term liabilities of SEK 279,9m with a negative equity ratio of 10%. With a net loss of SEK 42,5m and operating loss of SEK 22,0m out of total revenues of SEK 55,0m in the same quarter we expect further losses in the fourth quarter of 2007. Unless the company resolves the debt situation immediately it will be bankrupt.

The company's shareholder structure is largely hidden behind nominee accounts, and we do not hold an updated shareholder list. Neither is it known who the bondholders are, and assuming a 1-1 conversion the latter will control the company. As such it can not be ascertained who is in control of the company at the present nor who will control the company after a conversion.

TMGI has a small management group which is also thinly spread geographically. The CEO is located in Norway, the CFO in the USA and the IR contact in Sweden. The company has previously failed to deliver on its own guiding and to meet market expectations. The company also chose to finance itself through debt rather than equity, which has become increasingly problematic as the company has failed to deliver operationally. As such the share price has tumbled from SEK 42 per share in mid-2006 to the present level of SEK 1,55 per share. We believe TMGI will need a new board and management if it is to restore confidence in the market.

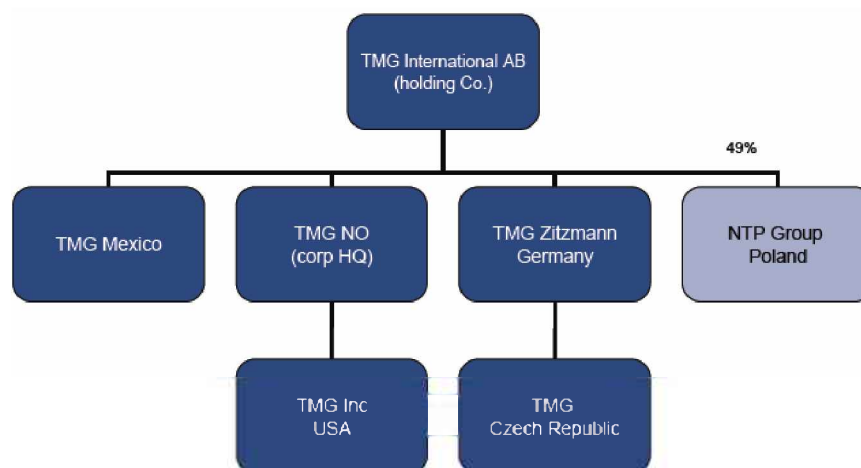
Apart from these considerations we do see upside potential in the share based on TMGI's operations. However, a 1-1 conversion of debt to equity will have a heavily diluting effect, as will a new share issue to raise fresh capital. Based on a debt to equity conversion price of SEK 1,43 and a share issue of SEKm 100 at SEK 1,30 per share, the number of shares will increase from 55,7m to 340,3m. Based on this we have devised two scenarios, one which can be said to be a conservative base case and the other a scenario based on the management's own projections. Please see the back of this analysis for further information.

Company Description

History and company structure

Tonsberg Magnesium Group International AB (TMGI) is a Swedish company specializing in the manufacturing of magnesium die-cast parts for the automobile industry. Tonsberg Magnesium Group AS (TMG) was founded by Jostein Eikeland in 2000. In 2002, Eikeland acquired Tønsberg Presstøperi, with over 50 year's expertise in the production of complex die-casting tools and parts. By refining procedures and developing the technology base, the company is well positioned to become a high quality volume producer of magnesium die-cast tools and parts based on proprietary process design, technology and TMGI die-casting machines.

Corporate structure



Source: Company information

TMG established two wholly owned subsidiaries in Poland in 2003: *TMG Poland* – a marketing, sales, and customer service organization formed to support TMG products; and *TMG Research and Development Center* – established to further refine TMG's magnesium die-casting technology and processes. Currently, there are no activities or employees in the Polish operations.

TMG's US operations were established in 2003 when the company acquired a sales and marketing company subsequently renamed Tonsberg Marketing Group, Inc. This unit will be focusing on marketing, sales engineering and customer support for TMGI.

TMGI has entered into a framework agreement with the polish company NTP (*Nowoczesne Technologie Produkcji*) for manufacturing TMGI die-casting machines according to their specifications. In addition, NTP will assist TMG R&D Center with research and development activities. TMGI owns a 49% share in NTP.

In March 2004, in order to secure access to capital to finance the forthcoming expansion, the company acquired the dormant shell company, Cellfabriken AB. Subsequent to this; TMG was listed on the Swedish NGM Exchange and renamed TMG International AB.

In 2005, TMGI opened a factory producing magnesium wheel armatures to the automotive industry in Mexico. Initially, the plant was founded in a joint venture with Grupo Inversionistas Asociados (GIA), but TMGI acquired all outstanding shares in the company in July 2006.

TMGI acquired the German company, Zitzmann Druckguss GmbH (TMGZ) in September 2006. TMGZ produces a number of components to the automotive industry. The production is mainly of components in magnesium but the company also produces components in zink and plastic. The production plants are located in Germany and in the Czech Republic.

Most recently, TMGI has signed a letter of intent with Meridian Technologies Inc. with the purpose to merge the two companies in the future. Meridian Technologies is a leading global producer of magnesium components, specializing in large castings, targeting global automakers directly. The two companies hope to gain synergies from complementary production and customer bases in the proposed merger.

Product portfolio

TMGI’s main focus is on the production of die-cast magnesium components with hot chamber technology for Tier 1 suppliers in the automobile industry.

The production facility in Mexico is solely producing magnesium steering wheel armatures for Tier 1 customers in North-America based on hot chamber technology. Today, the production plant in Germany mainly produces magnesium components for Tier 1 customers in Europe. Additionally, the production in Germany consists of components such as brackets and sunroof systems in zink with related applications in plastic.

Portfolio expansion however, is highly likely and a further refining of the TMGI technology base will facilitate the process of replacing other aluminum parts with die-cast magnesium parts in automobiles.

Product portfolio

Steering wheel
armature

Magnesium
automotive

Non-magnesium
automotive

Zink & Plastic



Source: Company Information, CAR Research

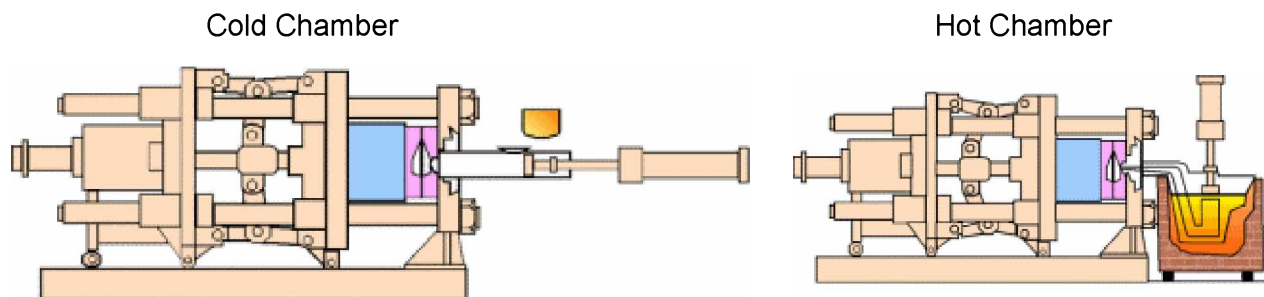
Production process – The Tonsberg System™

TMGI is introducing hot chamber magnesium die-cast components to the automobile industry through a set of standard operating procedures covering every step in the process of constructing, equipping and operating the foundry. The operating procedures have been labeled 'The Tonsberg System™' and consists of 6 modules:

- *Technical solution* – blueprints of foundry configuration
- *Foundry operation* – process charts and operating procedures for the running of day-to-day operations
- *Foundry implementation* – methodology and templates for effective implementation and construction of the foundry (in accordance with ISO 9001 and ISO/TS 16949 quality assurance certifications as well as PPAP – Tier 1 Production Part Approval Process)
- *R&D* – TMG Research & Development module for continuous improvement of processes and methodologies
- *Administration and support systems* – module for handling administrative routines regarding the foundry, logistics, accounting, personnel, etc.
- *TMG die-casting machine* – foundry equipment using proprietary technology for increased throughput and reduced cycle time while still very scalable

The hot chamber technology and standard operating procedures have reduced the cycle time compared to traditional methods. Higher output per unit of time, whilst at the same time reducing magnesium input through lower scrap rates, means lower production cost per unit and ultimately lower price to the customer – highly appreciated in the automobile industry.

