# ENABLING AGREENER FUTURE



AMG ADVANCED METALLURGICAL GROUP N.V.
INVESTOR PRESENTATION AUGUST 2018





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#### GLOBAL TRENDS

CO<sub>2</sub> emission reduction, population growth, increasing affluence, and energy efficiency

#### DEMAND

Innovative new products that are lighter, stronger, and resistant to higher temperatures

#### SUPPLY

AMG sources, processes, and supplies the critical materials that the market demands

# AMG IS A CRITICAL MATERIALS COMPANY



# STRONG CAPITAL STRUCTURE, POSITIONED FOR GROWTH

# OPTIMIZED CAPITAL STRUCTURE

- \$650 million credit facility provides a stable capital base and ample liquidity for strategic growth
- Deleveraged balance sheet

#### RETURN EXCESS CASH TO SHAREHOLDERS

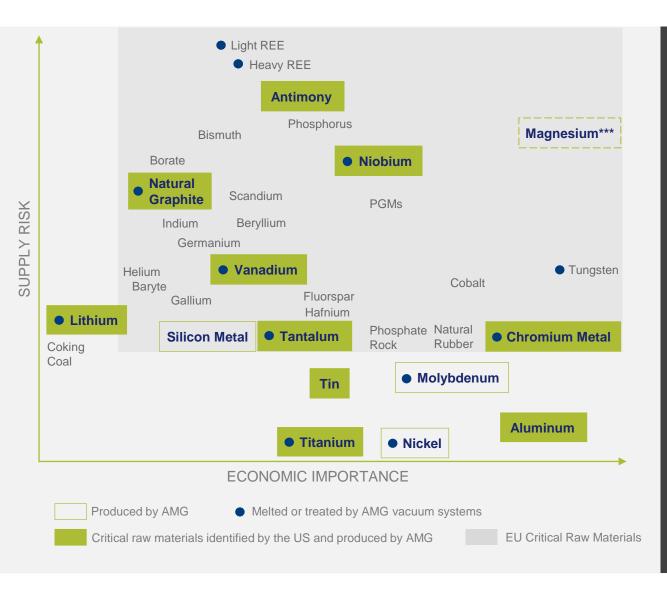
- Initiated first dividend to shareholders in 2015
  - Reflecting AMG commitment to return value to shareholders

Driving long term sustainable growth and shareholder value

# DISCIPLINED ORGANIC GROWTH AND ACQUISITIONS

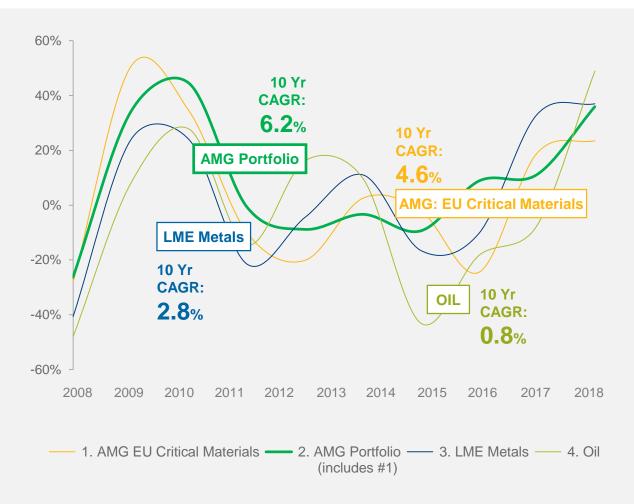
- Rigorous process to review strategic growth opportunities that is both selective and opportunistic
- Organic growth strategy is focused on areas of our portfolio that are marked by strong demand growth or supply limitations
- Financially and operationally capable of quickly assessing opportunities

# CRITICAL RAW MATERIALS: AMG PRESENCE



- The EU identified 27 critical raw materials\* to the European economy in 2017, focusing on two determinants: economic importance and supply risk
- The US identified 35 critical materials\* which are vital to national security and the economy, primarily through assessing supply risk
- AMG has a unique critical materials portfolio comprising:
  - o 7 EU critical raw materials
  - o 10 US critical raw materials

## CRITICAL MATERIALS PRICE TRENDS



Note: Compound annual growth rates are calculated over the period Jun '08 through Jun '18 using the equation ((Ending Value / Beginning Value) ^ (1 / # of years) - 1) where ending value is avg monthly price in Jun '18 and beginning value is avg monthly price in Jun '08; and where AMG EU Critical Materials include Sb, Cr, Graphite & Si; AMG Portfolio includes Sb, Cr, FeV, Li, Nb, Si, Sr, Graphite, Ta, Sn & Ti; and LME Metals include AI, Co, Cu, Pb, Mo, Ni, & Zn. Avg annual growth rates (plotted above) are calculated over the same period using the equation ((Ending Value / Beginning Value) -1) and considering the same metal categorizations where ending value is avg monthly price in Jun of the given year and beginning value is avg monthly price in Jun '08.

