



Investor Presentation  
March 2014

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# Overview

<b>Listed:</b>	NYSE-Euronext Amsterdam: AMG
<b>Founded:</b>	2006
<b>2013 Revenues:</b>	\$ 1,158.4M
<b>2013 EBITDA:</b>	\$72.6M
<b>2013 Operating Cashflow:</b>	\$69.7M
<b>Employees:</b>	3,137
<b>Facilities:</b>	Netherlands, Germany, France, Czech Republic, Poland, UK, USA, Brazil, Mexico, China, India, Sri Lanka, Turkey, Zimbabwe, Mozambique
<b>Market Cap:</b>	€202M (\$280M)
<b>Enterprise Value:</b>	€317M (\$441M)
<b>EV / EBITDA</b>	6.1x
<b>Shares outstanding:</b>	27.6M
<b>52 week range:</b>	€5.88–€8.35
<b>Recent share price:</b>	€7.31 (March 18, 2014)

# AMG - Three Divisions

## AMG Processing

- AMG's conversion and recycling based businesses



- Metals & alloys
- Coating materials

## AMG Mining

- Integrated AMG's mine based businesses



- Critical raw materials
- Concentrates

## AMG Engineering

- AMG's vacuum systems and services business



- Capital equipment & service for high purity materials



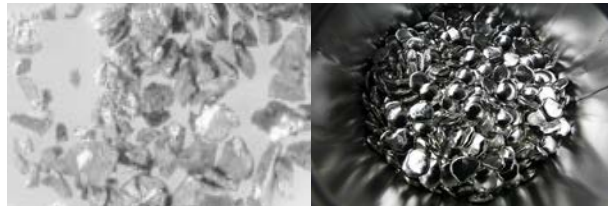
# Divisions – AMG Processing

## AMG Processing – conversion and recycling operations

### Value Proposition

- Aluminum grain refiners and master alloys for high performance materials in aerospace, automotive and infrastructure applications
- Ferrovanadium for high strength, low alloy steels for infrastructure; ferronickel-molybdenum for stainless steel
- Titanium master alloys for high performance, light weight aerospace engine and frame, and coating materials for aerospace turbines
- Chrome metal for stainless steel, electrical resistance wire, and superalloys

### Key Products



### Major Applications



# Divisions – AMG Mining

## AMG Mining – mine based value chains

### Value Proposition

### Key Products

### Major Applications

- Antimony trioxide and master batches for flame retardant on electronics, paints, and plastics



- Tantalum and niobium superalloys for aerospace engines and industrial gas turbines



- Conflict-free tantalum concentrate for tantalum capacitors used on portable electronics



- Natural graphite for building insulation materials, energy storage, li-ion batteries for electrical vehicle, and lubricants



- Silicon metal for aluminum production and solar panel materials





# Divisions – AMG Engineering

## AMG Engineering – vacuum systems and services

### Value Proposition

- Vacuum melting and re-melting furnaces for high-performance titanium, steel and alloys, and purification of rare metals and alloys
- Vacuum heat treatment furnaces and services for high-performance materials of aerospace and automotive applications
- Vacuum coating furnace for aerospace turbine blade coatings
- Vacuum sintering and annealing furnaces for nuclear fuel productions