Cold chamber vs. Hot chamber



Source: Company information

A die-casting production line typically consists of a melting unit and a holding furnace feeding the die-casting machines, two die-casting presses and a robot removing finished die-cast parts. Testing equipment for quality control, such as x-ray machines, is required for every 8-10 production lines.

Hot chamber technology vs. cold chamber technology

With TMGI's approach to production, the company should be able to offer significant cost- and manufacturing advantages over traditional magnesium die-casting techniques.

The table below is a general summary of the benefits the hot chamber production process may offer compared to cold chamber production. In general, machine size, -cost and -cycle time is significantly reduced whilst scrap rate, recycling- and component quality, die cost and wear is significantly improved. The figures presented in the table below are approximates.

Cold chamber vs. Hot chamber comparison table

	Hot Chamber	Cold Chamber
Machine Size	280-400 Tons	800-1200 Tons
Machine Cost	USD 750 000 - 1 250 000	USD 2 500 000
Cycle Time	30 to 55 seconds	55 to 75 seconds
Scrap Rate	7 %	10-15%
Component Quality	Lower temperature melt & less clamping force	Higher temperature melt & high clamping force
Material Shot	Less material with closed shot end	More material with open sleeve pouring melt
Die Cost	One cavity die: USD 75 000	Multi cavity die at USD 75 000 per cavity (USD 150 000)
Die Wear	Over 250 000 shots	Average 150 000 shots per cavity

Source: Company information

The benefits offered by TMGI's production process (the Tonsberg System™) over traditional die-cast production methods is a critical prerequisite needed to penetrate large volume accounts. Thus far, test- and production results confirms TMGI's ability to produce magnesium parts faster and cheaper than its competitors – which, in the medium term, is a source of sustainable competitive advantage making way for margin expansion compared to traditional manufacturers. In the longer term however, we are humble to the fact that competition is bound to catch up.

Mexico – Production of steering wheel armatures for North-America

With keen interest from Tier 1 customers, TMGI will focus on ramping up production going forward. The facility in Morelia, Mexico, is already in production servicing Autoliv, KSS and TRW. The facility has a total of 9 die-casting machines of which 8 machines are installed with 7 machines currently in production. Two of these machines are under research for technological improvements. According to TMGI, a production line has theoretical production capacity of over 1,000,000 units of steering wheel armatures per year, but they believe a realistic production figure is closer to 800,000 units annually. The plant has a total capacity of 20 production lines, which implies a total production capacity of 16 million steering wheel armatures per year. Total production in 2007 is estimated to be 0,9 million steering wheel armatures, implying an average production of 0,13 million armatures per machine in production. The production per unit will increase with a more consistent operation of the machines, as well as technological upgrades. Total production will also increase as new lines are installed. TMGI's current Tier 1 customers have a total demand of 13 million steering wheel armatures annually. As a result, TMGI will be able to service their customer's current demand for steering wheel armatures at an estimated full production capacity. Although demand for steering wheel armatures in magnesium is expected to grow, TMGI expects to expand the product portfolio in going forward. The facility in Mexico is presently producing 10 different types of steering wheel armatures for their customers.

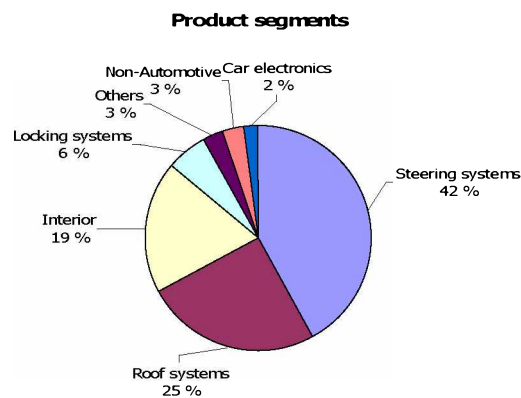
TMGZ – Production of magnesium components for the European market

Currently the production plant in Germany has 14 production lines of which 3 production lines produce zinc and plastic components. The remaining 11 machines are producing magnesium components based on hot chamber technology except from 2 machines which produce magnesium parts based on cold chamber technology. The facility produces 100-150 different types of magnesium components.

According to TMGI, the production of zinc and plastic components will be transferred to the production plant in the Czech Republic in the future. Today, the facility in the Czech Republic has 7 machines producing zinc components which will increase to 10 machines after receiving 3 machines from Germany.

TMGZ has an impressive customer list including companies such as Blaupunkt, Lear Corporation, Delphi, Haldex, Huf, Arvin Meritor, ThyssenKrupp Presta, Rockinger, Plastimat and Fuba.

TMGI - Revenue per product segment in 2006



Source: Company information, CAR Research

Partner strategy

As a result of its technological advantage, TMGI has already signed letters of intent and received purchase orders from three of the top four American Tier 1 suppliers of finished steering wheels to the automobile industry (Autoliv, TRW, Key Safety Systems (KSS)). This is rather unique in the automotive industry where demands regarding product quality and volumes usually disqualify start-ups from even getting a foot in the door.

This success is a stamp of approval. Nevertheless, the critical issue going forward will be to ramp up production capacity to the levels needed to cater to these high volume customers.

Contracts with existing Tier 1 customers are by no means exclusive, meaning TMGI can still market steering wheel armatures to other finished steering wheel suppliers. Additional growth opportunities also exist in delivering other magnesium products to existing and new customers. If able to cater to customers demand, TMGI can use steering wheel armatures as a test case to win over new product lines.

The Market

Magnesium vs. aluminum

Steel, then aluminum, has historically been the preferred metal used in auto parts production. However, due to advances in technology, magnesium is an increasingly attractive raw material. The automobile industry's continuous drive to make lighter, safer, less expensive and more environmentally friendly cars, support a trend for an increasing number of components in cars to be switched from either steel or aluminum to magnesium.

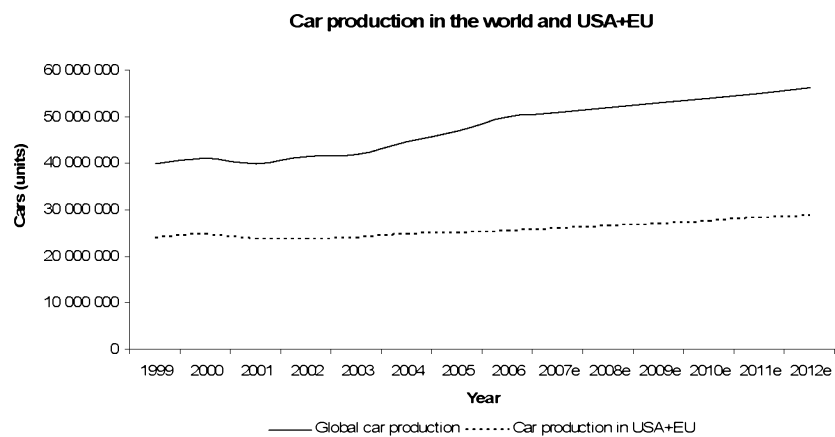
- Magnesium is 33% lighter than aluminum – which helps to improve fuel economy – and it's stronger than both steel and aluminum relative to its weight.
- Magnesium offers a great balance between crash energy absorption and structural integrity – thereby improving safety.
- Magnesium offers clear cost- and efficiency advantages in production processes (hot chamber magnesium die-casting vs. cold chamber aluminum die-casting) and the recycling of products.