The cumulative average 10 year price appreciation of the AMG Portfolio was 3.4 percentage points higher than London Metal Exchange (LME) metals and 5.4 points higher than oil, while AMG EU Critical Materials outperformed LME Metals and oil by 1.8 and 3.8 percentage points, respectively

Critical materials prices typically outperform the LME

# CRITICAL MATERIALS PRICES: HISTORICAL PRICING



Note: Metal Positions are measured on a scale of 0 to 10, with 0 being the minimum price and 10 being the maximum price. They are calculated using the formula [(Dec '05 ending value – min. monthly avg) / (max. monthly avg – min. monthly avg) \*10] where maximum and minimum monthly averages are measured over the period 31 Dec '05 through 30 Jun '18; graphite prices are per Benchmark Minerals, showing five year historical data.

- Metal prices are measured on a scale of 0 to 10, with 0 and 10 representing the minimum and maximum average quarterly prices occurring since the end of 2005
- The positions demonstrate the current price level of each metal with respect to their various historical price points since the end of 2005

AMG's relevant prices have started to move out of the bottom quartiles

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# AMG BUSINESS SEGMENTS



#### AMG CRITICAL MATERIALS

AMG's conversion, mining, and recycling businesses

- Vanadium
- Superalloys
- Titanium Alloys & Coatings
- Aluminum Alloys
- Tantalum & Niobium & Lithium
- Antimony
- Graphite
- Silicon Metal