### Key Products



### Major Applications

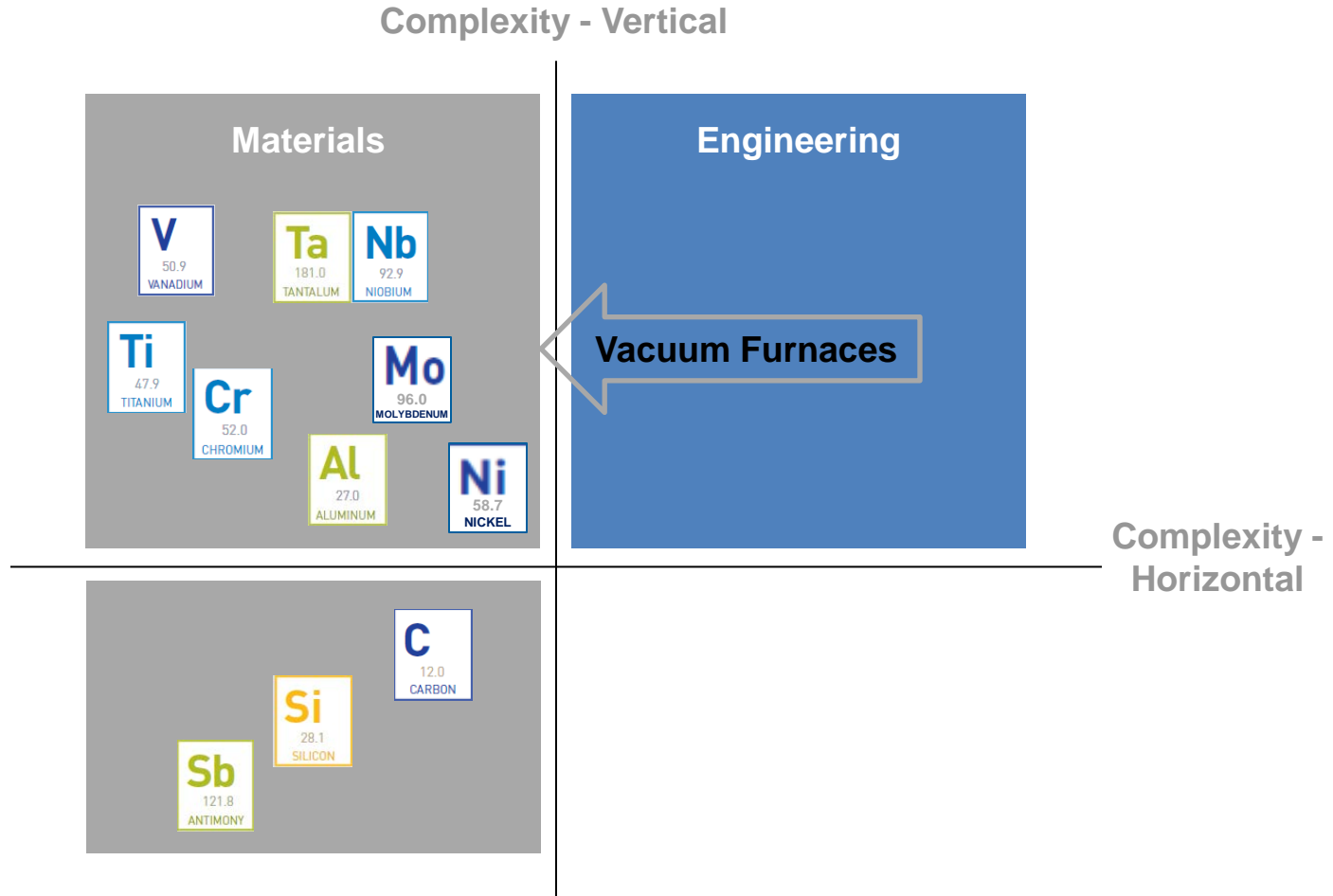


# Core Competences

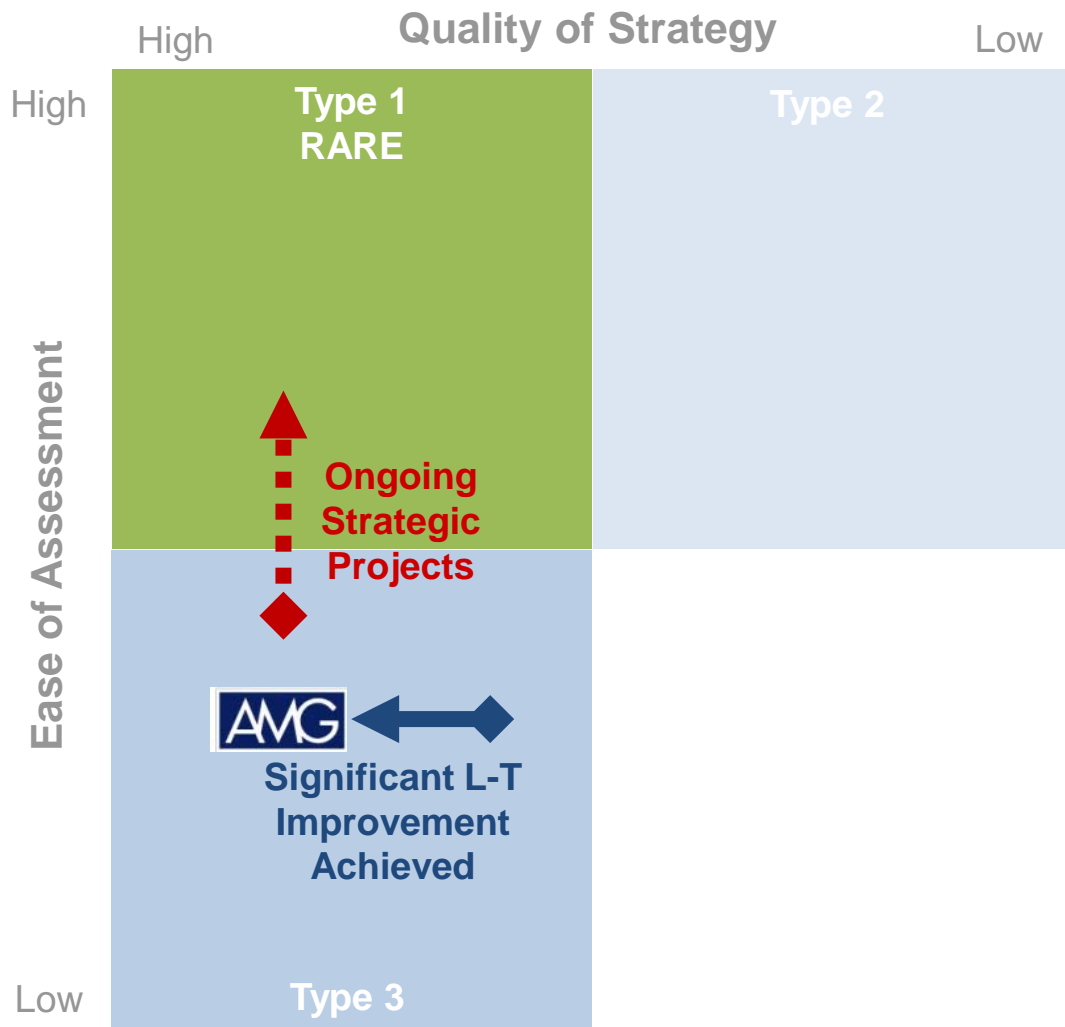
Input	Upgrading	Output
Cr oxide, Al powder	Pyrometallurgy(smelting)	Cr Metal
V-contained spent catalyst& slag	Pyrometallurgy (roasting, smelting)	FeV, FeNiMo, and V chemicals
Ti, V, Nb, Mo, Al	Pyrometallurgy (smelting), Alloying	Ti Master Alloys/Ti Alloys
Al, Mn, Cr, Fe, Ti, B etc.	Pyrometallurgy, Alloying	Al Master Alloys & Grain Refiners
Ta/Nb ore, FeTa Nb	Mining Mineral Processing Hydrometallurgy Pyrometallurgy (smelting, oxidation)	Ta/Nb concentrate
Ta/Nb concentrate		Ta/Nb oxide
Natural graphite ore		Advanced graphite products
Antimony metal		ATO & masterbatches
Quartz, wood chips, coal		Silicon metal
Design elements, Furnace components	Engineering Design Furnace Assembly	High-performance metallurgical furnaces
Engine components	Heat treatment services	Heat-treated parts



# AMG's Strategy - The Complexity Issue



# AMG's Strategy - The Uniqueness Challenge

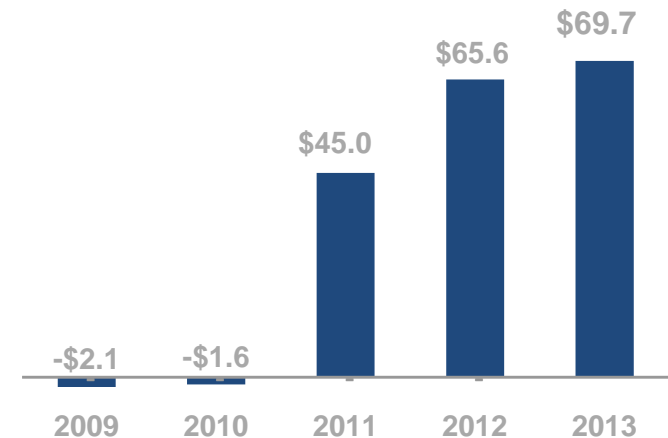


## Measurement of Strategy

- Quality of Strategy
  - Ability to generate cash over the long run
- Ease of Assessment
  - Effort required to estimate future performance

## Cash Flow from Operations

(in USD millions)



# AMG's Strategy

AMG is a leader in mining, processing, and upgrading critical materials for the production of high value added specialty metals and alloys. AMG focuses its strategy on building critical mass in materials where AMG possesses a significant market position and potential for long-term growth exceeding global GDP.