The market for die-cast magnesium products used by the automobile industry is growing and is expected to continue to do so going forward. Today, almost 60% of the world's production of new cars is equipped with magnesium die-cast steering wheel armatures. According to Norsk Hydro, the share of magnesium steering wheel armatures in cars is expected to reach 85% within the next couple of years. Furthermore, MIT has estimated the use of magnesium products to be 3 kg per car indicating a total market value of USD 480m in 2007 (33m cars x USD 4,85 pr kg) based on estimated car sales in Europe and the US. The potential for magnesium products in cars is estimated to be 150 kilograms per car corresponding to a total market value of USD 24 billion in Europe and the US. Growth however, could be handicapped by a sudden run-up in prices or supply-side shortcoming as it would make magnesium parts less attractive for the automotive industry relative to aluminum.

Car production

The annual global automobile production has increased steadily from 39,7m units in 1999 to 49,8m units in 2006 according to OICA (International Organization of Motor Vehicle Manufacturers). The long-term growth prospects for auto sales are solid in our opinion. Emerging economies like India and China are seeing the rise of an increasingly affluent middle-class. The standard of living is rising and higher discretionary income improves purchasing power. This will facilitate global growth going forward. In Europe and the US car production is expected to slow down in the coming years, but an annual growth of 1-2% until 2012 is still expected by OICA.

Annual car production 1999-2012e



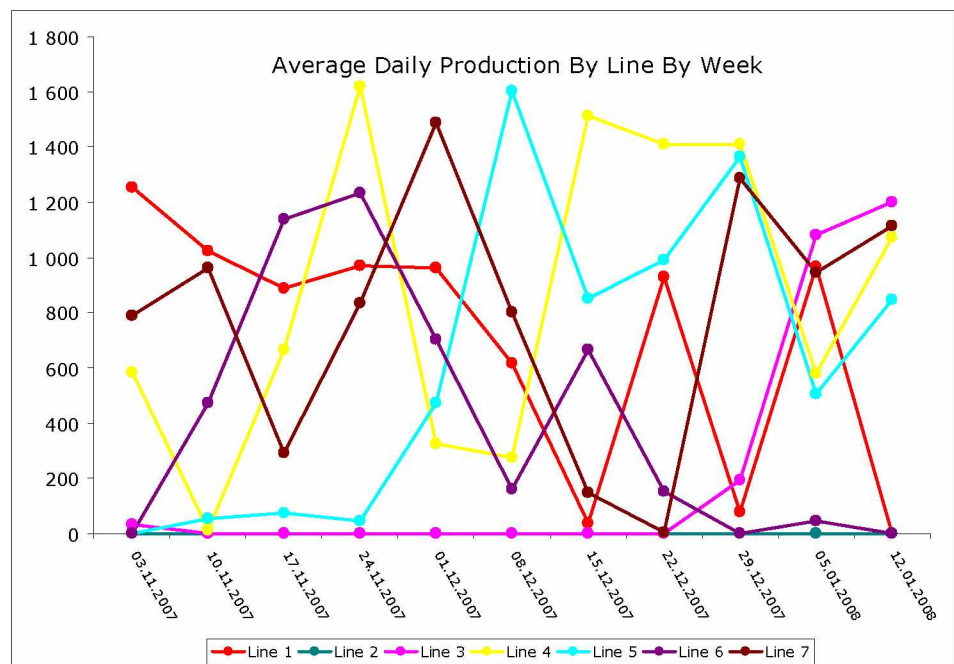
Source: OICA, CAR Research

Problems and solutions

The current situation

Currently none of the seven lines in Mexico are producing at steady nor at optimal levels. The chart below shows average daily production per line per week since the beginning of November 2007. Some of the lines have been able to deliver daily averages of over 1600 units per day in certain weeks, which proves that this output is possible over a period of time. At the same time some lines have close to zero output certain weeks as production has been rotated between the lines due to a lack of wear parts. Some of the lines have managed an output of as much as 2300 units on certain days. The break even level is 1100-1300 units per day, according to TMGI.

Average Production By Line



Source: Company information

Problems

Funding – On the basic level a lack of sufficient working capital has severely affected output in the Mexican plant. Wages to management and the plant workers have occasionally been behind schedule. More importantly the company has not had sufficient funds to buy enough wear parts, with the result that production is often down much longer than necessary, disrupting a steady production process. Two machines in Mexico have also been “cannibalized” (stripped for parts) as a result of this. Further, a lack of funds for investment in measures that will increase the productivity of each line, as well as funds for further R&D, is currently barring production at full output potential.

Consistency – Production is at the moment inconsistent, again this has much to do with a lack of sufficient working capital required to buy wear parts, but it is also a matter of training

for the plant workers. Each line is currently staffed by 3 employees, and the company believes that this number may be reduced to one employee if each line is sufficiently automated.

Technical problems – TMGI has made some significant improvements to their machines already. The scrap rate has been reduced from over 50% to below 7% over the last year, which is significant for the margins. An automated lubrication of the dies has been successfully tested but not yet fully implemented. A new setup of the melting systems (where the magnesium is melted and fed into the machine) has been defined, but funds to implement this setup has been lacking. These improvements will help stabilize production and reduce consumption of wear parts. The constant replacement of the “Gooseneck” and the “piston-ring” (components involved in the process of feeding melted magnesium into the die cavity) is currently a bottleneck in the production. The planned upgrade of the melters should reduce the wear on these parts substantially. Furthermore, the die itself is not sufficiently solid to handle the theoretical output of the machines yet. Further R&D will be necessary to improve the quality of these.

Supply of magnesium – The closing of Norsk Hydro’s Becancour factory last year reduced the North American magnesium production by some 20-25%. The actual physical supply of magnesium is currently a problem in North America. Together with rising global demand this has led to increased magnesium prices, although most of this cost is passed on to the customers as price increases are regulated by contracts. TMGI has contract coverage for its magnesium requirements for 2008, after which the supply situation is expected to improve.

Solutions

Funding – Access to sufficient working capital and thereby sufficient wear parts should improve the operations in Mexico substantially. An estimated USDm 1,5 investment programme in new melters should bring the potential output per line up to 2000 units per day according to TMGI. An additional investment of EUR 750 000 per new line is required to ramp up production to 20 lines in 2012. Further funds are also required to improve the weak points of the die-casting machines.

Research & Development – Further R&D is required to optimize the output of the die-casting machines. At the moment wear parts have to be replaced frequently with increased costs and down time as a result, hence further research is required in order to develop the production process. The dies (the mould into which the magnesium is fed, which gives the final product its shape) will also have to be further developed and strengthened in order to tolerate the strain caused by higher production output. Further automation of the production process will also reduce the inconsistency caused by human operation of the machines.

Management – It is our impression that the quality of the factory management has been wanting, at least up until now. A new plant manager is now in place, and only recently did the management start to monitor daily output on a line-by-line basis. It is not clear to us how well the floor staff is managed, but good management of the workers and good skills in operating the machines is essential to bring output up to a consistent level. We believe that there are further improvements to be made here.

