



**Investor Presentation**  
**May 2014**

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# Overview

<b>Listed:</b>	NYSE-Euronext Amsterdam: AMG
<b>Founded:</b>	2006
<b>LTM Q1'14 Revenues:</b>	\$1,136.8M
<b>LTM Q1'14 EBITDA:</b>	\$70.5M
<b>LTM Q1'14 Operating Cashflow:</b>	\$74.7M
<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>	€196M (\$273M)
<b>Enterprise Value:</b>	€312M (\$434M)
<b>EV / EBITDA</b>	6.2x
<b>Shares outstanding:</b>	27.6M
<b>52 week range:</b>	€5.88–€8.35
<b>Recent share price:</b>	€7.15 (May 7, 2014)

# Overview

## 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



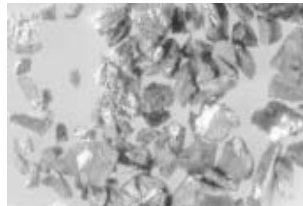
# AMG Processing

## 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



# 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



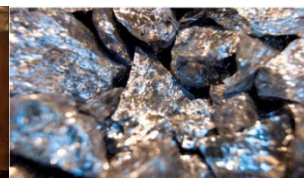
- Conflict-free tantalum concentrate for tantalum capacitors used on portable electronics



- 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





# 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

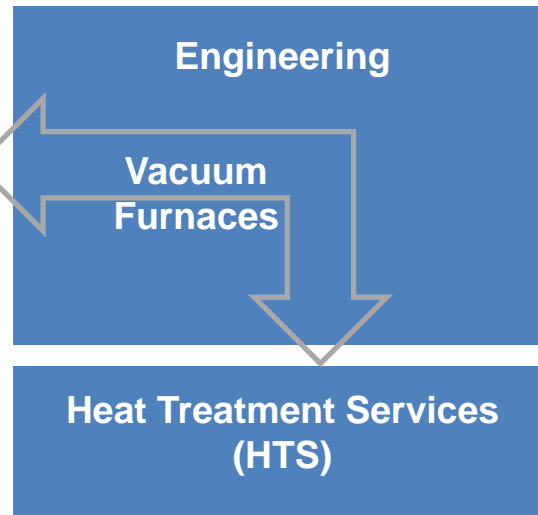
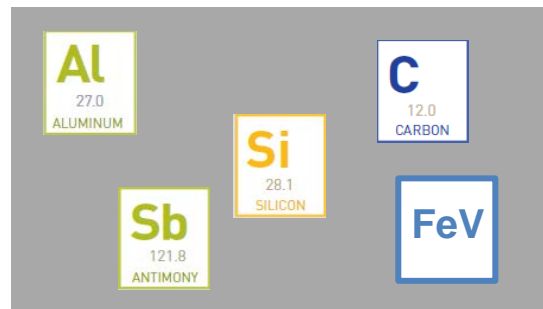
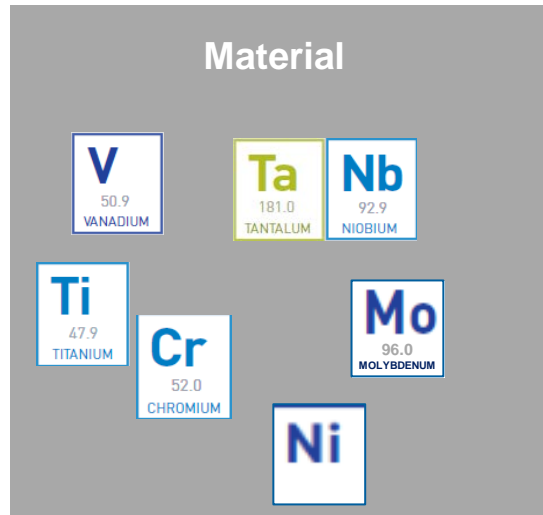
### Key Products



### Major Applications



# Strategy - The Complexity Issue

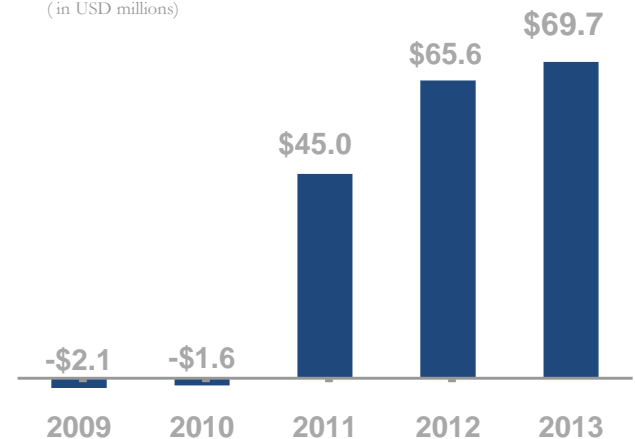


## Measurement of Strategy

- 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)





# Strategy

AMG's is building critical mass in materials where it possesses a significant market position and potential for long-term growth exceeding global GDP.

