

FROM THE CEO

LETTER TO SHAREHOLDERS

In 2017, AMG's market capitalization increased by 201%, driven by the continuing development of the lithium project, communication of the Company's new strategic framework and strong financial performance.

AMG's extraordinary value creation in 2017 was complemented by excellent operating results, as we again exceeded expectations in terms of EBITDA, net income, earnings per share ("EPS") and cash from operating activities. On a full year basis, EBITDA increased 25% to \$125.5 million; net income attributable to shareholders increased 40% to \$57.0 million; EPS, on a fully diluted basis, increased by 36% to \$1.80; and cash from operating activities increased 40% to \$78.5 million. The strong financial result, driven by a combination of higher vanadium prices, improved product mix and strong sales volumes, resulted in the highest annual net income and earnings per share in the Company's history. Furthermore, robust demand for our industry-leading vacuum furnace products resulted in the highest level of order backlog in over 8 years in AMG Engineering.

As a result of strong financial performance, the continuing development of the lithium project and the communication of the Company's

new strategic framework, AMG's market capitalization increased by 201% in 2017. In recognition of this achievement, AMG received the award for the "All Round Best Performer of 2017" from Euronext Amsterdam. According to the calculations of the Exchange, AMG's market capitalization increased from €417 million to €1,254 million in 2017. We appreciated the very dignified ceremony in the Exchange building in Amsterdam and the additional exposure to the financial community in the city.

AMG'S BUSINESS MODEL— THE BASICS

The Award ceremony in the seat of the Exchange in Amsterdam was a good moment to remind ourselves that a little more than 10 years ago we completed our Initial Public Offering on the Exchange. Our concept was to take advantage of the growth trends which made critical materials critical. In a recent report analyzing AMG, Citigroup called the Company a "Metallic Theme Machine". We like

that term. As a company, we align with many major trends. The umbrella trend is the race for cleaner energy and for greater energy efficiency. Essentially, our core products and technologies are responding to the need to promote energy efficiency in the three big CO₂ emission areas; transportation, buildings and industry. When we founded AMG, our basic belief was that the need to increase energy efficiency would demand new materials science-based solutions, which in turn would drive the demand for a variety of niche metals and materials.

LONG TERM VALUE CREATION AND THE STAKEHOLDER APPROACH

Larry Fink, Chairman and CEO of Blackrock, in his recent letter titled "Sense of Purpose," reminded his fellow CEOs around the world that "shareholder value" is too limited a metric to serve as the sole driver for management behavior. Shareholders are only one category of stakeholders, of which there are

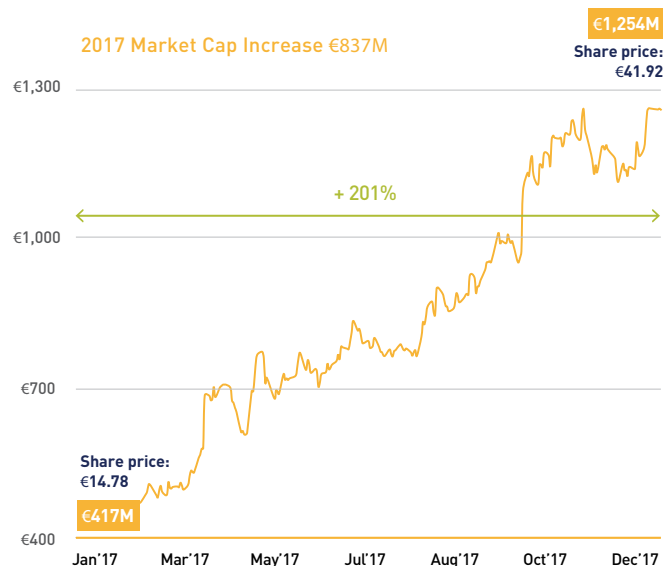
many others: employees, customers, and the communities in which they operate. Today, management must navigate business operations with the interests of all stakeholders in mind. Mr. Fink also asks for “a statement of long term strategy...essential to understanding the company’s actions and policies.” Thirdly, he points to the importance of management to comprehend the societal impact of a company’s business and the structural trends affecting its growth potential, including climate change. The Board of Directors needs to actively interact with management on these issues.

These principles appear to align very well with the new Dutch Corporate Governance Code. This Code guides management to pay attention to the interests of stakeholders when designing the long term value creation strategy: “The Management Board is responsible for the continuity of the company...focuses on long term value creation...and takes into account the stakeholder interests that are relevant in this context. The Supervisory Board monitors the Management Board on this.”