New products – TMGI’s process is unique because they produce fairly large components in magnesium AM-alloys with hot chamber technology. As the production process is more efficient than using cold chamber technology, they will achieve better margins than the competition on their products with a consistent production. They sell a steering wheel at approximately \$5 per unit whilst the competitors charges prices in the range of \$6-9 for a similar unit. TMGI can potentially increase prices as they become larger and production becomes more steady, and there are better margins to be derived from producing larger units such as seat frames.

Risk factors

Rigorous demands from the automobile industry: TMGI operates in a highly competitive industry placing rigorous demands on suppliers regarding service level, pricing, product quality, etc. A failure to meet the high standards expected will ultimately lead to a loss of business potentially jeopardizing the long-term survival of the company. On the other hand, once a contract is awarded a Tier 1 customer or auto manufacturer, it usually runs for the life of the model (3-5 years) providing good visibility in earnings.

Penetrating large accounts: In order to succeed as a sub-contractor to the automobile industry, TMGI needs to penetrate large volume accounts in order to achieve production of substantial quantities of its products. Anything less would make it a marginal player. Furthermore, the company will be dependent on a few large accounts making revenues lumpy. At present, this risk is not imminent given the solid commitment from three Tier 1 manufacturers.

Price and access to raw materials: In order to specialize in the production of magnesium die-cast components, TMGI needs access to ample quantities of magnesium. Although the company's earnings sensitivity to the price of magnesium is limited (+/- 3% specified in customer contracts), a substantial increase in prices relative to aluminum could affect the attractiveness of magnesium for use in automobiles.

New technologies: TMGI has not patented the production process involved in the Tonsberg System™ thus presenting less of a barrier of entry for new participants. Long-term success is also sensitive to new technologies in general, which has the potential to render current production methods obsolete.

Exchange rate risk: TMGI's exchange rate risk is significantly reduced by establishing production capacity in Mexico and Germany for the North-American and European markets respectively. Net exposure would be limited to net cash flows as revenues and costs will be in the same currency.

Market risk: As an NGM listed share, the development of the TMGI share price is subject to general market conditions. Demand for TMGI's products is ultimately subject to the demand for cars, which in turn is determined by global growth and demand.

Debt situation: Unless the current debt situation is resolved, the company will be bankrupt. A conversion of debt to equity is necessary in order to avoid this scenario materializing.

Financing: Capital is needed to finance the research and investments in production infrastructure needed to service TMGI's customers. In addition, the company needs working capital in order to establish efficient operations. Failure to attract capital will make efficient and consistent production impossible in the short run, and limit growth opportunities in the future.

TMGI's reputation: With a share price plunging from SEK 42,0 mid-2006 to the present level of SEK 1,55 the TMGI share has been a disaster for many investors. The share has been subject to rumors and speculation regarding the ownership and intentions of the owners. It can still not be ascertained who the owners are, nor who will control the company after a conversion of bond debt to equity. The management also has a poor track record when it comes to guidance. In short, the TMGI name is not held in high esteem by investors, and this may affect share price development even after a successful debt conversion and refinancing of the company.

Cash flow analysis

Investment programme

Below is a table of the investment programme expected over the next few years. Starting with investments in operations (maintenance) of SEKm 14,7 in 2007e we have increased this by 5% per annum on a straight line basis.

An investment of USDm 1,5 is necessary to upgrade the melters on the seven production lines currently in service. An additional investment of USDm 0,2 is necessary in order to bring the last two production lines in Mexico into service.

One line costs approximately EUR 750,000 to install. We have assumed investments in three new lines in 2009, three new lines in 2010 and another five new lines in 2011. We have not taken production from these into account until the following year.

Investment programme (SEKm)

Investments	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Investments in operations	14,7	15,5	16,2	17,1	17,9	18,8	19,7	20,7	21,8	22,9
Investments in existing product lines		11,0								
Investments in new product lines			16,5	16,5	27,5					
Other investments	15,0									
Sum investments	29,7	26,5	32,7	33,6	45,4	18,8	19,7	20,7	21,8	22,9

Source: Company information

Debt situation

TMGI has a bond loan of SEKm 281,2 with accrued interest of SEKm 15,8. It is assumed that this debt and interest will be converted to equity at SEK 1,43 per share. Adding another SEKm 100 raised through an expected share issue in 2008, this gives a positive 2008e equity of SEKm 288 in our base case.

In addition the company has SEKm 73 in bank loans with 15% interest due between december 2007 and march 2008. Neither rent nor installments have been paid on these loans. In our cash flow analysis we have assumed a continued loan of SEKm 73 with 15% interest per annum. We have not included installments or repayment of the loan in our assumptions.

Cash requirement

Base case: Our base case gives a net cash requirement of SEKm 53 in order to compensate for negative net cash flow in the years 2007-2009. By TMGI's own estimates they need USDm 5 in additional working capital. This gives a cash requirement of SEKm 85,5. We have added an additional cash buffer of SEKm 7,5 which gives a **total cash requirement of SEKm 93** in our base case scenario. The net cash requirement of SEKm 53 is not clearly shown in the cash-flow statement below, as our estimates are based on the assumption that TMGI will raise SEKm 100 in new equity in 2008. Please note that the company has a substantial amount of deductible tax which means that although the tax is shown in the P&L they will not be paying tax in our forecasting period. In addition, accrued interest on the bond loan of SEKm 16 included in the interest on the P&L in 2007 does not affect the cash flow as the amount has been deferred until 2008 and then converted into equity. Furthermore the company raised SEKm 32 in new equity in Q4 2007.

Cash flow statement - Base case

(SEKm)	2006	2007e	2008e	2009e	2010e	2011e	2012e
Cash flow from operations							
EBIT	(93)	(52)	(26)	1	16	39	95
Depreciation/amortisation	7	33	32	32	33	35	32
Interest income	-	1	2	4	4	4	7
Interest expenses	-	(38)	(11)	(11)	(11)	(11)	(11)
Other net financials	(23)	-	-	-	-	-	-
Other adjustments	31	-	-	-	-	-	-
Taxes paid	-	-	-	-	-	-	-
Cash earnings	(77)	(56)	(2)	26	41	67	123
Change in WC	(60)	(13)	(6)	(5)	(4)	(5)	(0)
Operating cash flow	(138)	(69)	(8)	22	37	63	123
Cash flow from investments							
Investments in operations	(40)	(30)	(26)	(33)	(34)	(45)	(19)
Acquisitions	(46)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Others	(46)	-	-	-	-	-	-
Cash flow from investments	(132)	(30)	(26)	(33)	(34)	(45)	(19)
Free cash flow	(269)	(99)	(35)	(11)	4	17	104
Cash flow from financing							
Equity issue (repurchase)	5	32	100	-	-	-	-
Convertible bonds	258	-	-	-	-	-	-
Other debt	-	74	-	-	-	-	-
Cash flow from financing	263	105	100	-	-	-	-
Net cash flow	(7)	7	65	(11)	4	17	104
Change in interest-bearing assets	(15)	-	-	-	-	-	-
Change in cash and cash equivalents	214	7	65	(11)	4	17	104
Change in net debt	229	(7)	(65)	11	(4)	(17)	(104)

1. Defined as operating cash flow less investments in operations.

High case: The high case scenario gives a net cash requirement of SEKm 12 in order to compensate for negative net cash flow in 2007 and 2008. By TMGI's own estimates they need USDm 5 in additional working capital. This gives a cash requirement of SEKm 44,5. We have added an additional cash buffer of SEKm 7,5 which gives a **total cash requirement of SEKm 52** in our high case scenario.