## Process

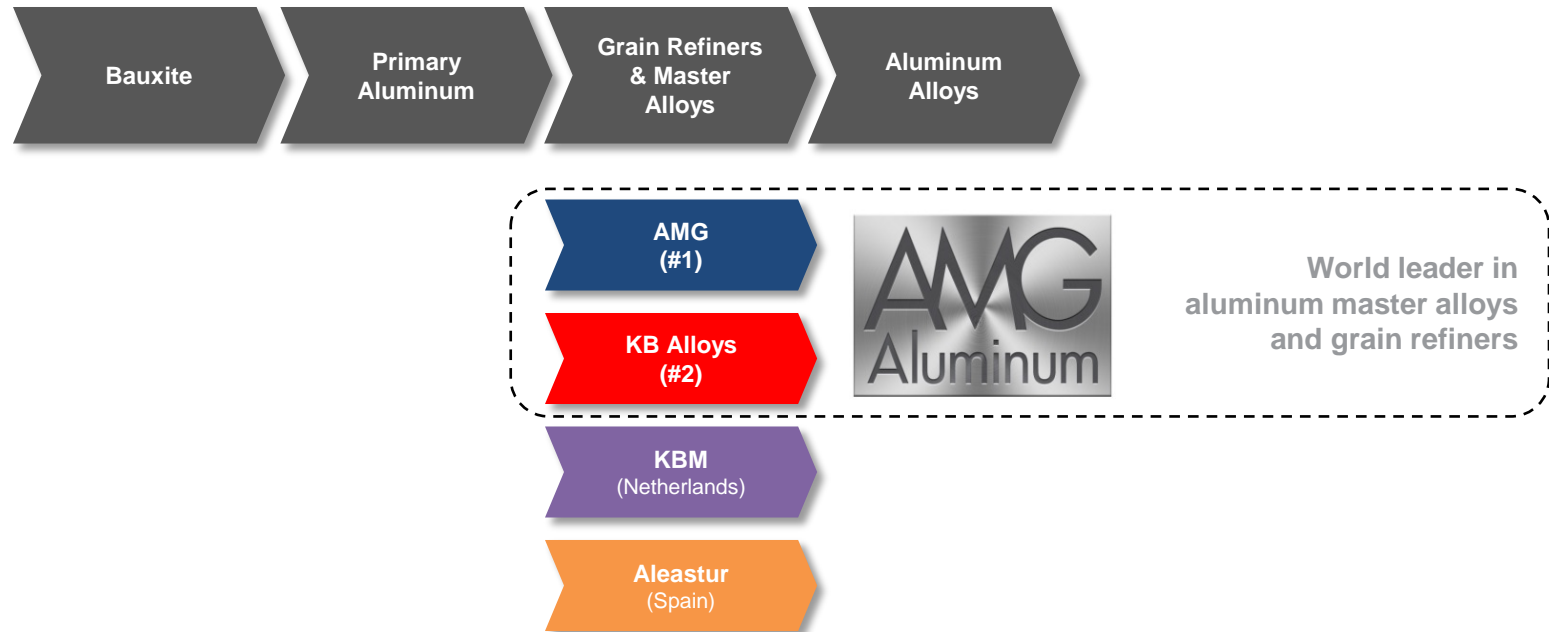
- Strengthen AMG's Balance Sheet
  - Reduce debt
- Evaluate assets that are non-core
- Identify possible transactions
- Deepen focus on high value added critical materials

## Results

- Reduced complexity
- More focused business on critical materials with long-term growth potential above global GDP
- Lower net debt to EBITDA
- Increase Shareholder Value

# Strategy - Industry Consolidation

- AMG acquired KB Alloys in February 2011 for approximately \$23.5 million



- Compared to pre-acquisition:
  - SG&A down 12%
  - EBITDA up 130%
  - Working capital down 60%
- **3 Year payback on investment**

# Operations

- Right-sizing AMG Superalloys and AMG Ti Alloys & Coatings
  - Reducing FTEs approximately 10%
  - Adjusting production levels to current market conditions
- Increasing volumes at AMG Vanadium via the recently completed capacity expansion
- Reducing raw material costs at AMG Antimony through a materials recycling program
- Utilizing new raw material optical sorting process to reduce impurities and correspondingly reduce energy consumption at AMG Silicon
- Consolidating production of graphite dispersions in one production location at AMG Graphite
  - Reducing working capital and improve operational efficiencies

# Operations

**AMG is improving operational performance and cash flow**

Objectives	Progress Update
<b>Reduce SG&amp;A</b>	<ul style="list-style-type: none"><li>▪ Quarter over Quarter (QoQ) SG&amp;A reduced by 3%, or \$1.0M</li><li>▪ Target to reduce SG&amp;A expenses by 3% in FY 2014</li></ul>
<b>Improve Gross Margin</b>	<ul style="list-style-type: none"><li>▪ QoQ Gross Margin 16.9%, up 0.6%</li><li>▪ Restructuring activities implemented for underperforming units</li></ul>
<b>Increase Operating Cash Flow and Improve ROCE</b>	<ul style="list-style-type: none"><li>▪ Q1'14 Cash flow from Operations \$5.7M, up \$5.0M QoQ</li><li>▪ Q1'14 CAPEX reduced 36% QoQ</li><li>▪ Only investing in the highest returning strategic projects and required maintenance expenditures</li></ul>
<b>Reduce Gross and Net Debt</b>	<ul style="list-style-type: none"><li>▪ Gross Debt reduced by \$4.8M, compared to Dec. 31, 2013</li><li>▪ Improving cash management activities to reduce gross debt and interest expenses in 2014</li></ul>



The background of the slide is a photograph of an industrial setting. On the right side, there is a large, tightly wound coil of metal, possibly copper or aluminum, which is the primary focus of the image. To the left, a robotic arm with a bright orange sleeve is visible, though it is out of focus. The background is blurred, showing some industrial equipment and a bright light source. The text "Financial Highlights" is centered over the image in a white, sans-serif font.

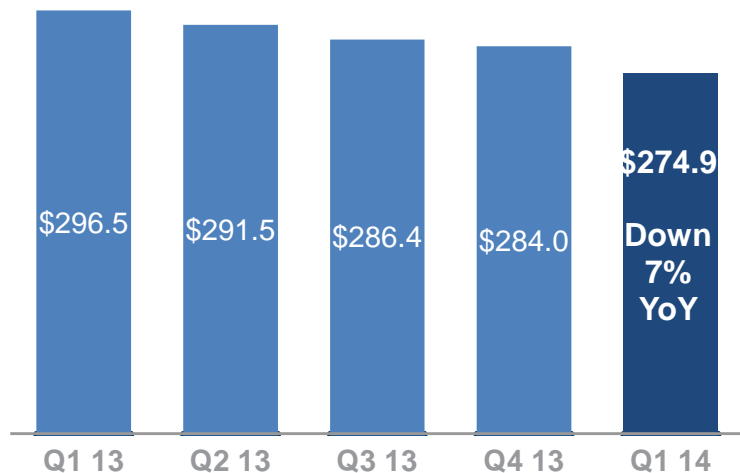
## Financial Highlights

# Financial Highlights

## Revenue

LTM Q1 2014: \$1,136.8

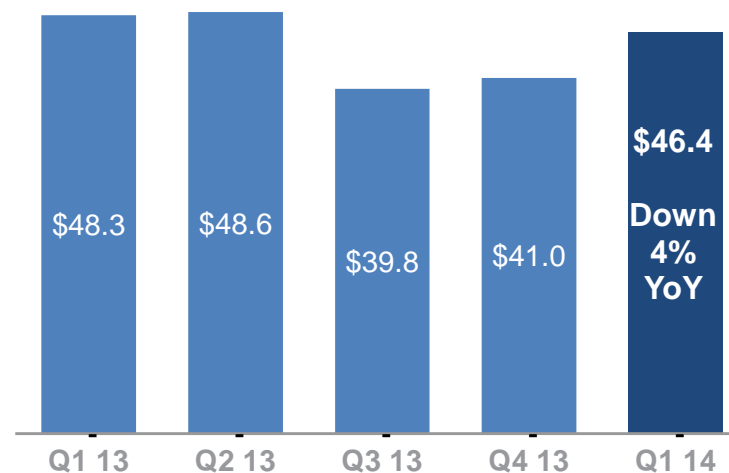
(in USD millions)