At the Annual General Meeting in May 2017, we introduced and committed to a quantified strategic framework providing multi-year guidance to our shareholders and stakeholders. This statement symbolizes our commitment to long term growth and value creation. In that context, I have already mentioned the award we received from the Exchange in Amsterdam recognizing AMG’s number one performance in financial value creation in 2017. In the 2016 Annual Report, I detailed our thinking about the stakeholder concept. The very basic tenets of AMG’s strategy are to be at the forefront of technologies that are based on materials science, and “critical” metals and materials, which target clean energy and energy efficiency. Through these technologies, we are enabling our customers (as stakeholders) to offer energy-efficient solutions and products to the markets

AMG MARKET CAPITALIZATION

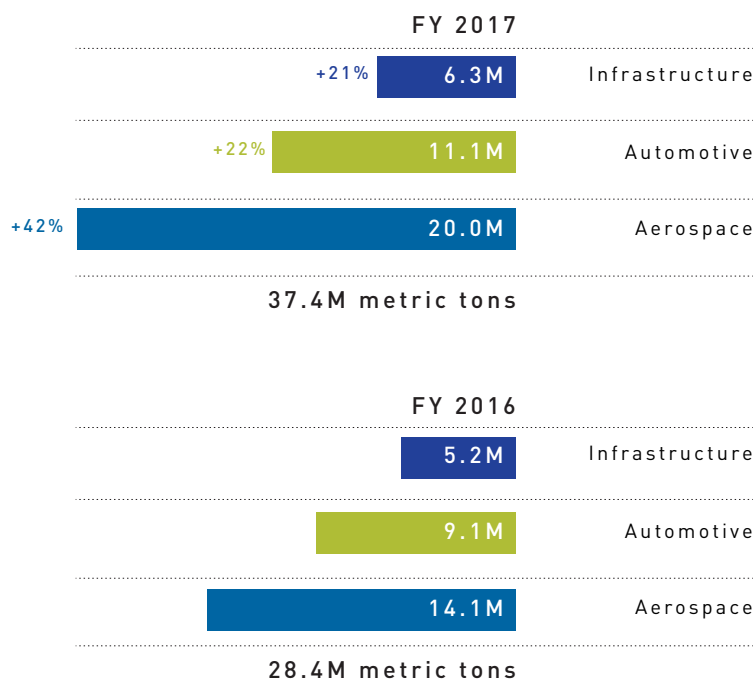
12/31/16 to 12/31/17 (€) Millions



Note: AMG market capitalization comprises historical data per Yahoo Finance from December 31, 2016 through December 31, 2017, calculated using the 28.2m shares outstanding at the end of 2016, and 29.9m shares outstanding at the end of 2017.

TOTAL AMG ENABLING TECHNOLOGIES CUMULATIVE CO₂ REDUCTIONS

Metric tons



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LITHIUM AND TANTALUM

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PHASES I & II

Lithium Concentrate Production

Lithium Concentrate Plant I

- Production of 90,000 MT of spodumene per year
- Timing: Mid 2018

Lithium Concentrate Plant II

- Production capacity expansion from 90,000 MT to 180,000 MT per year
 - Timing: H2 2019
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PHASE III

Lithium Chemical Production

Lithium Chemical Plant

- Downstream conversion of lithium concentrate into lithium carbonate
 - Investment decision: Q3 2018
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VANADIUM: FIVE “THEMES” IN ONE



they serve; providing our suppliers (as stakeholders) with stable access to the global market; and securing for our employees (as stakeholders) safe workplaces and long term incentive programs.

As stated repeatedly, we perceive the environment to be our most important stakeholder, as environmental health is the basis for universal long term existence. Our business model is constructed around energy-efficient products—this is the common denominator of our offerings. For many years, we have applied a methodology of not only describing what we do in this space, but also measuring the impact of our products on CO₂ emissions. The list of such products and services includes graphite formulations for energy-saving insulation materials; titanium alloys that reduce the weight of aerospace engines; advanced surface treatment of automotive engine parts and thermal treatment of aerospace turbine blades (both enabling higher operating temperatures); and aluminum structures for lightweighting in cars. In 2017, the combined impact of those activities added up to an astonishing 37.4 million metric tons of net CO₂ reduction (enabling CO₂ reductions less total CO₂ emissions of 0.6 million metric tons in our plants) when compared to applying conventional technologies. Measured against total assets of \$956.6 million, this yields a ratio of 39 metric tons of CO₂ reduction per \$1,000 of assets. While far from perfect, this measurement methodology provides excellent guidance in illustrating AMG’s enormous progress over time.