Cash flow statement - High case

	2006	2007e	2008e	2009e	2010e	2011e	2012e
Cash flow from operations							
EBIT	(93)	(52)	0	36	82	137	224
Depreciation/amortisation	7	33	32	32	33	35	32
Interest income	-	1	3	6	8	13	23
Interest expenses	-	(38)	(11)	(11)	(11)	(11)	(11)
Other net financials	(23)	-	-	-	-	-	-
Other adjustments	31	-	-	-	-	-	-
Taxes paid	-	-	-	-	-	-	-
Cash earnings	(77)	(56)	25	63	112	174	267
Change in WC	(60)	(13)	(8)	(5)	(6)	(7)	(0)
Operating cash flow	(138)	(69)	17	58	106	167	267
Cash flow from investments							
Investments in operations	(40)	(30)	(26)	(33)	(34)	(45)	(19)
Acquisitions	(46)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Others	(46)	-	-	-	-	-	-
Cash flow from investments	(132)	(30)	(26)	(33)	(34)	(45)	(19)
Free cash flow	(269)	(99)	(10)	25	72	121	248
Cash flow from financing							
Equity issue (repurchase)	5	32	100	-	-	-	-
Convertible bonds	258	-	-	-	-	-	-
Other debt	-	74	-	-	-	-	-
Cash flow from financing	263	105	100	-	-	-	-
Net cash flow	(7)	7	90	25	72	121	248
Change in interest-bearing assets	(15)	-	-	-	-	-	-
Change in cash and cash equivalents	214	7	90	25	72	121	248
Change in net debt	229	(7)	(90)	(25)	(72)	(121)	(248)

1. Defined as operating cash flow less investments in operations.

Valuation

Growth opportunities in Mexico

So far, TMGI has not managed to create profit from their operations in Mexico despite a solid customer base and their unique approach to producing magnesium steering wheels. We believe the main reasons are problems with implementation of the technology and lack of necessary financial resources. Failure in technology implementation and squeezed financial resources has resulted in non-optimal capacity utilization and lack of critical spare parts respectively.

The production plant in Mexico produced 0,9m steering wheel armatures in 2007. At present, the company has 7 machines in production which gives an average production of 0,13m steering wheel armatures for 2007 per machine. At full capacity a machine has a theoretical production capacity of over 1 million steering wheel armatures per annum. According to TMGI, the realistic production capacity for one single machine is approximately 0,8m steering wheel armatures due to occasional production stoppages. The plant has a capacity of 20 production lines which implies a total production capacity of 16m steering wheel armatures annually. TMGI's current Tier 1 customers have a total demand of 13 million steering wheels which indicate that TMGI's main obstacle is technology implementation and a ramp-up of production.

The production plant in Germany is expected to break even in 2008 according to TMGI. We believe revenues from the German operations will increase slightly going forward due to a more advantageous development in magnesium prices. Magnesium prices are expected to peak in 2008.

Profit and revenues from TMGI's operations outside Mexico and Germany are expected to be negligible according to TMGI.

DCF Analysis – Base case scenario

Our base case scenario for the operation in Mexico is based on the current average price for a steering wheel armature and effective production days. We have made individual assumptions regarding gross margin, units produced per machine and the number of production lines installed.

We believe the following production plan and revenues can be achieved through full focus on production in Mexico:

Mexico operation, Morelia						
Numbers in SEK	2007e	2008e	2009e	2010e	2011e	2012e
Price per unit (\$)	5,2	5,2	5,2	5,2	5,2	5,2
SEK/USD per 14.01.2008	6,31	6,31	6,31	6,31	6,31	6,31
Sales price pr. unit (SEK)	32,8	32,8	32,8	32,8	32,8	32,8
Material cost	75 %	65 %	60 %	60 %	60 %	60 %
Gross margin per unit (SEK)	8,2	11,5	13,1	13,1	13,1	13,1
Units produced per machine per day	1000	1000	1500	1500	1700	2000
Production days	306	306	306	306	306	306
Units produced per machine	306000	306000	459000	459000	520200	612000
Cycle time (seconds per unit)	86	86	58	58	51	43
Number of product lines	7	9	12	15	20	
Total production	910 000	2 142 000	4 131 000	5 508 000	7 803 000	12 240 000
Total revenues	29 859	70 283	135 546	180 728	256 032	401 619

Source: CAR Research

Based on company information, the gross margin is expected to increase from 25% to 50% in Mexico going forward in line with increased production efficiency. In our prognosis, we have assumed a gross margin progressing from 25% to 40% by the end of 2012. Further, we have assumed an increase in daily production per machine from 1000 to 2000 units per day and the number of production lines installed being ramped up to full capacity of 20 product lines by 2012.

So far the number of units produced per day has been inconsistent, but a production of around 1600 units has been achieved over shorter periods of time, whilst daily production has come close to 2300 units on some days on single machines. A daily production of 2000 steering wheel armatures gives an annual production of 0,61m which is far below the theoretical capacity of over 1m steering wheels per machine. A production of 0,61m steering wheel armatures is equivalent to a cycle time (seconds per unit produced) of 43 seconds, which compares to a cycle time of 38 seconds at 2300 units per day and 26 seconds at 1m wheels per annum. The minimum theoretical cycle time per unit is 12 seconds.

There is also a potential for higher output if the number of production days is increased from the current level of approx 306 days per year. Today, production is based on six 24-hour working days per week excepting Sundays and national holidays.

A solution to the debt situation in the company is crucial to ensure continued operations and a debt to equity conversion is necessary to avoid bankruptcy. As a result, our valuation is based on a 1-1 debt to equity post-conversion scenario. Assuming a conversion price of SEK 1,43 per share and a share issue of SEKm 100 at SEK 1,30 per share, this will increase the number of outstanding shares from 55m to 340m.

Based on these assumptions our DCF model returns a value of SEK 1,9 per share. The WACC is calculated to be 11,1 % based on a cost of equity of 11,8% and a debt ratio of 12%. **Our DCF calculation indicates a value of equity of SEKm 640 and a fair value of SEK 1,9 per share.**

DCF Analysis – High case scenario

We have also valued the company based TMGI's own projections. They expect to ramp up production in Mexico to a higher level and more quickly than we assume in our base case scenario, resulting in an output of 2500 units per day in 2012. Revenue is expected to increase from the current level of \$5,2 per unit to \$6,0 with a gross margin of 50% going forward. Assumptions with regard to number of product lines installed and production days are similar to those used in our base case prognosis.

Mexico operation, Morelia						
Numbers in SEK	2007e	2008e	2009e	2010e	2011e	2012e
Price per unit (\$)	5,2	6,0	6,0	6,0	6,0	6,0
SEK/USD per 14.01.2008	6,31	6,31	6,31	6,31	6,31	6,31
Sales price pr. unit (SEK)	32,8	37,9	37,9	37,9	37,9	37,9
Material cost	75 %	50 %	50 %	50 %	50 %	50 %
Gross margin per unit (SEK)	8,2	18,9	18,9	18,9	18,9	18,9
Units produced per machine per day	1000	1250	1700	2000	2300	2500
Production days	306	306	306	306	306	306
Units produced per machine	306000	382500	520200	612000	703800	765000
Cycle time (seconds per unit)	86	69	51	43	38	35
Number of product lines		7	9	12	15	20
Total production	910 000	2 677 500	4 681 800	7 344 000	10 557 000	15 300 000
Total revenues	29 859	101 370	177 253	278 044	399 688	579 258

Source: CAR Research, Company information

A solution to the debt situation in the company is crucial to ensure continued operations and a debt to equity conversion is necessary to avoid bankruptcy. As a result, our valuation is based on a 1-1 debt to equity post-conversion scenario. Assuming a conversion price of SEK 1,43 per share and a share issue of SEKm 100 at SEK 1,30 per share, this will increase the number of outstanding shares from 55m to 340m.