## Process

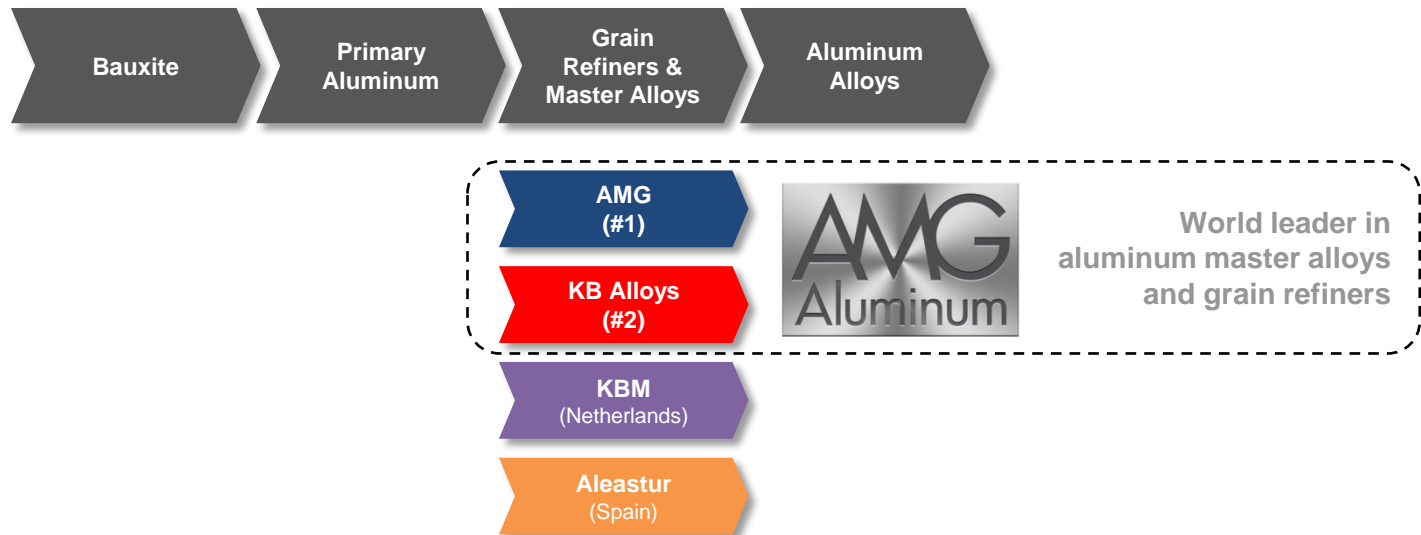
- Strengthen AMG's Balance Sheet
  - Increase operating cash flow
  - Reduce net debt
- Evaluate assets that are non-core to AMG's strategy of building critical mass in high value added critical materials
- Deepen focus on high value added critical materials, and expand through both investment and acquisitions

## Results

- Reduced complexity
- More focused business on highly proprietary materials, in which AMG has critical mass, a significant market position (either 1 of 2 or 3), and potential for long-term growth above global GDP
- Lower net debt to EBITDA leverage
- Increase Shareholder Value

# Strategy - Industry Consolidation Horizontal – Aluminum

- AMG acquired KB Alloys in February 2011
  - AMG was the market leader in Europe and South America
  - KB Alloys was the market leader in North America
    - Combination created the #1 global player



- Increased market share with global footprint giving AMG critical mass in the aluminum industry
- Cost synergies and expansion of best practices and core competencies leading to:
  - SG&A down 12%
  - EBITDA up 130%
  - Working capital down 60%



# Recent Developments – Operations Update

## AMG Processing

- AMG Aluminum
  - Improved product mix and reduced costs, resulting in improved margins
- AMG Superalloys and AMG Titanium Alloys & Coatings
  - Implementing fixed cost reduction programs
- AMG Vanadium
  - Expansion ramp up on schedule, increasing volumes

## AMG Engineering

- Reduced headcount by 16%, moving past the solar market downturn
- Simplifying the reporting structure

## AMG Mining

- AMG Antimony
  - Substantially lowered costs and reduced working capital
  - Drilling and geology campaign continue at mine
- AMG Graphite
  - Optimizing current raw material supply chains

# Recent Developments – Operations Update

AMG is improving operational performance and cash flow

## 2013 Objectives

## Progress Update

### Reduce SG&A

- 2013 SG&A reduced by 3%, or \$3.8M, compared to 2012
- Programs in place to further reduce SG&A expenses in 2014

### Improve Gross Margin

- 2013 Gross Margin 15.3%, down 0.9% compared to 2012
- Significant decline in metal prices impacted margins
- Restructuring activities implemented for underperforming units

### Increase Operating Cash Flow

- 2013 Cash flow from operations \$69.7M, up \$4.1M or 6%, compared to 2012
- Dec. 31, 2013 Working Capital reduced by 32% and Working Capital Days reduced by 20 days, compared to Dec. 31, 2012

### Reduce Net Debt

- Net Debt reduced by \$33.7M, or 17%, compared to Dec. 31, 2012
- Continuing to improve cash management activities in 2014 that will enable a further reduction in gross debt and interest expenses