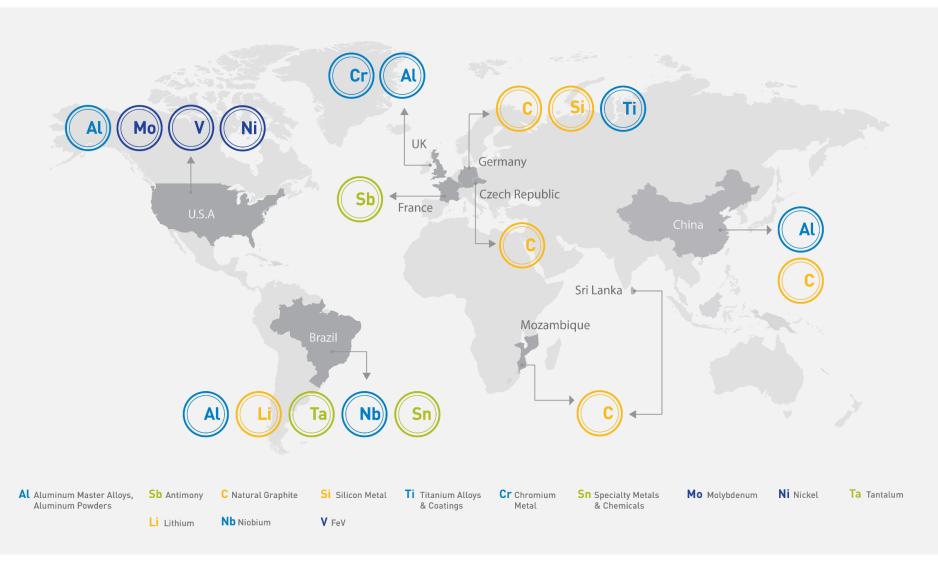


#### AMG ENGINEERING

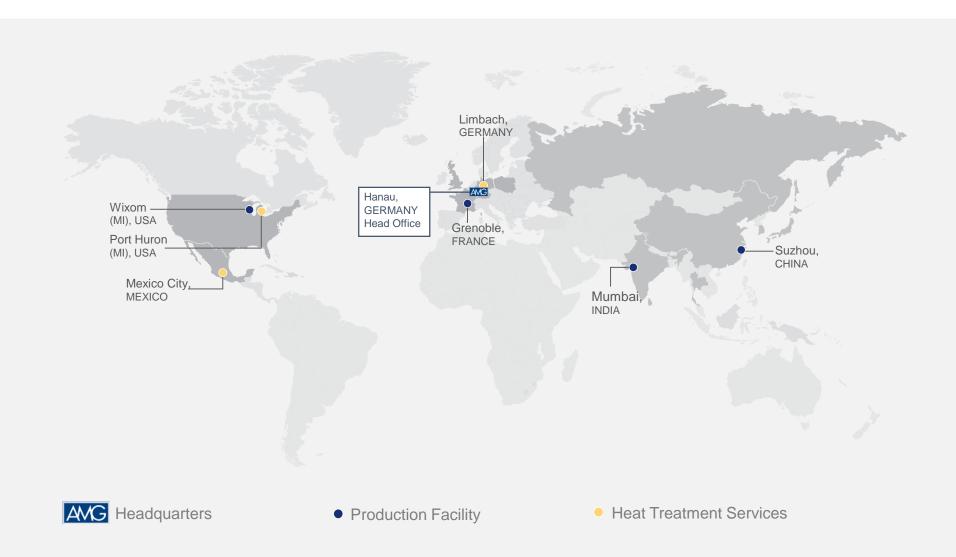
AMG's vacuum systems and services business

- Furnaces
- Heat treatment services

# AMG GLOBAL FOOTPRINT: CRITICAL MATERIALS



# AMG GLOBAL FOOTPRINT: AMG ENGINEERING



# HEALTH AND SAFETY FOCUS

#### SAFETY INDICATORS

At the end of Q2 2018, lost time incident rate and total incident rate were down 4% and 5%, respectively, from Q2 2017.

YEAR	LOST TIME INCIDENTS IN THE LAST 12 MONTHS	12 MONTH AVERAGE LOST TIME INCIDENT RATE	12 MONTH AVERAGE TOTAL INCIDENT RATE
2017	20	0.72	1.30
2018	20	0.69	1.24



Rigorous commitment to safety reflected in continually improving safety records



# Q2 2018 AT A GLANCE

AMOUNTS IN \$M (EXCEPT EARNINGS PER SHARE)	Q2 2018	Q2 2017	% CHANGE
Revenue	\$329.3	\$262.0	26%
Gross Profit	\$79.2	\$54.3	46%
Gross Margin %	24.0%	20.7%	16%
Profit Before Income Taxes	\$36.7	\$20.8	76%
EBITDA	\$50.7	\$31.9	59%
EBITDA Margin %	15.4%	12.2%	26%
Net Debt	\$34.8	\$7.3	377%
Return On Capital Employed (ROCE)	30.6%	23.9%	28%
Net Income Attributable To Shareholders	\$17.3	\$13.1	32%
Diluted Earnings Per Share	0.54	0.42	29%

- Q2 2018 EBITDA up 59% versus Q2 2017 due to improved profitability within AMG Critical Materials
- Annualized ROCE increased to 30.6% in Q2 2018 versus 23.9% in Q2 2017
- Diluted earnings per share for Q2 2018 increased 29% over Q2 2017

Q2 2018 EBITDA up 59% versus Q2 2017

# FINANCIAL HIGHLIGHTS

**REVENUE** (IN MILLIONS OF US DOLLARS)





GROSS PROFIT (IN MILLIONS OF US DOLLARS)





**EBITDA** (IN MILLIONS OF US DOLLARS)





ORDER INTAKE (IN MILLIONS OF US DOLLARS)





## FINANCIAL DATA: ROCE & EBITDA

#### **EBITDA** (IN MILLIONS OF US DOLLARS)



Q2 '18 EBITDA UP 59% VERSUS Q2 '17

#### **Annualized ROCE**



Q2 '18 ROCE IMPROVED TO 30.6% FROM 23.9% IN Q2 '17

- Q2 '18 EBITDA up 59% versus Q2 '17 due to improved profitability within AMG Critical Materials
- Q2 2018 annualized ROCE improved to 30.6% from 23.9% in Q2 2017
- ROCE improvements are the result of efficient use of capital and improved profitability

