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DJ Timminco Chief Executive Speaks Out In Defense Of Co. >TIM.T

By Stuart Weinberg
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TORONTO (Dow Jones)--Heinz Schimmelbusch said that, if he didn't believe in Timminco Ltd.'s (TIM.T) method for upgrading metallurgical silicon to solar-grade levels, he wouldn't be chief executive of the company.

The executive's comments come after several days of sharp declines in Timminco's stock on concerns about the firm's production method. Critics, including a number of short sellers, have questioned the economics behind the process, citing an alleged lack of transparency on the part of Timminco.

Critics have also questioned Schimmelbusch's confidence in the technology, noting that he is managing director of a private equity fund that sold a large stake in Timminco's majority shareholder, Advanced Metallurgical Group N.V. (AMG.AE), last year. If Schimmelbusch and his fund, Safeguard International LP, believed in the process, than why sell shares in AMG, which holds a 50.6% stake in Timminco? critics ask. Schimmelbusch is also chief executive of AMG.

Safeguard sold 3.5 million of its 10.6 million AMG shares last October in a secondary offering. In addition to raising questions about Schimmelbusch's faith in Timminco, critics questioned the transparency of the move, noting that Schimmelbusch is an insider of Safeguard, AMG and Timminco, yet Safeguard wasn't required to disclose the share sale as a Timminco insider transaction. Hence, some Timminco shareholders may not have known that Schimmelbusch manages a private-equity fund that was selling part of its Timminco holding, according to this argument.

Schimmelbusch said that the relationship between Timminco, AMG and Safeguard is public available and widely known. "It's all public information," he said.

He said Safeguard has asked unitholders to extend the life of the fund twice to help facilitate the development of Timminco's promising technology. Hence, the secondary sale was done to reward unitholders and convince them to extend the life of the fund until March 31, 2009, he said. AMG went public in July at EUR24 a share.

Safeguard Helped Timminco Stay Afloat In 2006-07

Safeguard provided loans to Timminco on three occasions from September 2006 into February 2007, totaling about C\$9.5 million. Schimmelbusch said Safeguard provided the funds to help Timminco stay afloat, as the company was losing money and in financial distress.

The loans gave Safeguard the option to convert the debt into stock at prices ranging from 40 Canadian cents to 42 Canadian cents a share.

The last loan of the three, for C\$4.5 million, was made about five weeks before Timminco announced its first contract to supply solar-grade silicon. The announcement marked the first time Timminco publicly indicated it was working on developing a process for upgrading metallurgical silicon in March 2007.

In the ensuing months, Timminco announced several supply contracts, sending the firm's stock sharply higher. Last month, the company announced a supply contract with Q-Cells AG (QCE.XE), the world's largest solar-cell manufacturer.

Timminco's stock was one of the top performers on the Toronto Stock Exchange in 2007, rising from 30 Canadian cents at the end of 2006 to C\$21.95 at the end of 2007. Timminco is up 7.7% to C\$19.63 in Toronto Wednesday, but down 30% over the past week due the mounting pressure from short sellers.

Schimmelbusch said Timminco didn't disclose its efforts to develop solar-grade-metallurgical silicon until it signed a contract because it wasn't sure the process would work. "We announced it when it became a commercial fact," he said.

Timminco has worked on numerous technologies over the years without disclosing them, Schimmelbusch said. If the company made such disclosures in every instance, it would be accused of trying to manipulate its stock, he said.

Timminco's production process involves the use of a furnace, an oxy-fuel burner and electro-magnetic stirrer. Impure silicon is melted and stirred to eliminate impurities and produce high-purity, solar-grade silicon. Analysts say the firm's production costs are in the range of US\$10- US\$15 a kilogram, far cheaper than rival producers.

Critics note the company hasn't allowed the process to be independently verified and that rival firms have spent far more money than Timminco attempting to upgrade metallurgical silicon to solar-grade levels with less success.

Schimmelbusch said information about Timminco's production process is now publicly available in its patent application, which is pending. He said customers know the process, but couldn't say if customers witnessed the production process during their visits to Timminco's plant in Becancour, Que.

In an interview Wednesday, Q-Cells spokesman Stefan Deitrich said his company has been impressed by the material it has received from Timminco. He wouldn't say if Q-Cells has actually witnessed Timminco's production method.

Schimmelbusch said he is in constant contact with Timminco's customers and they are very happy with the firm's progress, as well as the quality and quantity of product Timminco is delivering.

Company Web Site: <http://www.timminco.com>

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