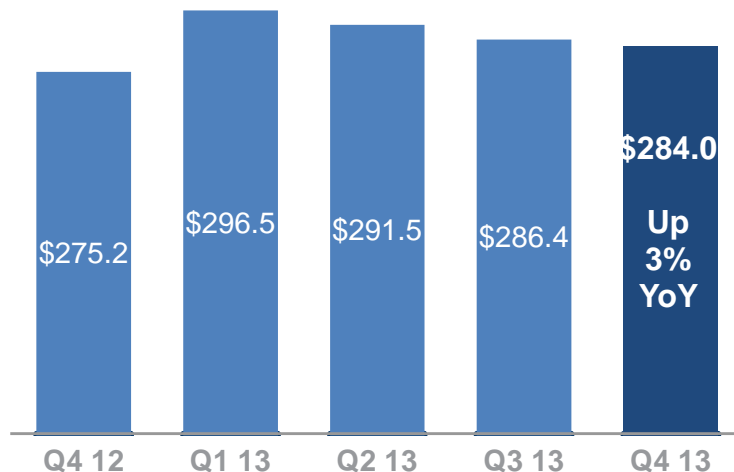
# Financial Highlights

# Financial Highlights

## Revenue

2013: \$1,158.4

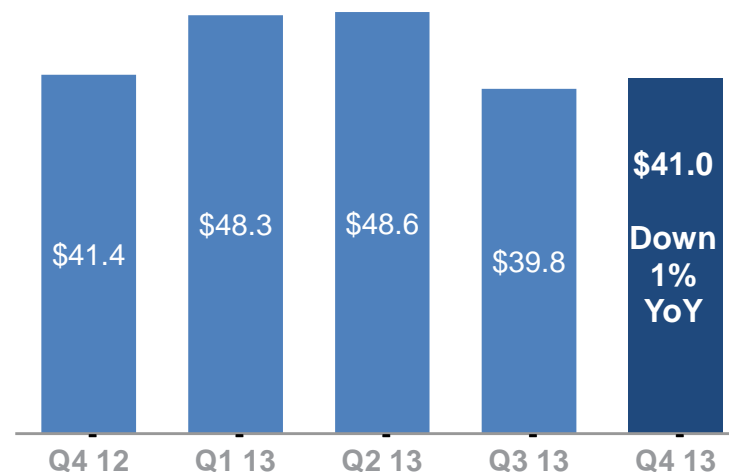
(in USD millions)



## Gross Profit

2013: \$177.7

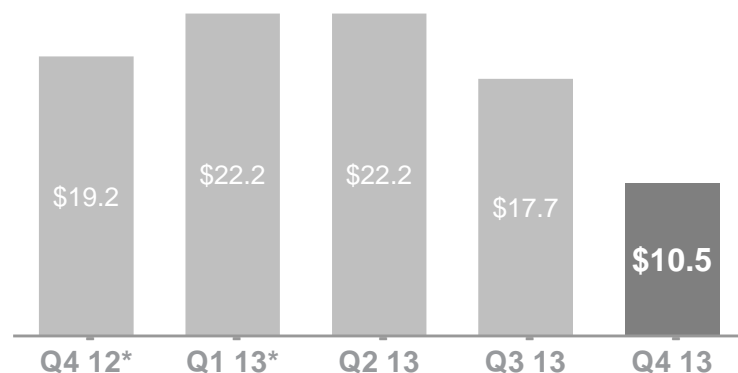
(in USD millions)



## EBITDA

2013: \$72.6

(in USD millions)



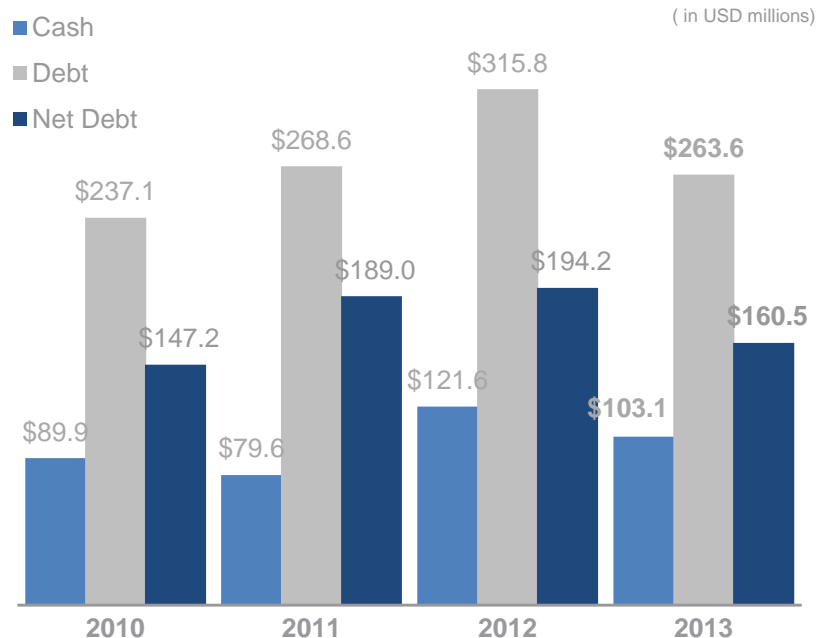
## Adjusted EPS

- Q4 2013 fully diluted EPS: (\$0.12)
  - Consistent with the same period in 2012
- 2013 fully diluted EPS: (\$1.51)



# Capital Base

## Cash and Debt



## Cash Flow from Operations



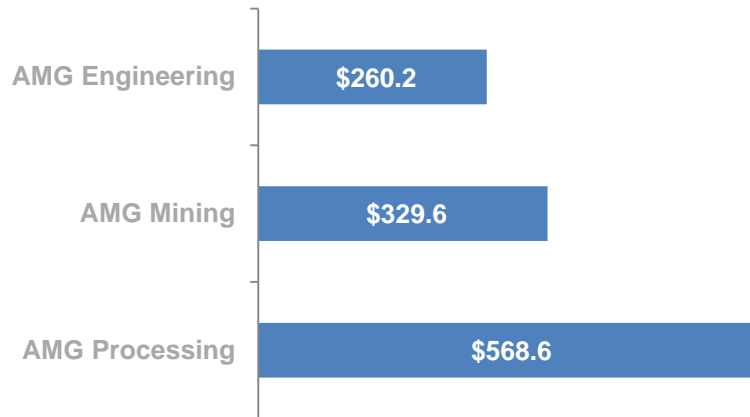
- Net debt: \$160.5M
  - A reduction of \$33.7M in 2013
  - Debt to capitalization: 0.66x
  - Net Debt to LTM EBITDA: 2.21x
- Revolver availability: \$71.7M
- Total liquidity: \$174.8M
- AMG's primary debt facility is a \$370M term loan and revolving credit facility
  - 5 year term – until 2016
  - Currently in compliance with all debt covenants
  - Reduced gross debt by \$52.2M in 2013
- 2013 full year Cash Flows from Operations: \$69.7M, up 6% compared to the same period in 2012