## Gross Profit

LTM Q1 2014: \$175.8

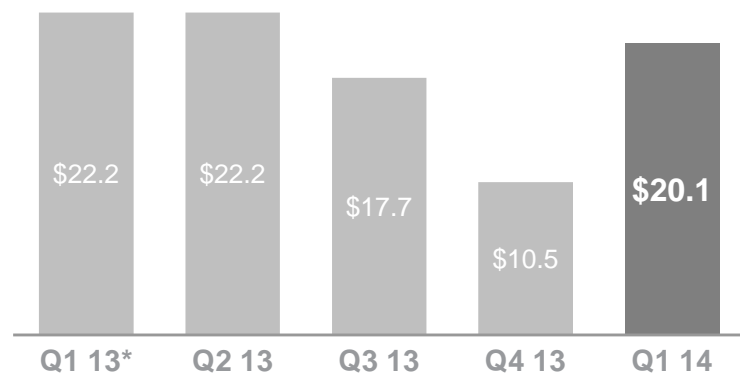
(in USD millions)



## EBITDA

LTM Q1 2014: \$70.5

(in USD millions)



## Adjusted EPS

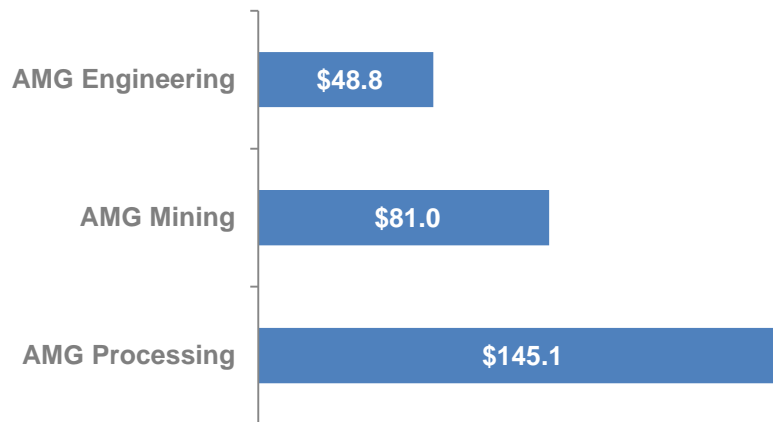
- Q1 2014 fully diluted EPS: \$0.14
- A 56% increase QoQ

# Financial Highlights

## Revenue

Q1 2014 YTD Revenue: \$274.9

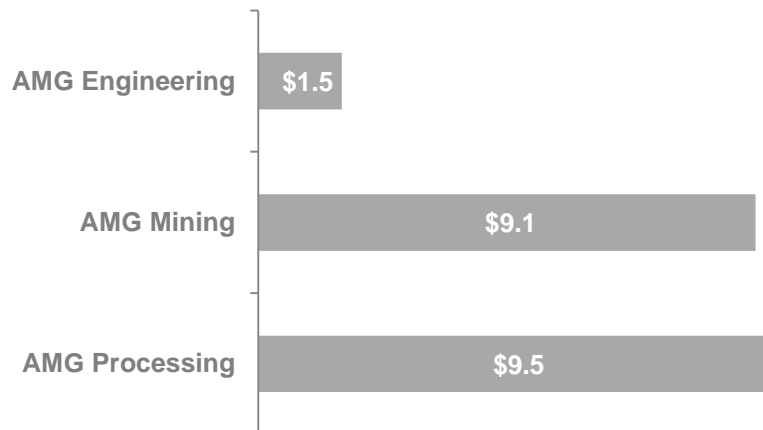
(in USD millions)



## EBITDA

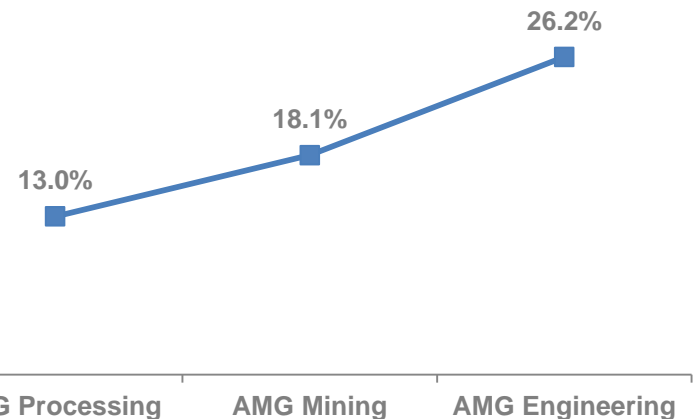
Q1 2014 YTD EBITDA: \$20.1

(in USD millions)