ENABLING CO₂ REDUCTIONS

Over time, we have begun to realize that the concept of providing our customers with new material solutions, enabling them to implement fuel efficiency improvements and develop new energy-saving products, would lead to a new, very important metric—namely how we, as a company, impact the global industrial and societal complex around us. We can trace the impact of selected product areas with respect to the

CO₂ reduction these products enable. Based on our estimates, if AMG and its products had not existed in 2017, we would have approximately 37.4 million metric tons (up from 28.4 million metric tons in 2016) of additional CO₂ in the atmosphere. This compares to AMG's CO₂ emissions of roughly 600,000 metric tons.

We are extremely proud of this fact and we track our enabling impact, year by year, to monitor our performance. Of course, we are aware of the imperfections of measuring the enabled CO₂ reduction, but it is a powerful instrument in capital allocation decisions. There will hopefully be a time when awards will also be presented for a company's impact on CO₂ emissions, as well as for financial performance. We would most happily participate in that race.

LITHIUM AND TANTALUM

Within our portfolio of critical materials, different portfolio components are on stage at different times. Presently, lithium & tantalum, vanadium, and titanium alloys demand special mention. On April 18, 2018, we expect to celebrate the "mechanical completion" of our first lithium concentrate plant at the Mibra mine in Brazil. All our efforts are focused on ramping up production smoothly and quickly.

In December 2017, we announced our decision to move forward with the construction of a second lithium concentrate plant, and we have awarded the detailed engineering contract for that plant to Outotec. Once completed, the targeted lithium concentrate ("spodumene") production capacity will be 180,000 metric tons per annum, and correspondingly, our targeted tantalum concentrate production capacity will increase from 300,000 lbs to 600,000 lbs per annum.

The third phase of our lithium strategy involves the downstream conversion of lithium concentrate into lithium carbonate and/or hydroxide. The feasibility work associated with this in-house conversion process has entered

a decisive phase. The lithium & tantalum mining and upgrading complex in Brazil promises to be low-cost, partly due to the large amount of lithium material which has already been mined and is contained, on-site, in tailings, and partly because of the lithium & tantalum co-production process.

THE VANADIUM THEMES

Currently, vanadium provides a strong example of AMG's 'Themes', as the vanadium business benefits from multiple themes which are currently driving demand. Vanadium alloys and chemicals are critical materials for the global economy, as evidenced by the U.S. Department of Commerce recently recommending that vanadium be included on the list of minerals deemed critical to U.S. national security.

Theme One: At the Annual General Meeting in May 2017, we highlighted the significant expansion of AMG Vanadium's recycling facilities in Cambridge, Ohio as one key illustration of a "B" project. In line with this statement, and to meet increasing demand for recycling services from both new and existing customers, we announced a \$35 million investment in our world class recycling operation which, when complete, will increase our recycling capacity by more than 30%. Vanadium Theme One therefore is fueled by the trend to close industrial loops and the associated CO₂ savings can be measured against CO₂ emissions from the mining of vanadium. AMG Vanadium is the global leader in spent catalyst recycling.

Theme Two: Our main product in Ohio is ferrovanadium, an alloy used to strengthen steel. Demand for this material is especially high in emerging countries for infrastructure and construction projects. Vanadium is an irreplaceable alloy used in the production of high-strength low-alloy (HSLA) steel that, when substituted for plain carbon steel, can satisfy the same engineering needs with 20% to 40% less steel, reducing the structure's CO₂ footprint by the same factor, or more, if fabrication and erection are

considered. To this end, China recently issued new guidelines, ruling out the use of sub-standard steel. Following this regulatory change, the vanadium price reacted immediately.

Theme Three: As light fossil fuel reserves are becoming depleted and are being replaced by heavier, more complex and sour oils, refiners require more fresh catalyst, which in turn leads to more spent catalyst waste and a greater demand for recycling services. As a consequence of this trend, expansions are underway to process heavy crude oil in Alberta, Canada, the Middle East and in China that will significantly increase the generation of vanadium-bearing spent catalyst. AMG Vanadium's proprietary technology constitutes a significant barrier to entry.

Theme Four: At AMG Titanium Alloys and Coatings in Nuremberg, Germany, we produce high purity vanadium alloys used for our titanium alloys. The dominant trend here is the use of titanium in aerospace, which has multiplied, as titanium is a good fit with carbon composites, in an effort to reduce weight, and consequently CO₂ emissions, with such light constructional components.

Theme Five: We should be reminded that vanadium chemicals are the critical material for vanadium redox batteries. In AMG Titanium Alloys and Coatings, we recently delivered a vanadium electrolyte material, for a vanadium redox battery, for installation in southern Germany to manage energy supply volatility. Onshore wind availability in Germany is 25% or 2,000 hours per annum. As renewable energy increases its share of total energy production, grid stability is quickly turning into a "Mega Theme".