# Financial Highlights

## Revenue

**2013 Revenue: \$1,158.4**

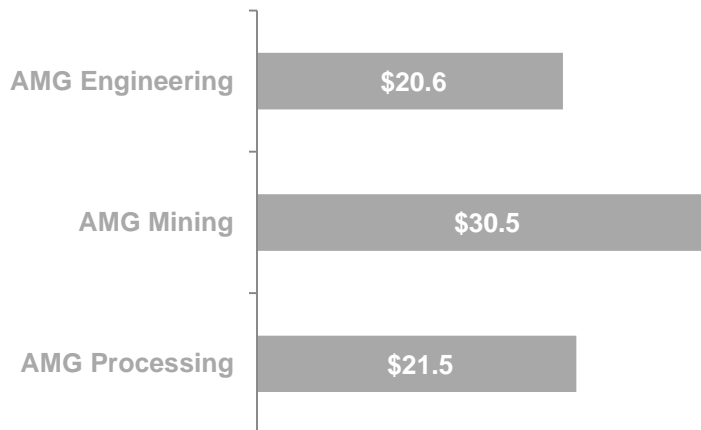
(in USD millions)



## EBITDA

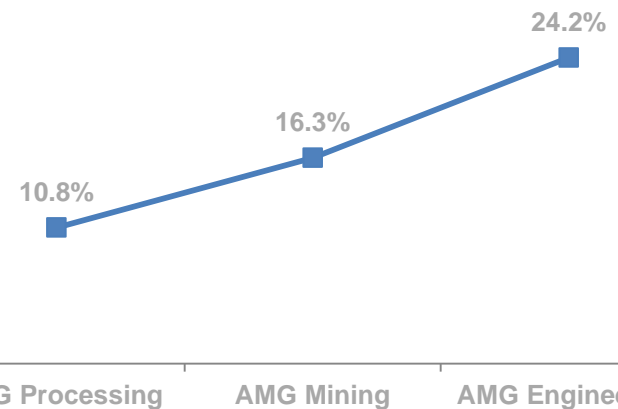
**2013 EBITDA: \$72.6**

(in USD millions)



## Gross Margin

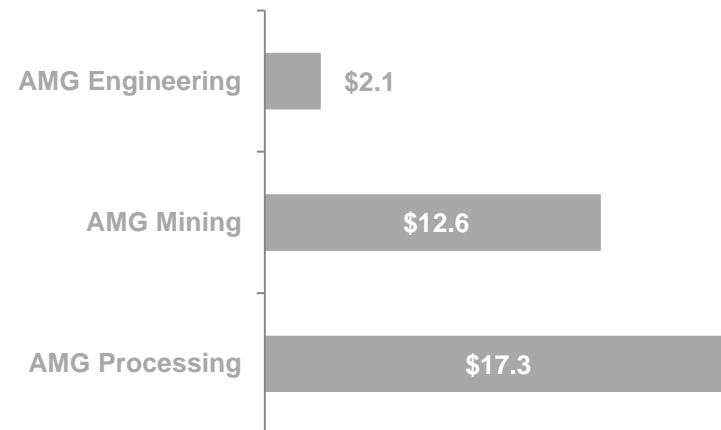
**2013 Gross Margin: 15.3%**



## Capital Expenditure

**2013 CAPEX: \$32.0**

(in USD millions)

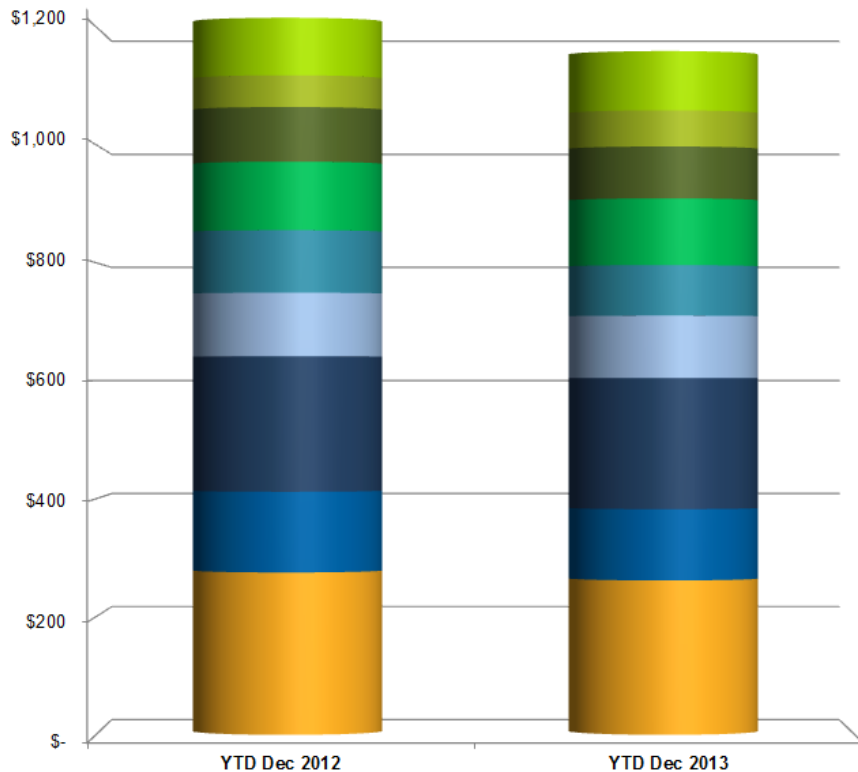


# Key Products

## Revenue

2013: \$1,158.4

( in USD millions)