## Gross Margin

Q1 2014 YTD Gross Margin: 16.9%



## Capital Expenditure

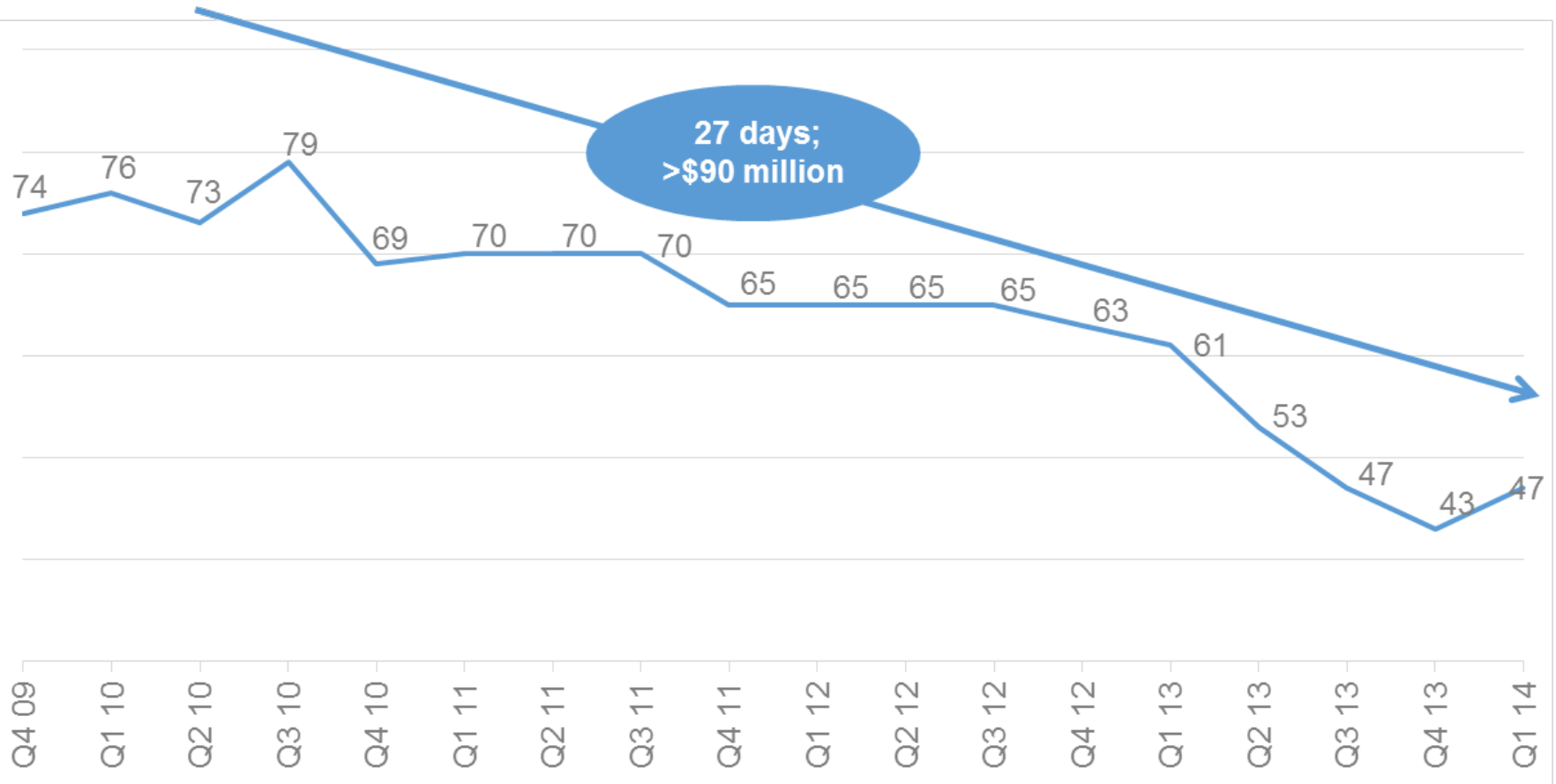
Q1 2014 YTD CAPEX: \$5.9

(in USD millions)



# Financial Highlights

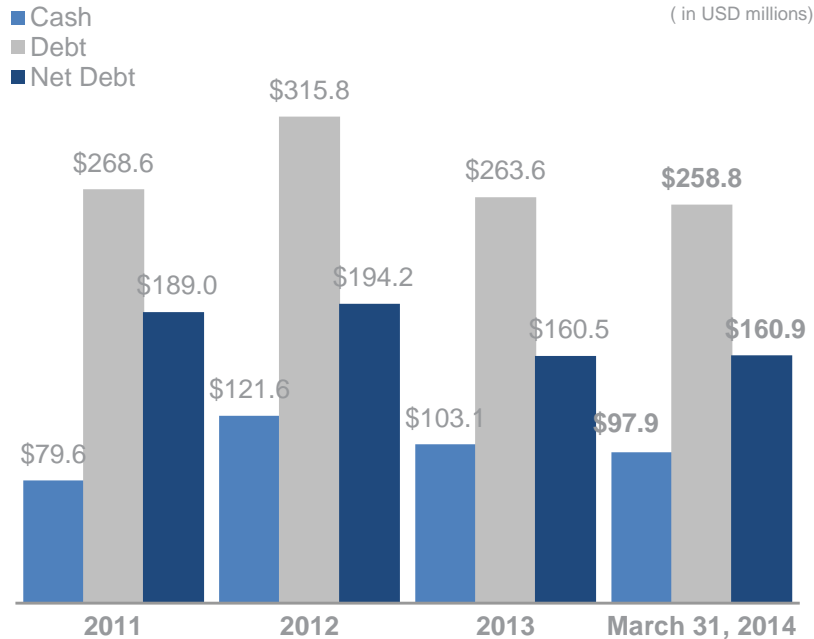
Reduced working capital days by over 40% since 2009