FINANCING

At the end of 2017, AMG initiated a refinancing process designed to position the Company for the strong organic, capital-intensive growth we envision in our strategic plan. To this end, on February 1, 2018, AMG closed on \$650 million of new

AMG'S STRATEGIC
FRAMEWORK & OUTLOOK

MISSION STATEMENT

To increase long term value through industry leadership, operational expertise and efficient deployment of capital

STRATEGIC OBJECTIVE

Identifying long term trends and leveraging those trends through technological excellence and innovations in the indispensable areas of critical materials and vacuum technologies

PATHS TO GROWTH

A

Routine organic growth of existing business lines

B

Non-routine expansion of existing business lines

C

Transformational projects

credit facilities, consisting of a \$200 million undrawn 5-year Revolving Credit Facility; a 7-year \$350 million term loan B; and an €85 million 5-year letter of credit facility for AMG Engineering.

These facilities replaced the \$400 million 5-year combined term loan and revolving credit facility AMG had in place and provide AMG with significantly increased liquidity and financial flexibility to support our strategic growth over the coming years. As part of this facility, AMG entered into an interest rate hedging program which caps our total interest rate at 5.2% and allows the rate to float below that figure.

HEALTH, SAFETY AND ENVIRONMENTAL

The safety of AMG employees, contractors, and visitors to our sites is of utmost importance to us. We do not believe that accidents and injuries are inevitable. We recognize that the inherent hazards of our operations mean that understanding and controlling risk is crucial if we are to realize our vision of eliminating injuries and achieving zero incidents. In point of fact, 18 of our 29 operating sites in 2017 had zero incidents.

We continued our progress on the challenging path to zero injuries in 2017. Our lost time incident rate (defined as the number of lost time incidents multiplied by 200,000 divided by the total hours worked) reached 0.82, a 21% reduction from 2016. Our focus on the formal safety management system and proactive safety programs has delivered a 54% overall improvement in the lost time incident rate over the past 5 years.

Earlier in this letter, I gave a quantitative update on our dedication to enable our customers to reduce CO₂ when using a representative selection of our products against conventional base lines. Our customers buy our “enabling” products as they face a powerful trend of tighter

regulations on CO₂ reduction, especially in the transportation, automotive, and aerospace sectors, and of subsidies for energy saving in buildings. That benefits our shareholders as we face a growing market for our products, as well as our other stakeholders: our employees, as they have a rewarding workplace; our customers, as we provide innovative solutions; our suppliers, as we show them a link to downstream markets; our communities, as they benefit from profitable and responsible corporate citizens; and the environment, our most important stakeholder.

Finally, a word on AMG's culture and values—safety, value creation, respect and integrity—which form the basis of how we conduct our operations and how we deal with our employees, business partners and stakeholders. Supported by our Code of Business Conduct and Speak Up and Reporting Policy, company-wide communication and training processes have been installed to ensure that these values are better understood, embraced by everyone and applied without exception.

AMG'S STRATEGIC FRAMEWORK & GUIDANCE & OUTLOOK

In our Annual General Meeting in May 2017, we introduced our new 'Strategic Framework', and our long term goal to increase EBITDA to \$200 million or more, in 5 years or less, through the execution of a combination of well-developed, highly accretive growth projects, including AMG's entrance into the lithium market. Our goal was to be more transparent with respect to our long term growth strategy and targets and this long term guidance, we felt, was very much in line with the new Dutch Corporate Governance Code which became effective in 2017 and whose principles we continue to embrace going forward in our operations and deployment of our strategy.

We built our long term, strategic planning model from a stationary base, which includes a number of routine “A” projects. These projects require capital expenditure and are executed in the normal course of business. We then add “B” projects, which are material expansions of existing product lines, and “C” projects, which are transformational in nature. The lithium & tantalum development is clearly a transformational “C” project.

Given what we achieved and learned in 2017, and to date in 2018, we believe we can achieve our goals earlier than previously expected, and can commit to increasing EBITDA to \$200 million, or more, in the fiscal year ending December 31, 2020.

We are obviously aware that this is ambitious, but that is why we are here, and our organization is geared to achieving our target. Every commitment related to our future, of course, is subject to uncertainties, and, in our specific case, to global markets, currencies and commodity volatility. In this regard, our risk management track record supports our confidence.

2018 has started very well. For the year, AMG expects its financial performance to show significant improvement compared to 2017, on route to this long term strategic target.



DR. HEINZ C. SCHIMMELBUSCH
CHIEF EXECUTIVE OFFICER

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LOST TIME INCIDENT RATE