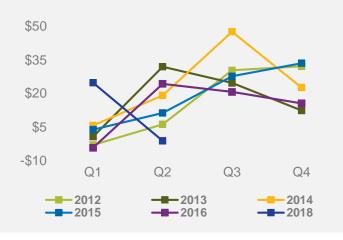
# FINANCIAL DATA: NET DEBT & NET CASH FROM OPERATIONS

#### NET DEBT (CASH) (IN MILLIONS OF US DOLLARS)



\$159M REDUCTION IN NET DEBT SINCE 2012

#### OPERATING CASH FLOW (IN MILLIONS OF US DOLLARS)



USED CASH FROM OPERATING ACTIVITIES OF \$1.2M IN Q2 2018

- Net debt: \$34.8 million
  - \$159.4 million reduction of net debt since December 31, 2012
- AMG's primary debt facility is a \$650 million multicurrency term loan and revolving credit facility
  - \$350 million 7-year senior secured term loan B facility, a \$200 million 5-year senior secured revolving credit facility, and a \$100 million 5year letter of credit facility to support AMG Engineering
  - In compliance with all debt covenants

# DIVISIONAL FINANCIAL HIGHLIGHTS - Q2 2018 VS.



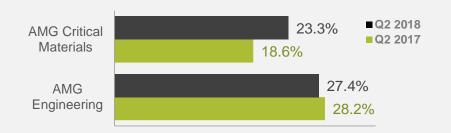


Q2 2018 REVENUE: \$329.3 (IN MILLIONS OF US DOLLARS)



#### **GROSS MARGIN**

**Q2 2018 GROSS MARGIN: 24.0%** 



#### **EBITDA**

Q2 2018 EBITDA: \$50.7 (IN MILLIONS OF US DOLLARS)

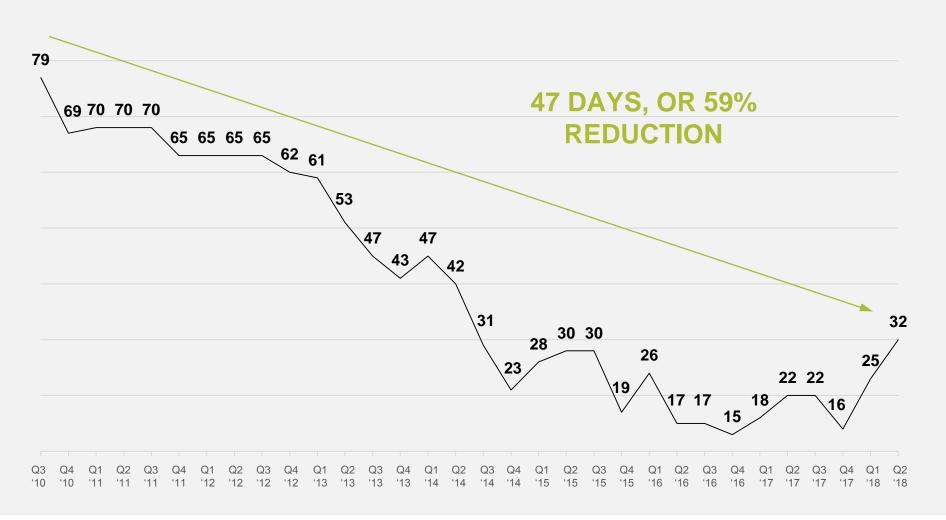


#### CAPITAL EXPENDITURE

Q2 2018 CAPEX: \$18.4 (IN MILLIONS OF US DOLLARS)



# WORKING CAPITAL REDUCTION



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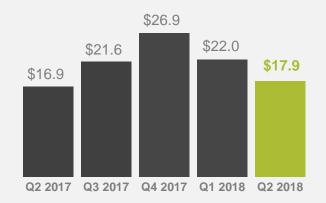
#### AMG CRITICAL MATERIALS

#### REVENUE & EBITDA (IN MILLIONS OF US DOLLARS)



Q2 2018 EBITDA INCREASED BY \$21.3M OVER Q2 2017

#### CAPITAL EXPENDITURES (IN MILLIONS OF US DOLLARS)



INCREASE OF \$1.0M IN Q2 '18 VS. Q2 '17 DUE TO LITHIUM PROJECT

- Q2 2018 revenue of \$267.2 million was 32% higher than Q2 2017
- EBITDA increased by \$21.3 million over Q2 2017 to \$45.2 million in Q2 2018, driven by higher vanadium sales volumes and prices, improved chrome metal product mix effects, and strong sales volumes of aluminum products
- Capital expenditures increased to \$17.9 million in Q2 2018 vs. \$16.9 million in Q2 2017
- The largest expansion capital project was AMG's lithium project in Brazil