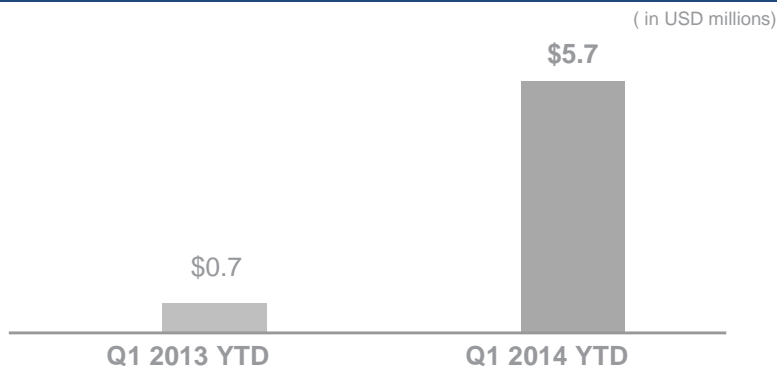


# Capital Base

## Cash and Debt



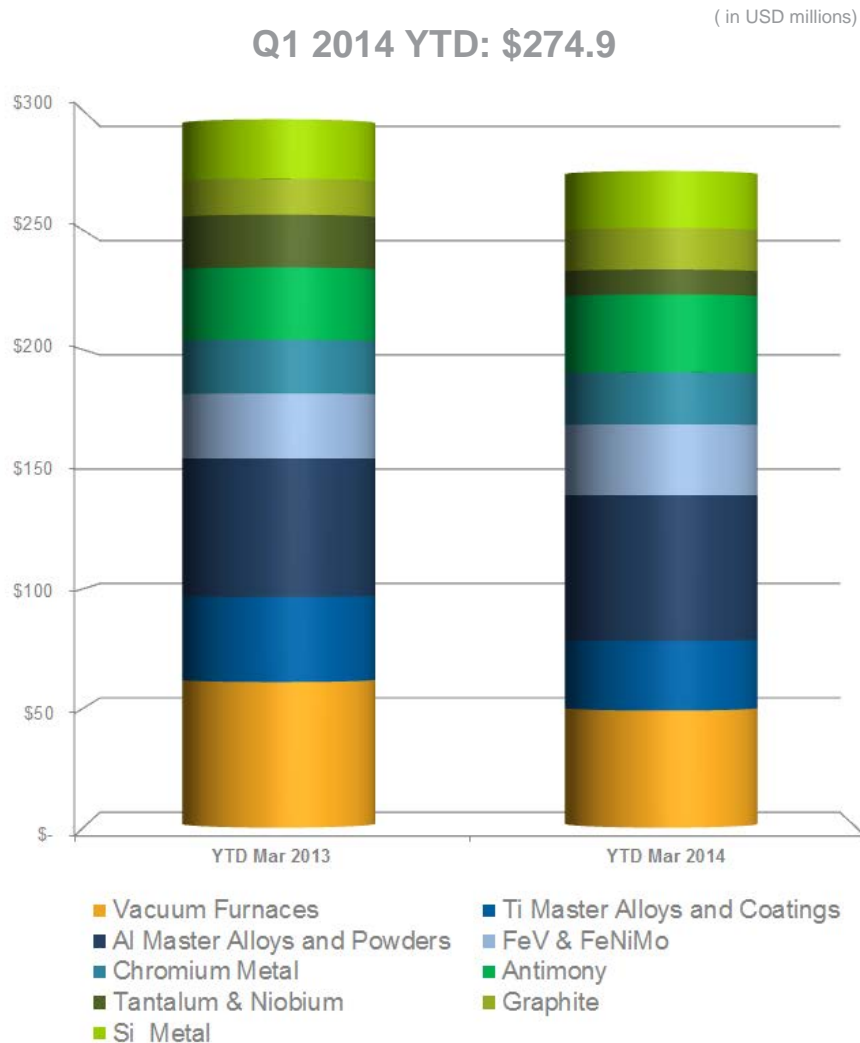
## Cash Flow from Operations



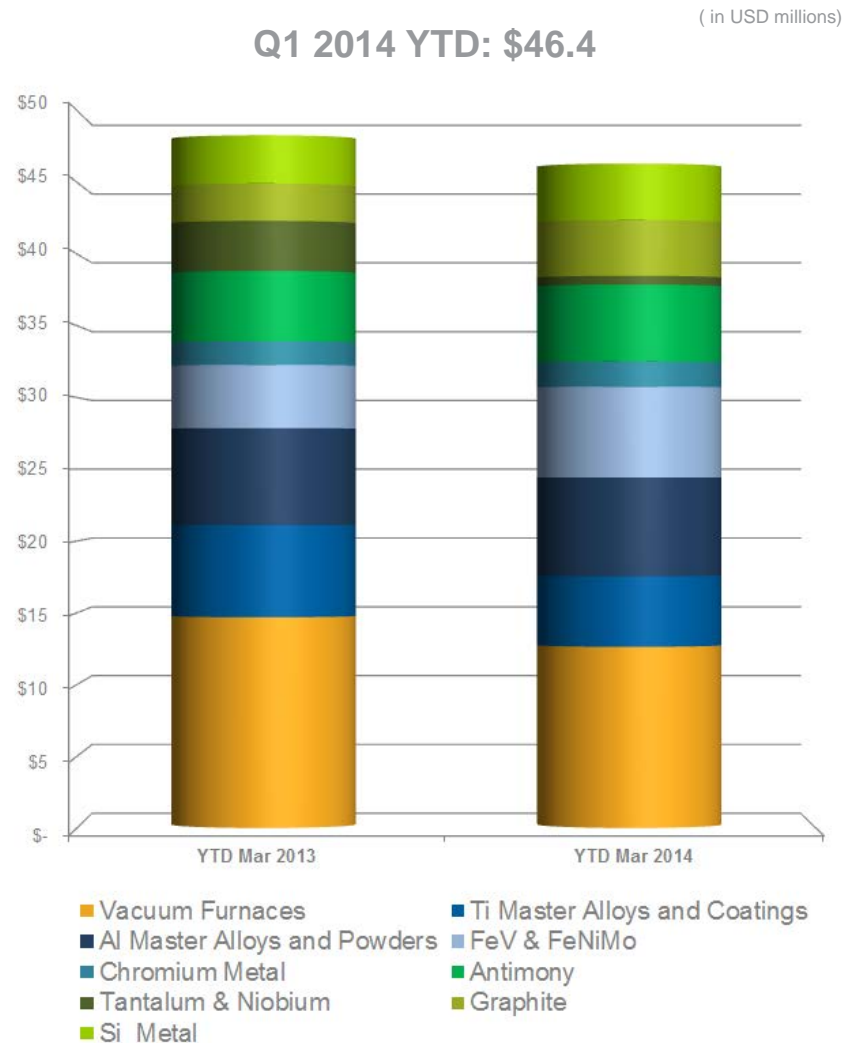
- Net debt: \$160.9M
- A further \$4.8M reduction on gross debt in Q1 2014, after a \$52.2M reduction in 2013
- Continuing effort to right size balance sheet and reduce finance expense
- Debt to capitalization: 0.65x
- Net Debt to LTM EBITDA: 2.28x
- Revolver availability: \$75.0M
- Total liquidity: \$172.9M
- 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
- Q1 2014 Cash Flows from Operations: \$5.7M, up \$5.0M, or 751%, QoQ

# Key Products

## Revenue



## Gross Profit

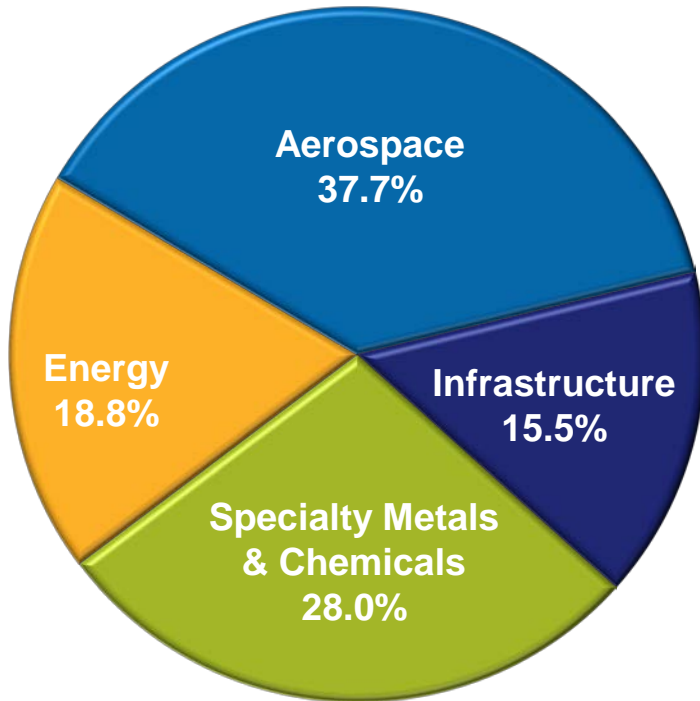


# End Markets

## Revenue

Q1 2014 YTD: \$274.9

( in USD millions)