Based on TMGI's own assumptions our DCF model returns a value of SEK 4,3 per share. Our WACC is calculated to be 11,1% based on a cost of equity at 11,8% and a debt ratio of 12%. **A DCF calculation based on the above indicates a value of equity of SEKm 1460 and a fair value of SEK 4,3 per share.**

Valuation pre- share issue

We have also looked at value per share prior to the share issue we have assumed in our calculations, but post- debt conversion. A pre- share issue scenario will increase outstanding shares from 55m to 263m assuming a conversion price of SEK 1,43.

In our base case scenario the DCF calculation indicates a value equity of SEK 550 million and a fair value per share of SEK 2,1 whilst a high case scenario results in a value of equity of SEK 1390 million and a fair value per share of SEK 5,3.

Sensitivity Analysis – High case scenario

We have made a share price sensitivity analysis of changes in prices/gross margins and different output levels. As seen below, a change in prices and gross margins may impact the value per share significantly. Both prices and gross margins are to a large extent predictable so the model seems robust to changes in values.

Sensitivity analysis - price/gross margin

		Price per unit (USD)				
		5,2	5,5	6	6,5	7
%Gross margin	60 %	4,5	4,8	5,4	5,9	6,4
	55 %	4,0	4,3	4,8	5,3	5,8
	50 %	3,6	3,8	4,3	4,7	5,2
	45 %	3,1	3,3	3,7	4,2	4,6
	40 %	2,6	2,9	3,2	3,6	3,9

Source: CAR Research

We have estimated the sensitivity of value per share based on a price per unit of \$6 and a gross margin of 50% going forward. As seen below, the company is equally sensitive to a reduction in the average daily production as to an increase in production.

Sensitivity analysis - output/value per share

	Year						Value per share (SEK)
	2008	2009	2010	2011	2012	Terminal	
Daily output	1750	2200	2500	2800	3000	3000	5,4
	1500	1950	2250	2550	2750	2750	4,8
	1250	1700	2000	2300	2500	2500	4,3
	1000	1450	1750	2050	2250	2250	3,7
	750	1200	1500	1800	2000	2000	3,2

Source: CAR Research

Sensitivity Analysis – Debt conversion rate & share issue

We have calculated the sensitivity of different debt conversion rates for the base case and high case scenario respectively. As seen below, the debt conversion rate will have significant impact on the degree of dilution and hence our target value per share.

Sensitivity analysis – debt conversion rate

Conversion rate	1,0	1,25	1,43	1,75	2,0
Outstanding shares (m)	430	370	340	302	281
Value per share - High case	3,3	3,9	4,3	4,9	5,3
Value per share - Low case	1,5	1,7	1,9	2,1	2,3

Source: CAR Research

We have looked at what effect the offering price and the size of the share issue will have on our target value per share, after an assumed debt conversion at SEK 1,43 per share. The tables below show the outcome in our base- and high case respectively.

Sensitivity analysis – Base case

		Equity issue (SEKm)				
		60	80	100	120	140
Offering price (SEK)	1,5	2,04	2,00	1,98	1,94	1,91
	1,4	2,01	1,97	1,94	1,90	1,87
	1,3	1,98	1,94	1,90	1,86	1,83
	1,2	1,95	1,91	1,86	1,82	1,78
	1,1	1,92	1,88	1,82	1,78	1,73

Source: CAR Research

Sensitivity analysis – High case

		Equity issue (SEKm)				
		60	80	100	120	140
Offering price (SEK)	1,5	4,75	4,61	4,45	4,32	4,28
	1,4	4,70	4,54	4,38	4,24	4,19
	1,3	4,65	4,47	4,30	4,16	4,10
	1,2	4,58	4,39	4,22	4,06	4,00
	1,1	4,51	4,31	4,12	3,96	3,90

Source: CAR Research

Conclusion

Based on our post-refinancing scenario of a 1-1 debt to equity conversion at a price of SEK 1,43 per share, and a share issue of SEKm 100 at SEK 1,30 per share, we reach a value per share of SEK 1,9 in our base case scenario. Based on TMGI forecasts, we reach a fair value per share of SEK 4,3.

In our prognosis, we expect operations in Germany to break-even in 2008 and increase slightly from 2009 onwards due to lower magnesium prices in the future. We believe there may be further upside potential in the German operations which we have not included in our valuation.

Key financial data - Base case

Operating data (SEKm)	2007e	2008e	2009e	2010e	2011e	2012e
Sales	245	320	411	481	576	732
EBITDA (1)	(19)	6	34	48	74	127
EBIT (1)	(52)	(26)	1	16	39	95
Profit after financial items (2)	(106)	(34)	(6)	8	32	91
Pre-tax profit	(139)	(34)	(6)	8	32	91
Net profit (6)	(115)	(34)	(6)	6	23	66
Free cash flow I (3)	(99)	(35)	(11)	4	17	104
Free cash flow II (4)	(102)	(41)	(10)	5	28	91
Cash earnings (5)	(56)	(2)	26	41	67	123
Gross capital investments	30	26	33	34	45	19
- of which acquisitions	-	-	-	-	-	-
- Organic investments as % of sales	12,1	8,3	8,0	7,0	7,9	2,6
- Organic investments as % of depre	89	82	101	103	130	59
Margins (%)	2007e	2008e	2009e	2010e	2011e	2012e
EBITDA (1)	(7,7)	2,0	8,2	10,0	12,9	17,4
EBIT (1)	(21,3)	(8,1)	0,3	3,2	6,8	13,0
Profit after financial items (6)	(43,2)	(10,7)	(1,4)	1,7	5,6	12,5
Return on capital (%)	2007e	2008e	2009e	2010e	2011e	2012e
Adjusted ROE (7)	-	-	-	-	-	-
ROCE (8)	(18,5)	(9,3)	0,4	5,5	13,6	34,8
ROA (9)	(13,3)	(5,3)	1,0	3,6	7,5	14,9
Working capital management (%)	2007e	2008e	2009e	2010e	2011e	2012e
Inventories/sales	9	10	10	10	10	9
Accounts receivable/sales	30	30	30	30	30	30
Accounts payable/sales	35	35	35	35	35	35
Other current liabilities/sales	-	-	-	-	-	-
Net working capital/sales	4	5	5	5	5	4
Balance sheet (SEKm)	2007e	2008e	2009e	2010e	2011e	2012e
Shareholders' equity	(59)	288	282	288	311	377
Net interest-bearing liabilities	337	(9)	2	(2)	(19)	(123)
Net financial gearing (%) (10)	(570)	(3)	1	(1)	(6)	(33)
Capital employed (11)	278	279	284	286	292	254
Total assets	397	489	515	548	613	759
Equity turnover (15)	(44)	3	1	2	2	2
Price multiples	2007e	2008e	2009e	2010e	2011e	2012e
P/E (17)	nm	nm	nm	89,2	22,6	8,0
P/CE (18)	nm	nm	20,3	13,1	8,0	4,3
P/Sales (19)	0,4	1,6	1,3	1,1	0,9	0,7
P/BV	nm	1,8	1,9	1,8	1,7	1,4
EV/EBIT (20)	nm	nm	nm	33,8	13,0	4,3
EV/EBITDA	nm	81,2	15,8	10,9	6,9	3,2
Per share data (SEK)	2007e	2008e	2009e	2010e	2011e	2012e
Number of shares (year-end) (m)	55,7	340,3	340,3	340,3	340,3	340,3
Average number of shares (m)	50,7	340,3	340,3	340,3	340,3	340,3
Number of shares (full dilution) (m)	60,7	345,3	345,3	345,3	345,3	345,3
EPS (12)	(2,7)	(0,1)	(0,0)	0,0	0,1	0,2
Adjusted EPS (13)	(2,3)	(0,1)	(0,0)	0,0	0,1	0,2
Adjusted EPS (full dilution) (14)	(1,9)	(0,1)	(0,0)	0,0	0,1	0,2
Dividend	-	-	-	-	-	-
Book value	(1,1)	0,8	0,8	0,8	0,9	1,1
Free cash flow I (full dilution)	(1,6)	(0,1)	(0,0)	0,0	0,0	0,3
Free cash flow II (full dilution)	(1,7)	(0,1)	(0,0)	0,0	0,1	0,3
Cash earnings (full dilution)	(0,9)	(0,0)	0,1	0,1	0,2	0,4

1. Excluding associated income and non-recurring items.

2. Excluding non-recurring items.

3. Defined as EBIT + depreciation - net financial items +/- change in working capital - taxes paid - investments

4. Defined as EBIT - net financial items +/- change in working capital - taxes paid. This cash flow calculation is a depreciation is a good proxy for the ongoing reinvestment requirement in the company; in other words, this concerned with sustainable cash flow generation.