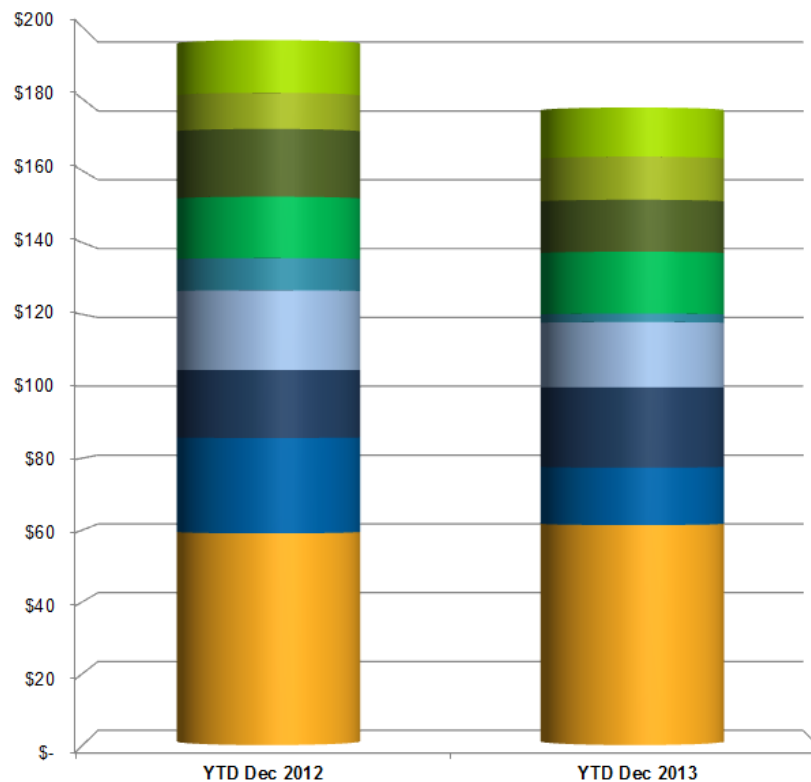


- Vacuum Furnaces
- Al Master Alloys and Powders
- Chromium Metal
- Tantalum & Niobium
- Si Metal
- Ti Master Alloys and Coatings
- FeV & FeNiMo
- Antimony
- Graphite

## Gross Profit

2013: \$177.7

( in USD millions)



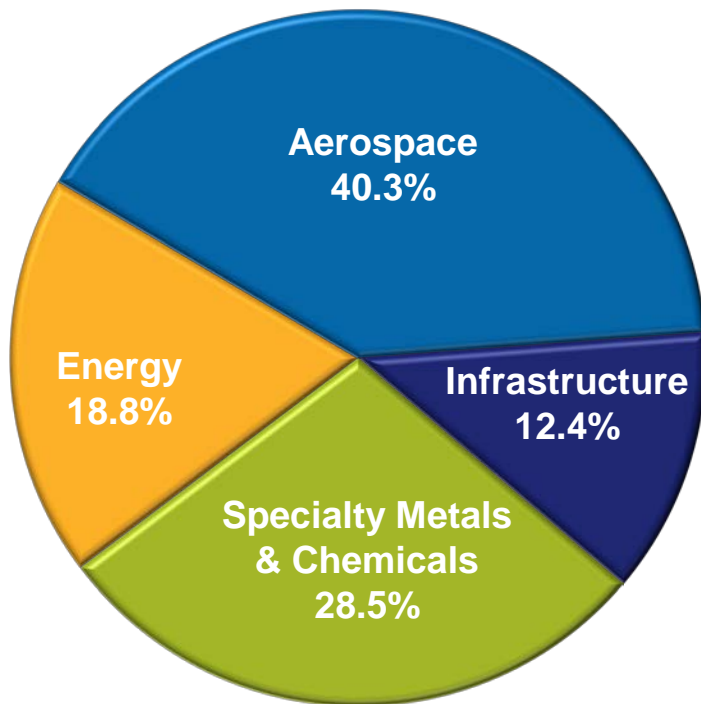
- Vacuum Furnaces
- Al Master Alloys and Powders
- Chromium Metal
- Tantalum & Niobium
- Si Metal
- Ti Master Alloys and Coatings
- FeV & FeNiMo
- Antimony
- Graphite

# End Markets

## Revenue

2013: \$1,158.4

( in USD millions)



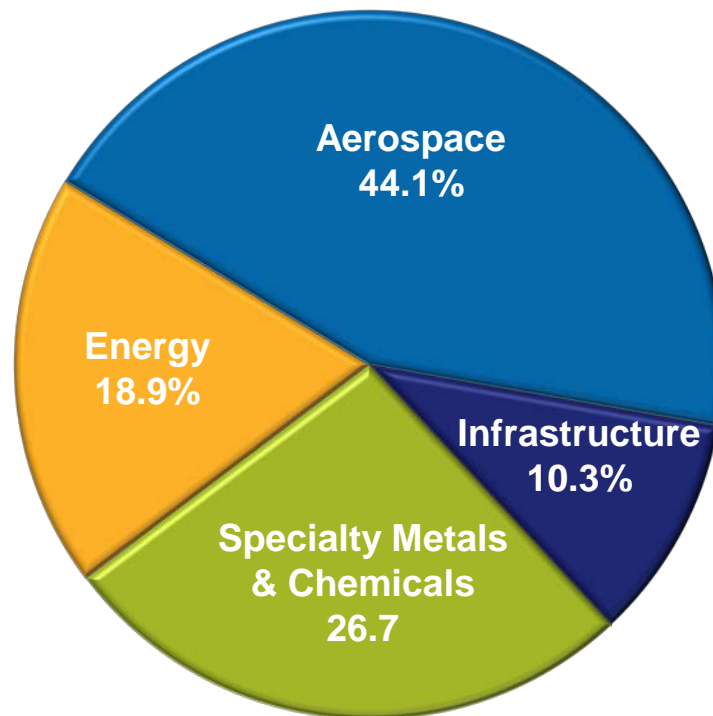
**Aerospace - 8%  
vs. 2012**

**Titanium alloys and  
Chrome revenue  
decreased**

## Gross Profit

2013: \$177.7

( in USD millions)