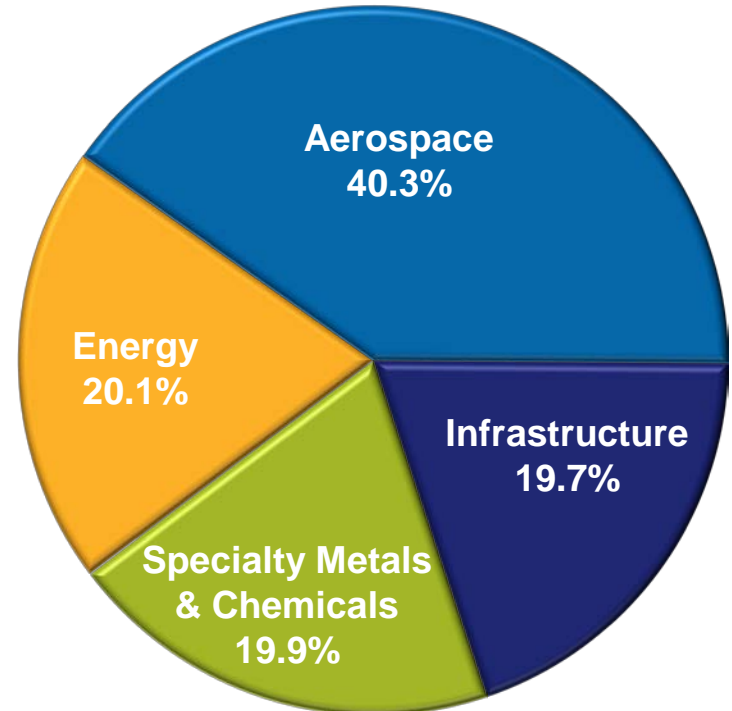
**Infrastructure + 18%  
vs. Q1'13**

**Improved volumes from the  
FeV capacity expansion**

## Gross Profit

Q1 2014 YTD: \$46.4

( in USD millions)

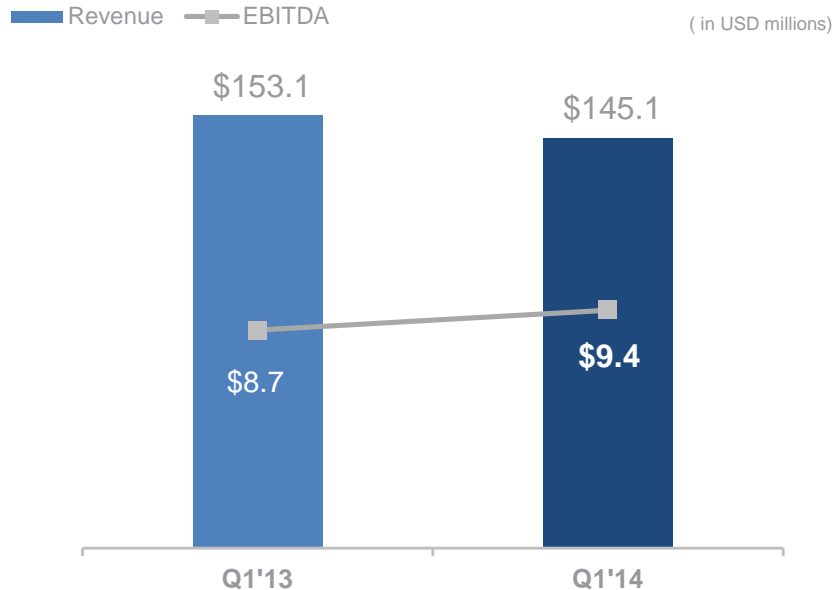


**Infrastructure + 123%  
vs. Q1'13**

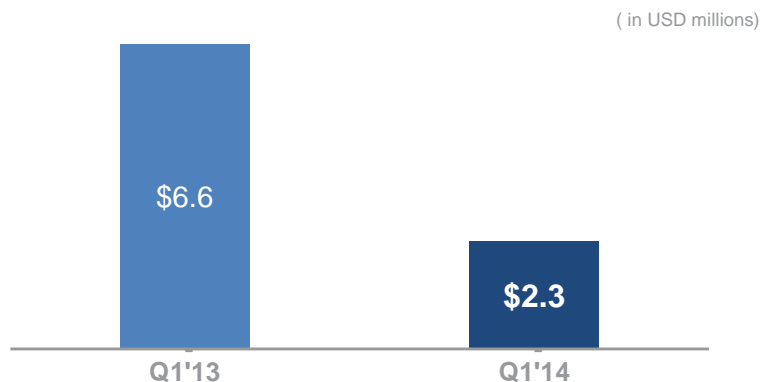
**Improved FeV prices and  
volumes**

# AMG Processing

## Financial Summary



## Capital Expenditure

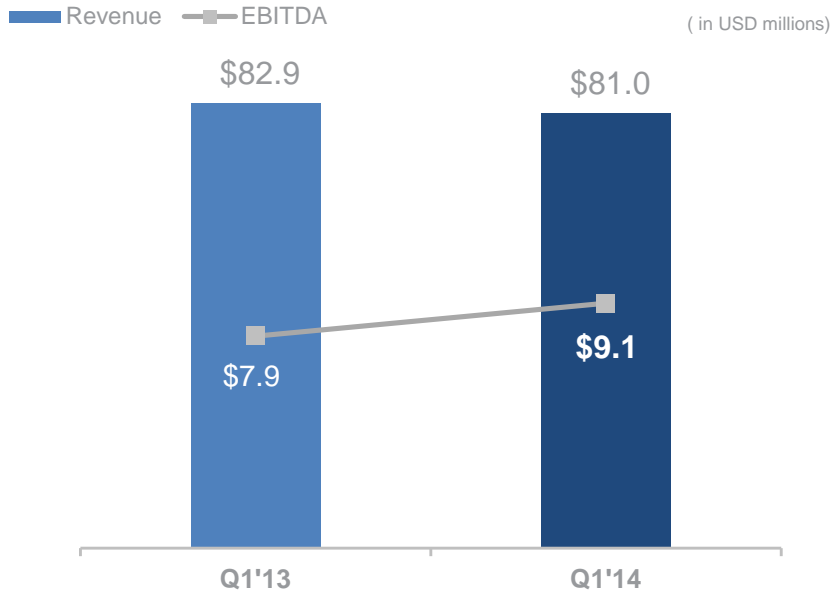


- Q1'14 revenue down 5% versus Q1'13
  - AMG Vanadium revenue up 12%
    - Improved volumes from the capacity expansion completed
  - AMG Titanium Alloys & Coatings revenue down 24%
    - Lower prices and volumes
- Q1'14 gross margin 13% of revenue, consistent with Q1'13
  - AMG Vanadium gross margin increased 200% compared to Q1'13
  - AMG Superalloys gross margin down 34% due to lower market prices
- Q1'14 EBITDA margin 6% of revenue, consistent with Q1'13
  - SG&A reduced by \$1.7M
- Q1'14 CAPEX \$2.3M, reduced by 65%
  - \$1.9M for maintenance