# AMG CRITICAL MATERIALS-QUARTERLY REVENUE DRIVERS

KEY PRODUCT	<b>Q2 '18 REV</b> (\$M)	<b>Q2 '17 REV</b> (\$M)	VOLUME	PRICE
Ferrovanadium	\$71.6	\$27.0	<b>A</b>	
Aluminum Master Alloys	\$58.5	\$45.8		
Chromium Metal	\$28.5	\$26.1	•	
Tantalum & Niobium	\$15.6	\$13.5		
Titanium Alloys & Coatings	\$29.1	\$26.2		<b>(</b>
Antimony	\$25.6	\$27.3	•	<b>♦</b>
Graphite	\$17.5	\$16.2	•	
Silicon Metal	\$20.8	\$20.5		

- AMG Critical Materials' revenue in the second quarter increased by \$64.5 million, or 32%, to \$267.2 million
- The increase was largely driven by substantially improved prices for ferrovanadium, chrome metal, tantalum, graphite and silicon metal
- Q2 revenue was also aided by higher sales volumes of vanadium, aluminum, tantalum and titanium products
- Sales volumes of silicon metal were impacted during the quarter due to unscheduled furnace maintenance

# CRITICAL MATERIALS—AVERAGE QUARTERLY PRICES

MATERIALS	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q2 '18 VS. Q2 '17 % CHANGE	Q2 '18 VS. Q1 '18 % CHANGE
Ferrovanadium (\$/lb)	\$12.30	\$17.75	\$19.24	\$28.60	\$34.28	179%	20%
Molybdenum (\$/lb)	\$8.03	\$8.21	\$8.86	\$12.26	\$11.59	44%	(6%)
Nickel (\$/MT)	\$9,222	\$10,524	\$11,580	\$13,272	\$14,472	57%	9%
Aluminum (\$/MT)	\$1,909	\$2,011	\$2,102	\$2,159	\$2,259	18%	5%
Chrome (\$/lb)	\$4.02	\$3.93	\$3.97	\$4.53	\$6.00	49%	32%
Tantalum (\$/lb)	\$67.07	\$75.09	\$83.69	\$93.24	\$104.19	55%	12%
Ti Sponge (\$/kg)	\$8.74	\$8.15	\$8.05	\$8.24	\$8.54	(2%)	4%
Antimony (\$/MT)	\$8,890	\$8,291	\$8,130	\$8,510	\$8,280	(7%)	(3%)
Graphite (\$/MT) *	\$823	\$997	\$1,092	\$1,046	\$1,067	30%	2%
Silicon Metal (€/MT)	€1,989	€2,093	€2,269	€2,301	€2,298	16%	-

<sup>\*</sup> Graphite prices shown above have been changed to Benchmark Minerals index (Graphite, flake, 94-95% C,

<sup>+80</sup> mesh, FOB China) to better reflect AMG Graphite's high purity grade.

# CRITICAL MATERIALS—FULL YEAR AND CURRENT SPOT PRICES

MATERIALS	AVG 2016	AVG 2017	AUG 1, 2018 SPOT	AVG '17 VS. AVG '16 % CHANGE	SPOT VS. AVG '17 % CHANGE
Ferrovanadium (\$/lb)	\$9.37	\$15.30	\$39.50	63%	158%
Molybdenum (\$/lb)	\$6.71	\$8.25	\$12.30	23%	49%
Nickel (\$/MT)	\$9,515	\$10,408	\$13,778	9%	32%
Aluminum (\$/MT)	\$1,605	\$1,968	\$2,036	23%	3%
Chrome (\$/lb)	\$3.74	\$3.94	\$6.23	5%	58%
Tantalum (\$/lb)	\$60	\$71	\$105	18%	48%
Ti Sponge (\$/kg)	\$8.31	\$8.29	\$8.25	-	-
Antimony (\$/MT)	\$6,597	\$8,352	\$8,050	27%	(4%)
Graphite (\$/MT) *	\$780	\$910	\$1,075	17%	18%
Silicon Metal (€/MT)	€1,735	€2,089	€2,175	20%	4%

<sup>\*</sup> Graphite prices shown above have been changed to Benchmark Minerals index (Graphite, flake, 94-95% C, +80 mesh, FOB China) to better reflect AMG Graphite's high purity grade.