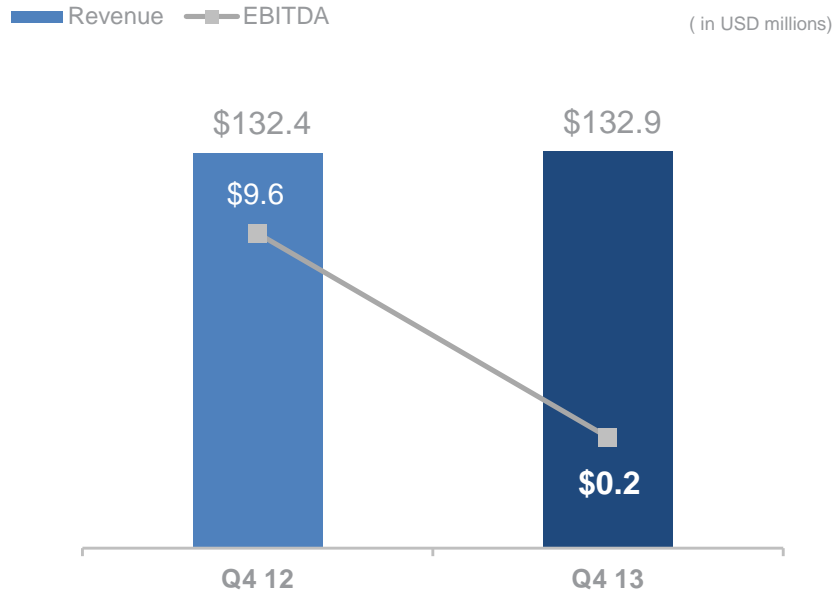
**Aerospace - 6%  
vs. 2012**

**Focusing on higher  
margin products for  
Aerospace**

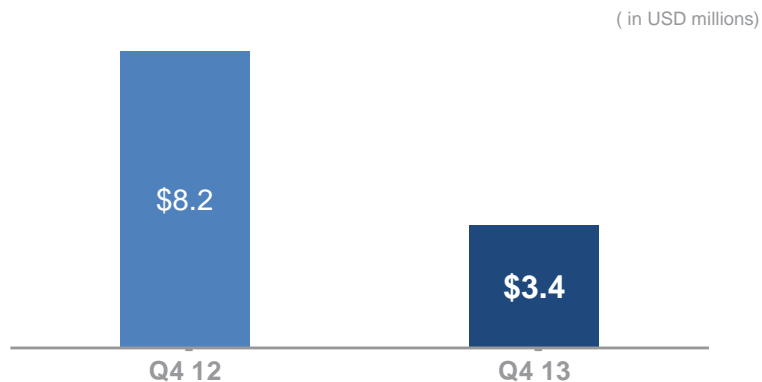


# AMG Processing

## Financial Summary



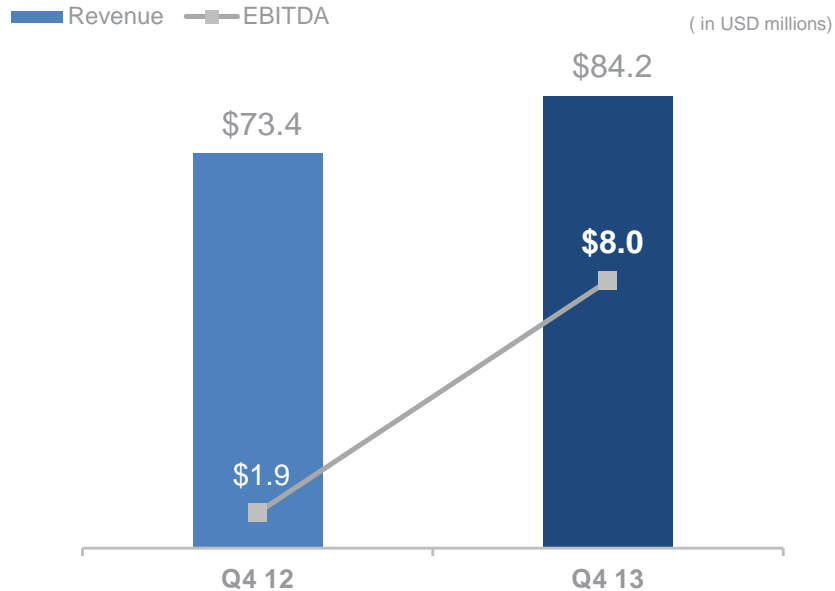
## Capital Expenditure



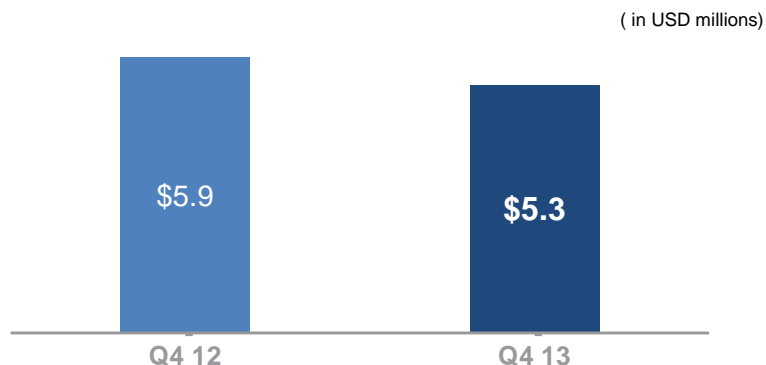
- Q4'13 revenue consistent with Q4'12
  - AMG Superalloys up 11%
  - AMG Vanadium up 10%
  - AMG Ti Alloys & Coatings down 12%
  - AMG Aluminium down 6%
- Q4'13 gross margin 8% of revenue, down from 13% in Q4'12
  - AMG Titanium Alloys & Coatings margins down 84% - unfavorable product mix and lower prices
  - AMG Vanadium margins up 56% - higher productivity & capacity utilization
- Q4'13 EBITDA margin was breakeven, compared to 7% in Q4'12
  - Lower gross profit and higher costs
- Q4'13 CAPEX \$3.4M
  - Down 59% compared to Q4'12

