

AMG Aluminum: Dedicated to Growth and Excellence

Over the years, AMG Aluminum has earned a trusted reputation for reliable delivery of aluminum master alloys and grain refiners for the global aluminum industry. Today, the business employs more than 400 professionals and has set new benchmark by offering premium products and services globally. Julien Crisnaire and Andrew Lamsdale of AMG Aluminum talk about the company's performance, its development and the growth opportunities it can count on.

Has AMG Aluminum's closure of sale of its 45% equity interest in Nanjing Yunhai KB Alloys Co., Ltd. ("YKKB") to Nanjing Yunhai Special Metals Co., Ltd. affected the company's business in any way?

The sale of our 45% equity interest in YKKB has simplified AMG Aluminum's structure and has enabled us to develop direct sales in Asia Pacific, including China. Through our new organisation in Asia Pacific, we respond more effectively and timely to challenging customer needs.

AMG Processing generated revenue of \$138.1 million and EBITDA of \$4.6 million in the third quarter 2013 as against revenue of \$144.6 million and EBITDA of \$8.0

million in the second quarter 2013. What might be the reason(s) behind the company's lesser earnings in Q3 2013 than Q2?

AMG Processing's third quarter 2013 EBITDA was impacted by the 6% decline in revenue, specifically

by price declines and vanadium and titanium alloys. This decline, coupled with unfavourable product mix and economies of scales resulted in the decrease in AMG Processing EBITDA to \$4.6 million.

AMG Aluminum, a unit of AMG Processing, however, increased both revenue and gross profit compared to the third quarter 2012. AMG Aluminum's revenue increased 2% compared to the third quarter 2012, despite slightly lower aluminum prices. AMG Aluminum gross margins increased 79% due to the rationalisation of lower margin products and productivity improvements.



Apart from aluminum master alloys, grain refiners, and other products like hardeners, tablets/compacts, are there any new dimensions where AMG is focusing at?

AMG creates and applies innovative metallurgical solutions to the global trend of sustainable development of natural resources and CO₂ reduction. AMG produces highly engineered specialty metal products and advanced vacuum furnace systems for the Energy, Aerospace, Infrastructure, and Specialty Metals and Chemicals end markets. AMG is focused on developing innovative metallurgical solutions for these growing end markets. AMG is creating new lightweight alloys and materials such as gamma titanium and conflict free tantalum concentrates for the global aerospace and specialty metals industries. AMG's Engineering unit is now producing the most complete line of vacuum heat treatment and high-pressure gas quenching systems for the production of components for fuel-efficient transportation applications.



Julien Crisnaire
President
AMG Aluminum

What is your opinion on the current global aluminum market? How would you position AMG Aluminum in the present global aluminum business?

The aluminum industry was hit hard by the global economic slowdown as demand dropped and the resulting oversupply drove prices down. Current aluminum prices on the London Metals Exchange are at historical lows. However, demand for aluminum products is strong and is expected to grow 6-8% again in 2014. Aerospace and automotive are two sectors where aluminum is in high demand. AMG Aluminum, the only manufacturer of aluminum master alloys and grain refiners with a true global footprint, tailors its product offering to capture these growth opportunities.

Predictions say that the global aluminum market may witness 275 Kt deficit in 2014. What do you have to say about this matter? What preparation is AMG taking to combat this situation the next year?

We expect LME prices to remain low throughout 2014 but demand for aluminum products to grow well above global GDP. AMG Aluminum will continue to serve existing customers and capture new opportunities by offering premium products and services globally.



Andrew Lamsdale
Business Development Director
AMG Aluminum

Is AMG coming up with any new metallurgical-based technologies?

Throughout its history, AMG's predecessor companies have advanced metallurgical-based technologies to provide innovative solutions for industrial challenges. AMG continues that proud tradition today, developing solutions that reduce carbon emissions and minimise the negative environmental effects of energy production. AMG focuses on customer specific innovations that will enhance our current product offerings and that will extend our products' applications.

One recent innovation is Gamma Titanium Aluminum. Gamma Titanium Aluminum combines properties that are rare in any single material: it is approximately half the weight of steel, corrosion-resistant, able to withstand high temperatures, and has a stiffness that is comparable to steel. Due to its specific properties, Gamma Titanium Aluminum allows for a significant reduction of weight of components in a wide range of applications, such as aerospace jet engines, which leads to higher efficiency and less fuel consumption.

Any plans for expansion of new installations at manufacturing facilities?

With over 3,000 employees, AMG operates globally with production facilities in Germany, the United Kingdom, France, Czech Republic, United States, China, Mexico, Brazil, Turkey, Poland, India, and Sri Lanka. We are constantly monitoring market trends and supply/demand dynamics to ensure our installed base matches customer needs. AMG recently expanded its spent catalyst recycling facility in the United States. This facility produces ferro-vanadium and the expansion will meet increasing demand in the North American market.

Is AMG Aluminum planning to go for any new foreign collaboration?

In a very dynamic industry, we continuously evaluate new opportunities to grow our business profitably and efficiently for our shareholders.

Coming on to the question of sustainability, it is not unknown that AMG Aluminum strictly maintains the highest standards of safety and environmental conduct at all of its manufacturing facilities, producing materials that help its customers minimise environmental footprint. In this regard, could you give us some details on Global Reporting Initiative (GRI) and conflict products?

AMG is committed to achieving the highest standards of safety and environmental conduct at all of its manufacturing facilities and producing materials that help its customers to minimise negative environmental impact. Information on GRI and conflict products can be found on the AMG website (www.amg-nv.com).

Which Asian countries, according to you, are the best potential markets for the company?

Countries like China and Thailand present exciting opportunities as companies develop needs for "western grade" aluminum master alloys and grain refiners.