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#### AMG ENGINEERING

#### REVENUE & EBITDA (IN MILLIONS OF US DOLLARS)



REVENUE INCREASED BY 5% VS. Q2 2017 DUE TO TIMING EFFECTS

#### ORDER INTAKE (IN MILLIONS OF US DOLLARS)

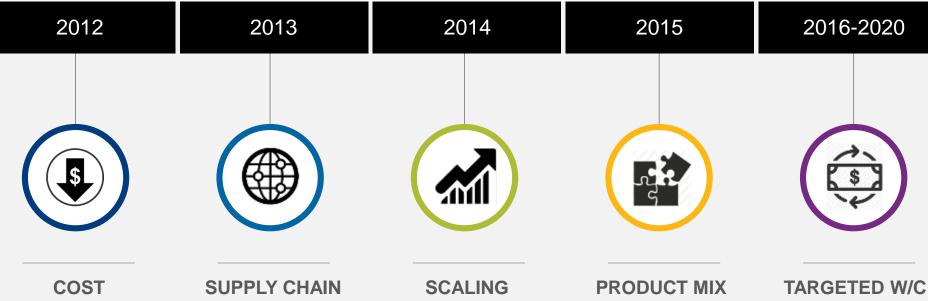


BOOK TO BILL RATIO OF 1.39X IN Q2 2018

- AMG Engineering order backlog of \$263.2 million as of June 30, 2018, a 3% increase compared to March 31, 2018
- AMG Engineering signed \$86.2 million in new orders during Q2 2018, a 1.39x book to bill ratio
- EBITDA decreased by \$2.5 million in Q2 2018 versus Q2 2017 due to higher SG&A expenses and lower gross profit generated from the heat treatment services division
- The reduction of gross profit in the heat treatment services division was driven by lower revenue, as automotive customers transition to new engine programs; following the completion of this transition process, heat treatment service revenues are expected to return to normal levels in early 2019



## AMG: READY FOR GROWTH



# REDUCTION

Cost-reduction and capex discipline in response to global economic slowdown

# **EXCELLENCE**

Competitive advantage through manufacturing and supply chain excellence, accelerating cost-reduction efforts

# **PROFITABLE GROWTH**

Properly positioned, financially and operationally, to pursue growth targets across portfolio

# **OPTIMIZATION**

Streamlined operations and improved operating performance by eliminating low-margin product lines

# & DEBT LEVELS

Further reduction in both working capital and net debt, strengthening the balance sheet

## STRATEGY

AMG's strategy is to build its critical materials business through industry consolidation, process innovation and product development

# PROCESS INNOVATION & PRODUCT DEVELOPMENT

Continue to focus on process innovation and product development to improve the market position of AMG's businesses

#### INDUSTRY CONSOLIDATION

Pursue opportunities for horizontal and vertical industry consolidation across AMG's critical materials portfolio

# EXPANSION OF EXISTING HIGH GROWTH BUSINESSES

Pursue opportunities in high-growth areas within the existing product portfolio

AMG's overriding strategic objective is to achieve industry leadership while being the low cost producer

## 2018 OUTLOOK & LITHIUM PROJECT UPDATE

#### OUTLOOK

Encouraged by the financial performance in the first 6 months of 2018, AMG expects full year 2018 EBITDA to improve by between 40%-50% compared to the prior year.

AMG's management team is focused on delivering our highly accretive lithium project and executing our long term lithium strategy. In addition, we will continue to pursue other acquisition opportunities and organic growth projects in order to generate long term value for our shareholders.

#### LITHIUM PROJECT UPDATE

Project is progressing in line with expectations – lithium concentrate production commenced in May 2018

**Phase I - Lithium Concentrate Plant 1:** AMG's first lithium concentrate plant commenced production in May 2018 and the ramp-up continues on schedule, in line with the timetable set out in our EPC contract with Outotec.