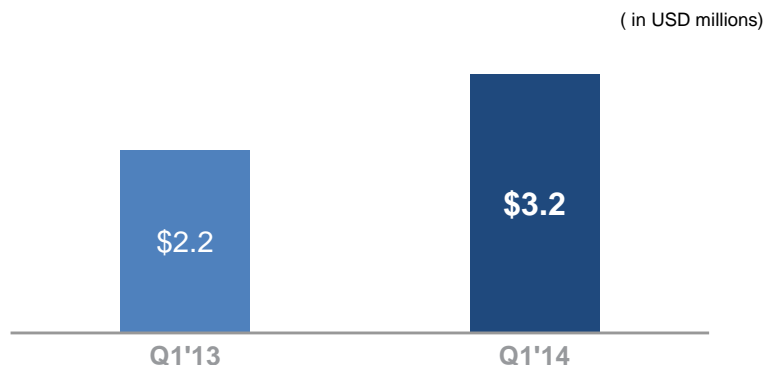


# AMG Mining

## Financial Summary



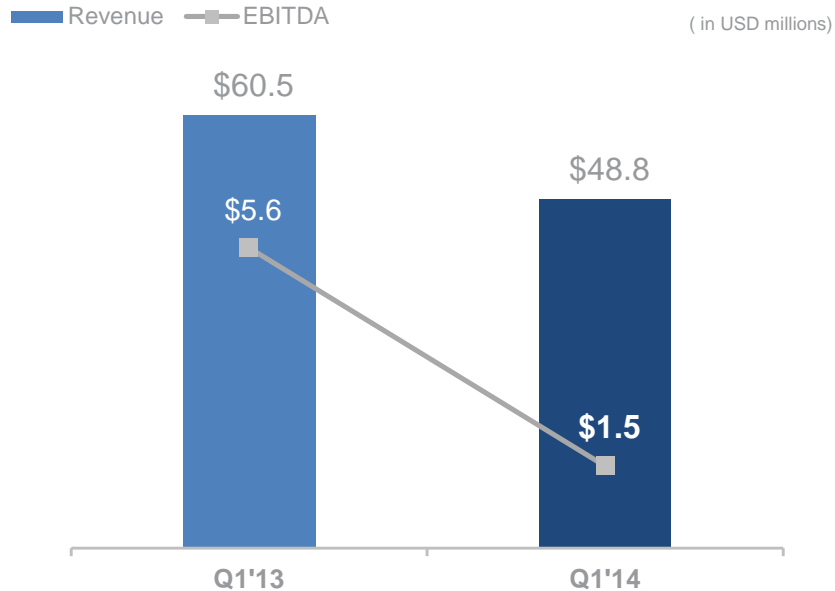
## Capital Expenditure



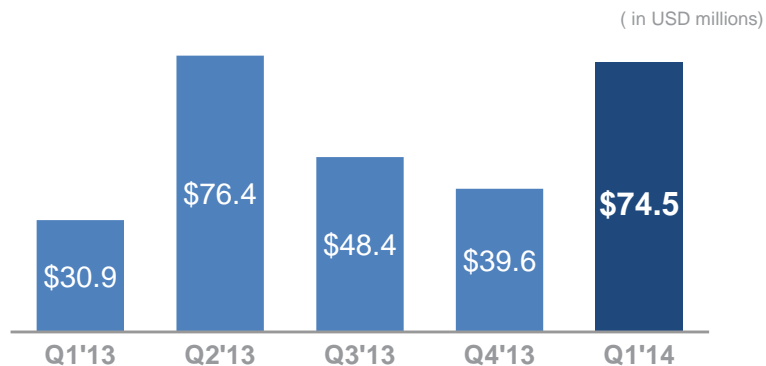
- Q1'14 revenue down 2% versus Q1'13
- Volumes: Antimony and Graphite up while Tantalum and Silicon Metal down
- Prices: Graphite and Silicon Metal consistent while Antimony down 10%
- Q1'14 gross margin 18% of revenue, up from 16% in Q1'13
- Increase in Antimony and Graphite volumes and improved product mix
- Q1'14 EBITDA 11% of revenue, up from 10% in Q1'13
- Gross profit increased by \$1.7M and SG&A decreased by \$0.5M
- Q1'14 CAPEX \$3.2M
  - \$2.0M for silicon metal furnace efficiency upgrade
  - \$0.5M for maintenance