5. Defined as EBIT + depreciation - net financial items - taxes paid.

6. Adjusted for non-recurring items.

7. Defined as net profit adjusted for non-recurring items net of taxes divided by average shareholders' equity.

8. Defined as EBIT including associated income divided by average capital employed.

9. EBIT including associated income and financial income divided by average total balance.

10. Defined as interest-bearing net liabilities (including pension liabilities) divided by shareholders' equity and m

11. Defined as the sum of shareholders' equity, minority interests and net interest-bearing liabilities.

12. Defined as net profit divided by average number of shares outstanding.

13. Defined as net profit adjusted for non-recurring items divided by average number of shares outstanding. Not effects of non-recurring items.

14. Defined as (13) divided by the fully diluted number of shares.

15. Defined as net sales divided by average shareholders equity.

16. Defined as net profit adjusted for non-recurring items divided by net sales.

17. Defined as year end share price over adjusted EPS.

18. Defined as year end share price over fully diluted CEPS.

19. Defined as year end share price multiplied by total shares at year end divided by total sales.

20. Enterprise value defined as year end share price multiplied by total shares at year end plus net interest bear

Profit and loss account - Base case

(SEKm)	2005	2006	2007e	2008e	2009e	2010e	2011e	2012e
	-	-	-	-	-	-	-	-
Revenues	3	76	245	320	411	481	576	732
Total sales	3	76	245	320	411	481	576	732
% change, yr-on-yr		2 946,1	221,5	30,8	28,2	17,1	19,8	27,0
Cost of goods sold	(2)	(48)	(162)	(206)	(261)	(308)	(369)	(461)
Personnell cost	(10)	(38)	(91)	(96)	(103)	(110)	(118)	(126)
Operating expenses	(16)	(42)	(11)	(12)	(13)	(14)	(16)	(17)
EBITDA (1)	(25)	(85)	(19)	6	34	48	74	127
EBITDA margin (%)	(1 009,2)	(112,1)	(7,7)	2,0	8,2	10,0	12,9	17,4
Depreciation	(1)	(7)	(33)	(32)	(32)	(33)	(35)	(32)
Amortisation	-	-	-	-	-	-	-	-
EBIT (1)	(26)	(93)	(52)	(26)	1	16	39	95
EBIT margin (%)	(1 055,4)	(121,8)	(21,3)	(8,1)	0,3	3,2	6,8	13,0
Net financial items								
Associated income	-	-	-	-	-	-	-	-
Interest income	1	13	1	2	4	4	4	7
Interest expenses	(1)	(36)	(54)	(11)	(11)	(11)	(11)	(11)
Other net financials	-	(0)	-	-	-	-	-	-
Total financial net	0	(23)	(53)	(8)	(7)	(7)	(7)	(4)
Profit after fin. items (2)	(26)	(115)	(106)	(34)	(6)	8	32	91
Non-recurring items	-	24	(34)	-	-	-	-	-
Pre-tax profit	(26)	(92)	(139)	(34)	(6)	8	32	91
Taxes	(0)	(1)	-	-	-	(2)	(9)	(26)
Tax rate (%)	nm	nm	nm	nm	nm	28	28	28
Minority interests	-	-	-	-	-	-	-	-
Net profit	(26)	(92)	(139)	(34)	(6)	6	23	66
EPS (3)	(0,73)	(2,12)	(2,74)	(0,10)	(0,02)	0,02	0,07	0,19

1. Excluding associated income and non-recurring items. Note that we have stated non-recurring items on a separate line below profit after financial items.

2. Excluding non-recurring items.

3. Defined as net profit divided by average number of shares outstanding.

4. Defined as net profit adjusted for non-recurring items divided by average number of shares outstanding.

Note that we have tax adjusted the effects of non-recurring items in 2000 using a 30% tax rate.

5. Defined as (4) divided by the fully diluted average number of shares.

Key financial data - High case

Operating data (SEKm)	2007e	2008e	2009e	2010e	2011e	2012e
Sales	245	351	452	578	720	909
EBITDA (1)	(19)	32	68	115	172	256
EBIT (1)	(52)	0	36	82	137	224
Profit after financial items (2)	(106)	(8)	31	80	139	236
Pre-tax profit	(139)	(8)	31	80	139	236
Net profit (6)	(115)	(8)	22	57	100	170
Free cash flow I (3)	(99)	(10)	25	72	121	248
Free cash flow II (4)	(102)	(15)	26	73	132	235
Cash earnings (5)	(56)	25	63	112	174	267
Gross capital investments	30	26	33	34	45	19
- of which acquisitions	-	-	-	-	-	-
- Organic investments as % of sales	12,1	7,5	7,2	5,8	6,3	2,1
- Organic investments as % of depre	89	82	101	103	130	59
Margins (%)	2007e	2008e	2009e	2010e	2011e	2012e
EBITDA (1)	(7,7)	9,2	15,0	19,9	23,8	28,1
EBIT (1)	(21,3)	0,1	7,9	14,2	19,0	24,6
Profit after financial items (6)	(43,2)	(2,2)	6,8	13,8	19,3	25,9
Return on capital (%)	2007e	2008e	2009e	2010e	2011e	2012e
Adjusted ROE (7)	-	-	-	-	-	-
ROCE (8)	(18,5)	0,1	12,8	30,5	54,4	111,2
ROA (9)	(13,3)	0,7	7,4	13,9	18,5	23,3
Working capital management (%)	2007e	2008e	2009e	2010e	2011e	2012e
Inventories/sales	9	10	10	10	10	9
Accounts receivable/sales	30	30	30	30	30	30
Accounts payable/sales	35	35	35	35	35	35
Other current liabilities/sales	-	-	-	-	-	-
Net working capital/sales	4	5	5	5	5	4
Balance sheet (SEKm)	2007e	2008e	2009e	2010e	2011e	2012e
Shareholders' equity	(59)	314	337	394	494	664
Net interest-bearing liabilities	337	(34)	(59)	(132)	(253)	(501)
Net financial gearing (%) (10)	(570)	(11)	(18)	(33)	(51)	(76)
Capital employed (11)	278	280	277	262	241	162
Total assets	397	527	593	716	905	1 207
Equity turnover (15)	(44)	3	1	2	2	2
Price multiples	2007e	2008e	2009e	2010e	2011e	2012e
P/E (17)	nm	nm	23,9	9,2	5,3	3,1
P/CE (18)	nm	21,8	8,5	4,8	3,1	2,0
P/Sales (19)	0,4	1,5	1,2	0,9	0,7	0,6
P/BV	nm	1,7	1,6	1,3	1,1	0,8
EV/EBIT (20)	nm	nm	13,1	4,8	2,0	0,1
EV/EBITDA	nm	15,2	6,9	3,4	1,6	0,1
Per share data (SEK)	2007e	2008e	2009e	2010e	2011e	2012e
Number of shares (year-end) (m)	55,7	340,3	340,3	340,3	340,3	340,3
Average number of shares (m)	50,7	340,3	340,3	340,3	340,3	340,3
Number of shares (full dilution) (m)	60,7	345,3	345,3	345,3	345,3	345,3
EPS (12)	(2,7)	(0,0)	0,1	0,2	0,3	0,5
Adjusted EPS (13)	(2,3)	(0,0)	0,1	0,2	0,3	0,5
Adjusted EPS (full dilution) (14)	(1,9)	(0,0)	0,1	0,2	0,3	0,5
Dividend	-	-	-	-	-	-
Book value	(1,1)	0,9	1,0	1,2	1,5	1,9
Free cash flow I (full dilution)	(1,6)	(0,0)	0,1	0,2	0,4	0,7
Free cash flow II (full dilution)	(1,7)	(0,0)	0,1	0,2	0,4	0,7
Cash earnings (full dilution)	(0,9)	0,1	0,2	0,3	0,5	0,8