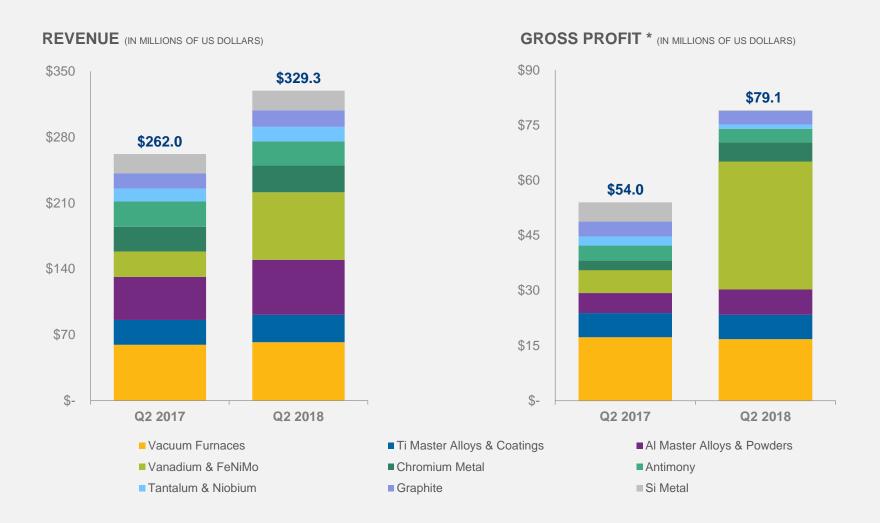
Phase II - Lithium Concentrate Plant 2: Detailed engineering work on AMG's second lithium concentrate plant, in combination with the expansion of the Mibra mine, is progressing towards completion and we are working hard to finalize an EPC contract for the delivery of that second plant. Negotiations are ongoing, and we expect to finalize the contract before the end of September 2018. Once completed, and as announced previously, total annual production capacity from AMG's Mibra mine will increase to 180,000 tons of lithium concentrate and 600,000 lbs of tantalum concentrate. AMG expects to complete the expansion by the end of 2019.

**Phase III - Lithium Carbonate:** Intensive project development activities for the downstream lithium chemical plant are proceeding. We expect to communicate the specifics of our strategy later in September.

Management's priority in 2018 is to execute our highly accretive lithium project



# **KEY PRODUCTS**



<sup>\*</sup> Before non-recurring items

# CRITICAL MATERIALS - MARKET TRENDS

CRITICAL MATERIALS	MAJOR END MARKETS	MARKET TRENDS	MAJOR CUSTOMERS
AMG ANTIMONY ANTIMONY TRIOXIDE ANTIMONY MASTERBATCHES ANTIMONY PASTES	FLAME RETARDANTS	PLASTICS	OPON TIRELLI
AMG BRAZIL TANTALUM & NIOBIUM	MICRO CAPACITORS, SUPERALLOYS	COMMUNICATIONS & ELECTRONICS FUEL EFFICIENCY	<b> ★ATI</b> H.C.Starck
AMG LITHIUM  LITHIUM CONCENTRATE (SPODUMENE)	BATTERIES	RENEWABLE ENERGY COMMUNICATIONS & ELECTRONICS	CONFIDENTIAL
AMG GRAPHITE  NATURAL GRAPHITE	EXPANDED POLYSTYRENE (EPS),BATTERY ANODES	ENERGY SAVING ENERGY STORAGE	Sunpor Höganäs #
AMG SILICON SILICON METAL	ALUMINUM ALLOYS, SOLAR	FUEL EFFICIENCY CLEAN ENERGY	AMAG_ Aleris  AUSTRIA METALL
ENERGY	TRANSPORTATION	INFRASTRUCTURE	SPEC. METALS AND CHEM.

# CRITICAL MATERIALS - MARKET TRENDS

CRITICAL MATERIALS	MAJOR END MARKETS	MARKET TRENDS	MAJOR CUSTOMERS
AMG ALUMINUM  ALUMINUM MASTER ALLOYS ALUMINUM POWDERS	AEROSPACE, AUTOMOTIVE	FUEL EFFICIENCY	Constellium  RioTinto
AMG VANADIUM FERROVANADIUM FERRONICKEL-MOLYBDENUM	INFRASTRUCTURE	INFRASTRUCTURE GROWTH	GERDAU
AMG TITANIUM ALLOYS & COATINGS TITANIUM MASTER ALLOYS & COATINGS	AEROSPACE	FUEL EFFICIENCY ENERGY SAVING	SAFRAN Snecma
AMG SUPERALLOYS UK CHROMIUM METAL	AEROSPACE	FUEL EFFICIENCY	<b>PCC </b>
ENERGY	TRANSPORTATION	INFRASTRUCTURE	SPEC. METALS AND CHEM.