# AMG Engineering

## Financial Summary



## Order Intake

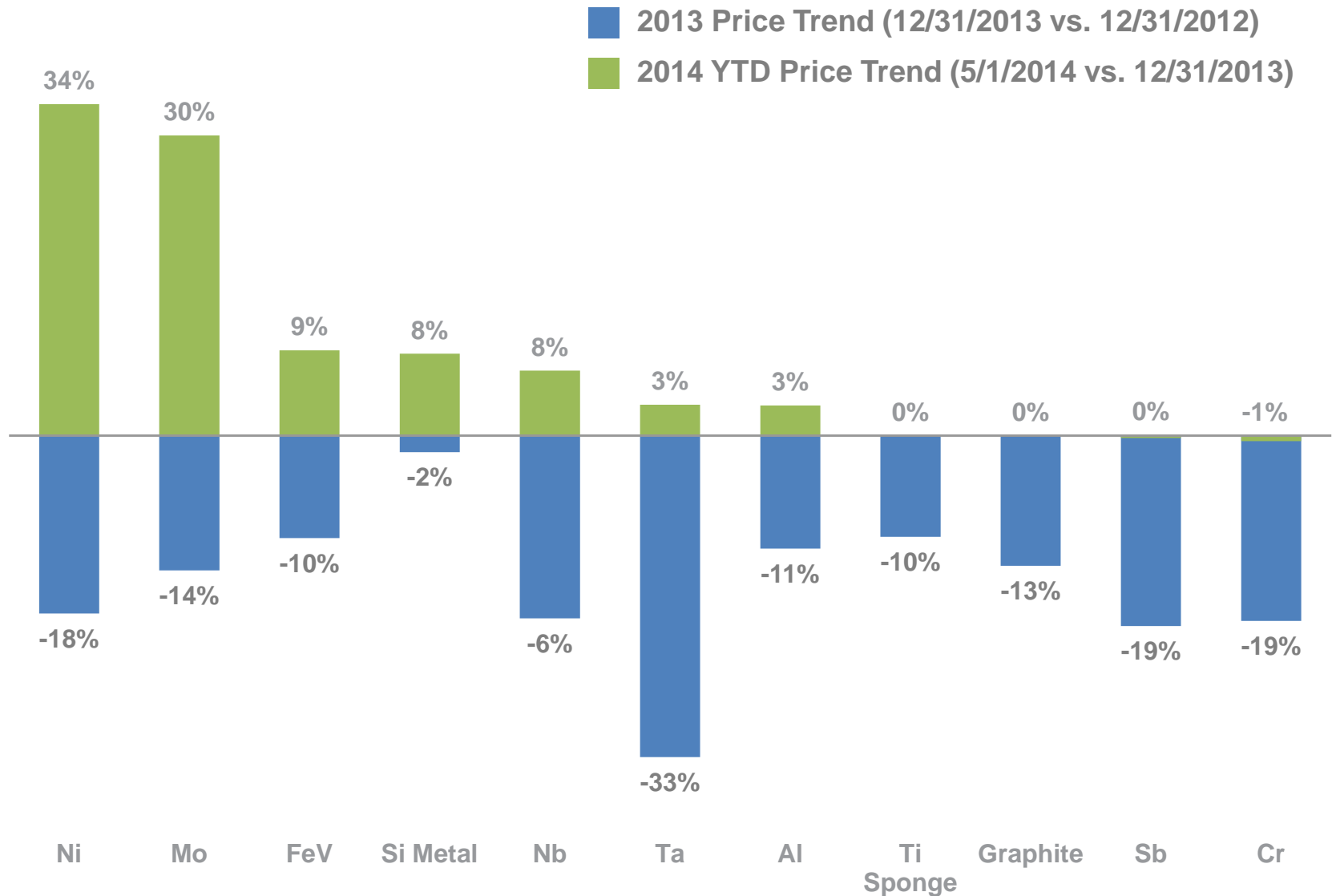


- Q1'14 revenue down 19% QoQ
  - Impacted by the low level of order backlog at the beginning of Q1'14
  - Heat treatment furnaces up 38%
  - Casting & sintering furnaces down 62%
  - Remelting furnaces down 54%
- Q1'14 gross margin 26% of revenue, consistent with Q1'13
  - Favourable impact from the 2013 cost reduction and increases in higher margin service revenues
  - Increased pricing pressure
- Q1'14 EBITDA 3% of revenue, down from 9% in Q1'13
- Q1'14 order intake up 141% versus Q1'13
  - Order backlog increased to \$135.8M
  - 1.53x book to bill ratio

# Outlook



# Metals Market – 2013 & 2014 YTD Prices





# Outlook

## AMG Processing

- Metal prices are discontinuing their down trend
- Inventory minimized to manage price risk
- Increased capacity, improved prices, and higher demand driving AMG V
- Aerospace market destocking continues

## AMG Mining

- Si, G and Sb are performing well
- Ta & Nb market continues to be depressed
- Making additional operational improvements to reduce costs

## AMG Engineering

- Q2 order intake expected to be the same order of magnitude as Q1, but visibility is limited
- Majority of revenue and earnings in the H2 '14 due to low order backlog in early 2014
- Reducing costs and increasing recurring service revenues

- AMG should produce significant operating cash flow in 2014, and ROCE and EBITDA should improve over 2013 levels
- AMG announces Q2 2014 financial results on August 6, 2014



## Appendix

# Consolidated Balance Sheet

Balance Sheet (\$'000) As of	Actual	
	31-December-13	31-March-14 Unaudited
Fixed assets	259,683	254,683
Goodwill and intangibles	37,194	36,519
Other non-current assets	65,515	66,955
Inventories	179,343	178,111
Receivables	150,807	171,728
Other current assets	36,607	33,259
Cash	103,067	97,866
<b>TOTAL ASSETS</b>	<b>832,216</b>	<b>839,121</b>
<b>TOTAL EQUITY</b>	134,590	139,422
Long-term debt	223,788	223,528
Pension liabilities	138,009	138,124
Other long-term liabilities	62,350	62,548
Current debt	39,792	35,241
Accounts payable	127,381	130,547
Advance payments	16,341	19,526
Accruals	54,383	60,225
Other current liabilities	35,582	29,960
<b>TOTAL LIABILITIES</b>	697,626	699,699
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>832,216</b>	<b>839,121</b>

# Consolidated Income Statement

Income Statement (\$'000)	Actual	
	31-March-13 Unaudited	31-March-14 Unaudited
<b>For the three months ended</b>		
Revenue	296,478	274,852
Cost of sales	248,220	228,500
Gross profit	48,258	46,352
Selling, general & admin.	36,017	35,036
Asset impairment & restructuring	1,336	758
Environmental	33	-
Other income, net	(168)	(253)
Operating profit (loss)	11,040	10,811
Net finance costs	4,655	4,287
Share of profit (loss) of associates	(712)	105
Profit before income taxes	5,673	6,629
Income tax (benefit) expense	3,712	3,274
Profit for the period	1,961	3,355
Shareholders of the Company	2,460	3,919
Non-controlling interest	(499)	(564)
<b>Adjusted EBITDA</b>	<b>22,200</b>	<b>20,068</b>



# Consolidated Statement of Cash Flows

Cash Flow Statement (\$'000)	Actual	
	31-March-13 Unaudited	31-March-14 Unaudited
For the three months ended		
EBITDA	22,200	20,068
+/- Change in working capital and deferred revenue	(9,242)	(7,198)
-Interest paid, net	(2,192)	(888)
Other operating cash flow	(3,745)	(4,982)
<b>Cash flows from operations before taxes</b>	<b>7,021</b>	<b>7,000</b>
Income tax paid	(6,356)	(1,341)
<b>Total cash flows from operations</b>	<b>665</b>	<b>5,659</b>
Capital expenditures	(9,124)	(5,851)
Other investing activities	29	118
<b>Cash flows (used in) investing activities</b>	<b>(9,095)</b>	<b>(5,733)</b>
<b>Cash flows from (used in) financing activities</b>	<b>(4,163)</b>	<b>(5,138)</b>
Net decrease in cash	(12,593)	(5,212)
Beginning cash	121,639	103,067
Effects of exchange rates on cash	(2,349)	11
<b>Ending cash</b>	<b>106,697</b>	<b>97,866</b>



AMG