# AMG Mining

## Financial Summary



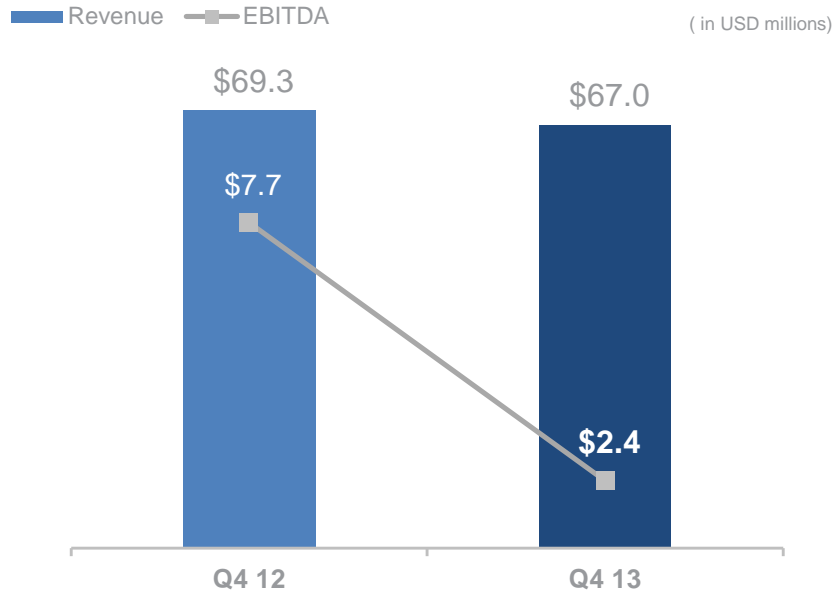
## Capital Expenditure



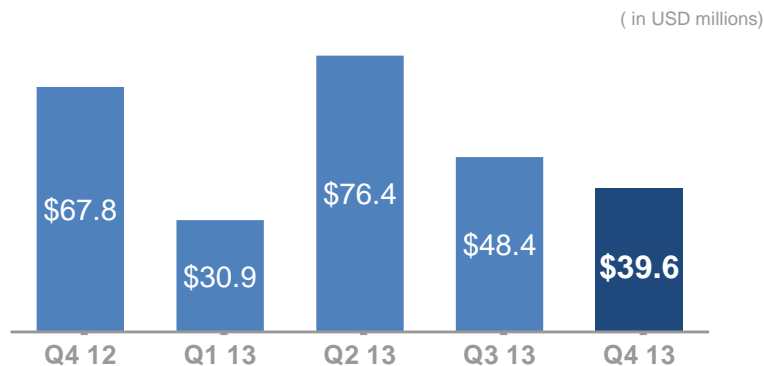
- Q4'13 revenue up 15% from Q4'12
  - Volumes increased for most products
  - Prices were mixed – Tantalum up 21%, Graphite up 4%, and Antimony down 10%
- Q4'13 gross margin 18% of revenue, up from 11% in Q4'12
  - Higher prices and favourable product mix for Tantalum and Graphite
- Q4'13 EBITDA 9% of revenue, up from 3% in Q4'12
  - Primarily due to higher gross profit
- Q4'13 CAPEX \$5.3M
  - \$3.3M for maintenance

# AMG Engineering

## Financial Summary



## Order Intake



- Q4'13 revenue down 3% from Q4'12
  - Turbine blade coating furnaces up 34% due to one significant order
  - Heat treatment furnaces down 27%
- Q4'13 gross margin 23% of revenue, consistent with Q4'12
  - Improved profitability on certain large projects
  - Increased focus on cost control
- Q4'13 EBITDA 4% of revenue, down from 11% of revenue in Q4'12
- Order backlog down 18% to \$109.7M at Dec. 31, 2013, from Sep. 30, 2013
  - Order intake \$39.6M in Q4'13 – delayed investment decisions
  - 0.59x book to bill ratio



# Outlook





# Outlook

## AMG Processing

- Metal prices are stable and in early 2014; declines in prices for materials used by the aerospace market have moderated during Q1'14
- Operational improvement initiatives should enable to AMG Processing to improve its financial performance in 2014

## AMG Mining

- Market prices for graphite and silicon metal have improved while antimony prices have been stable; expected to continue the trend through 2014
- Leverage material technologies to increase higher value added products, improving product mix

## AMG Engineering

- Order Intake has improved in Q1'14; the delays in H2'13 will result in generating majority of revenue in H2'14
- Continuing increase in service revenue to mitigate cyclical of global capital investments

- AMG should produce significant operating cash flow and improve ROCE and EBITDA in 2014
- AMG announces Q1 2014 financial results on May 8, 2014



## Appendix

# Consolidated Balance Sheet

Balance Sheet (\$'000)	Actual	
	31-December-12*	31-December-13
As of	Unaudited	Unaudited
	(restated)	
Fixed assets	288,269	259,683
Goodwill and intangibles	38,722	37,194
Other non-current assets	77,710	65,515
Inventories	211,531	179,343
Receivables	177,232	150,807
Other current assets	33,667	36,607
Cash	121,639	103,067
<b>TOTAL ASSETS</b>	<b>948,770</b>	<b>832,216</b>
<b>TOTAL EQUITY</b>	175,263	134,590
Long-term debt	265,553	223,788
Pension liabilities	137,957	138,009
Other long-term liabilities	78,940	62,350
Current debt	50,291	39,792
Accounts payable	125,342	127,381
Advance payments	26,989	16,341
Accruals	58,934	54,383
Other current liabilities	29,501	35,582
<b>TOTAL LIABILITIES</b>	<b>773,507</b>	<b>697,626</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>948,770</b>	<b>832,216</b>

# Consolidated Income Statement

Income Statement (\$'000)	Actual	
	31-December-12*	31-December-13
For the three months ended	Unaudited	Unaudited
	(restated)	
Revenue	275,176	284,023
Cost of sales	233,624	242,989
Gross profit	41,552	41,034
Selling, general & admin.	33,868	38,502
Asset impairment & restructuring	4,902	7,058
Environmental	(1,228)	(211)
Other income, net	(338)	(26)
Operating profit (loss)	4,348	(4,289)
Net finance costs	8,620	4,637
Share of profit (loss) of associates	1,896	(1,618)
Loss before income taxes	(2,376)	(10,544)
Income tax (benefit) expense	2,045	(6,759)
Loss for the period	(4,421)	(3,785)
Shareholders of the Company	(3,282)	(3,175)
Non-controlling interest	(1,139)	(610)
<b>Adjusted EBITDA</b>	<b>19,238</b>	<b>10,516</b>



# Consolidated Statement of Cash Flows

Cash Flow Statement (\$'000) For the twelve months ended	Actual	
	31-December-12* Unaudited	31-December-13 Unaudited
	(restated)	
EBITDA	83,525	72,601
+/- Change in operating assets/liabilities	9,910	40,200
-Interest paid, net	(18,601)	(18,046)
Restructuring payments	(3,069)	(8,255)
Other operating cash flow	6,443	(4,664)
<b>Cash flows from operations before taxes</b>	<b>78,208</b>	<b>81,836</b>
Income tax paid	(12,571)	(12,129)
<b>Total cash flows from operations</b>	<b>65,637</b>	<b>69,707</b>
Capital expenditures	(48,109)	(32,025)
Other investing activities	(430)	3,163
<b>Cash flows (used in) investing activities</b>	<b>(48,539)</b>	<b>(28,862)</b>
<b>Cash flows from (used in) financing activities</b>	<b>21,661</b>	<b>(62,252)</b>
Net increase (decrease) in cash	38,759	(21,407)
Beginning cash	79,571	121,639
Effects of exchange rates on cash	3,309	2,835
<b>Ending cash</b>	<b>121,639</b>	<b>103,067</b>



AMG