# ENGINEERING - MARKET TRENDS

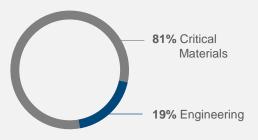
CRITICAL MATERIALS	MAJOR END MARKETS	MARKET TRENDS	MAJOR CUSTOMERS
AMG ENGINEERING CAPITAL GOODS (VACUUM FURNACES)	AEROSPACE, AUTOMOTIVE	FUEL EFFICIENCY ELECTRONICS	CARPENTER  ThyssenKrupp  Rolls-Royce
AMG ENGINEERING VACUUM HEAT TREATMENT SERVICES	AEROSPACE, AUTOMOTIVE	FUEL EFFICIENCY	CHRYSLER COMMON Street
ENERGY	TRANSPORTATION	infrastructure	SPEC. METALS AND CHEM.

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### AMG AT A GLANCE

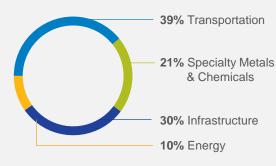
#### **Q2 2018 REVENUE**

#### **BY SEGMENT:**

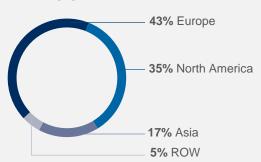


vacuum furnace systems

#### BY END MARKET:



#### BY REGION:



AMG IS A GLOBAL SUPPLIER OF CRITICAL MATERIALS TO:



TRANSPORTATION



INFRASTRUCTURE SPECIALTY METALS
AND CHEMICALS

Market leading producer of highly engineered specialty metals and

~3,300 Employees

~\$1 billion
Annual Revenues

At the forefront of CO<sub>2</sub> Reduction



# Consolidated Balance Sheet

AS OF IN MILLIONS OF US DOLLARS	JUNE 30, 2018 UNAUDITED	DECEMBER 31, 2017
Fixed assets	315.3	298.5
Goodwill and intangibles	36.9	38.1
Other non-current assets	84.2	92.4
Inventories	232.2	162.5
Receivables	174.3	137.2
Other current assets	49.4	49.1
Cash	342.5	178.8
TOTAL ASSETS	1,234.8	956.6
TOTAL EQUITY	298.3	282.6
Long term debt	360.0	164.8
Employee benefits	152.8	156.2
Other long term liabilities	50.2	47.8
Current debt	18.0	24.3
Accounts payable and accruals	246.0	215.3
Advance payments	51.5	33.0
Other current liabilities	58.0	32.6
TOTAL LIABILITIES	936.5	674.0
TOTAL EQUITY AND LIABILITIES	1,234.8	956.6

# Consolidated Income Statement

FOR THE SIX MONTHS ENDED IN MILLIONS OF US DOLLARS	<b>JUNE 30, 2018</b> UNAUDITED	JUNE 30, 2017 UNAUDITED
Revenue	637.8	520.0
Cost of sales	488.5	413.2
Gross profit	149.3	106.8
Selling, general & administrative	72.8	63.6
Other income, net	(0.1)	(0.4)
Operating profit	76.6	43.6
Net finance costs	11.9	3.8
Profit before income taxes	64.7	39.8
Income tax expense	29.1	11.2
Profit for the period	35.6	28.6
Shareholders of the Company	35.7	28.7
Non-controlling interest	(0.1)	(0.1)
ADJUSTED EBITDA	95.2	64.8

# Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED IN MILLIONS OF US DOLLARS	JUNE 30, 2018 UNAUDITED	JUNE 30, 2017 UNAUDITED
EBITDA	95.2	64.8
Change in working capital and deferred revenue	(58.6)	(22.9)
Other operating cash flow	4.2	(4.2)
Cash generated from operating activities	40.8	37.7
Finance costs paid, net	(8.0)	(4.3)
Income tax paid	(9.2)	(4.9)
Net cash from operating activities	23.6	28.5
Capital expenditures	(41.0)	(29.5)
Other investing activities	1.4	1.8
Net cash used in investing activities	(39.6)	(27.7)
Net cash from (used in) financing activities	183.1	(0.5)
Net increase in cash and equivalents	167.1	0.1
Cash and equivalents at January 1	178.8	160.7
Effect of exchange rate fluctuations on cash held	(3.4)	8.1
CASH AND EQUIVALENTS AT JUNE 30	342.5	168.9