1. Excluding associated income and non-recurring items.

2. Excluding non-recurring items.

3. Defined as EBIT + depreciation - net financial items +/- change in working capital - taxes paid - investments in operations.

4. Defined as EBIT - net financial items +/- change in working capital - taxes paid. This cash flow calculation is built on the assumption that for the ongoing reinvestment requirement in the company; in other words, this Free cash flow measure is concerned with sustainable cash flow.

5. Defined as EBIT + depreciation - net financial items - taxes paid.

6. Adjusted for non-recurring items.

7. Defined as net profit adjusted for non-recurring items net of taxes divided by average shareholders' equity.

8. Defined as EBIT including associated income divided by average capital employed.

9. EBIT including associated income and financial income divided by average total balance.

10. Defined as interest-bearing net liabilities (including pension liabilities) divided by shareholders' equity and minority interests.

11. Defined as the sum of shareholders' equity, minority interests and net interest-bearing liabilities.

12. Defined as net profit divided by average number of shares outstanding.

13. Defined as net profit adjusted for non-recurring items divided by average number of shares outstanding. Note that we have tax adjustments.

14. Defined as (13) divided by the fully diluted number of shares.

15. Defined as net sales divided by average shareholders equity.

16. Defined as net profit adjusted for non-recurring items divided by net sales.

17. Defined as year end share price over adjusted EPS.

18. Defined as year end share price over fully diluted CEPS.

19. Defined as year end share price multiplied by total shares at year end divided by total sales.

20. Enterprise value defined as year end share price multiplied by total shares at year end plus net interest bearing debt.

Profit and loss account - High case

(SEKm)	2005	2006	2007e	2008e	2009e	2010e	2011e	2012e
	-	-	-	-	-	-	-	-
Revenues	3	76	245	351	452	578	720	909
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total sales	3	76	245	351	452	578	720	909
% change, yr-on-yr		2 946,1	221,5	43,5	28,7	27,8	24,5	26,3
Cost of goods sold	(2)	(48)	(162)	(211)	(269)	(339)	(415)	(510)
Personnell cost	(10)	(38)	(91)	(96)	(103)	(110)	(118)	(126)
Operating expenses	(16)	(42)	(11)	(12)	(13)	(14)	(16)	(17)
EBITDA (1)	(25)	(85)	(19)	32	68	115	172	256
EBITDA margin (%)	(1 009,2)	(112,1)	(7,7)	9,2	15,0	19,9	23,8	28,1
Depreciation	(1)	(7)	(33)	(32)	(32)	(33)	(35)	(32)
Amortisation	-	-	-	-	-	-	-	-
EBIT (1)	(26)	(93)	(52)	0	36	82	137	224
EBIT margin (%)	(1 055,4)	(121,8)	(21,3)	0,1	7,9	14,2	19,0	24,6
Net financial items								
Associated income	-	-	-	-	-	-	-	-
Interest income	1	13	1	3	6	8	13	23
Interest expenses	(1)	(36)	(54)	(11)	(11)	(11)	(11)	(11)
Other net financials	-	(0)	-	-	-	-	-	-
Total financial net	0	(23)	(53)	(8)	(5)	(3)	2	12
Profit after fin. items (2)	(26)	(115)	(106)	(8)	31	80	139	236
Non-recurring items	-	24	(34)	-	-	-	-	-
Pre-tax profit	(26)	(92)	(139)	(8)	31	80	139	236
Taxes	(0)	(1)	-	-	(9)	(22)	(39)	(66)
Tax rate (%)	nm	nm	nm	nm	28	28	28	28
Minority interests	-	-	-	-	-	-	-	-
Net profit	(26)	(92)	(139)	(8)	22	57	100	170
EPS (3)	(0,73)	(2,12)	(2,74)	(0,02)	0,06	0,17	0,29	0,50

1. Excluding associated income and non-recurring items. Note that we have stated non-recurring items on a separate line below profit after financial items.

2. Excluding non-recurring items.

3. Defined as net profit divided by average number of shares outstanding.

4. Defined as net profit adjusted for non-recurring items divided by average number of shares outstanding.

Note that we have tax adjusted the effects of non-recurring items in 2000 using a 30% tax rate.

5. Defined as (4) divided by the fully diluted average number of shares.

Disclaimer

General Information

This report is based on information believed to be reliable. CAR ASA (CAR) can, however, not guarantee the accuracy of its content. Forward-looking statements must not be perceived as promises or guarantees made by CAR. No liability is accepted for any loss, direct or indirect, arising from the use of this report. CAR is organized with *Chinese Walls* between the corporate department and research & broking, however overall profitability, including investment banking, impacts analyst compensation. CAR is regulated by The Financial Supervisory Authority of Norway (Kredittilsynet).

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We, Bård Rognlien and Martin Korsvold, hereby confirm that the views in this report accurately reflect our personal views about the companies and securities covered. We further confirm that we have not been, nor are or will be, receiving direct or indirect compensation in exchange for expressing a specific view or recommendation.

Definition of ratings

Buy – Attractive valuation based on estimates and perceived risks. Expected investment return > 15%.
 Trading Buy – News flow or other short-term effects are expected to trigger short-term share appraisal.
 Trading Sell – News flow or other short term effects are expected to trigger negative short-term share movement.
 Sell – Demanding valuation based on estimates and perceived risks. Expected investment return < 15%.

The market price of the security in question is the price at close the business day before the research report is published.

Recommendation distribution as of 21/1 - 2008

	All recommendations			Inv. banking clients prev. 12 months	
	#	%		#	%
Buy	50	96	Buy	10	100
Trading Buy	0	-	Trading Buy	0	0
Trading Sell	0	-	Trading Sell	0	0
Sell	2	4	Sell	0	0
Total	52	100	Total	10	100

Share ownership, TMGI AB

Analyst	-
Employees CAR	-
CAR	-
Total	-

Responsibility statement

The Board of Directors of TMG International AB (publ)

The summons to the bondholders' meeting to be held on 12 February 2007 (including the attached CAR analysis thereto) (collectively the "**Summons**") has been prepared with a view to providing a description of relevant aspects of TMG International AB (publ) ("**TMGI**") in connection with the proposed conversion of the bonds to shares in TGMI. We confirm that, to the best of our knowledge, the information in the Summons is correct as of the date hereof and contains no misleading information or omission concerning matters of importance in the context of making a decision to convert the bonds. Market conditions and future prospects have been assessed on the basis of best judgment.

The Board of Directors recommends the proposed plan for restructuring described in the summons.

February 4, 2008

The Board of Directors of TMGI International AB (publ)

Joseph T. Gorman

Lawrence Chimarine

Willy E. Wiik

Stig Nordvall



Kent Hägglund

Sven Ombudstvedt