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Introduction to AMG Superalloys

AMG Processing
- Aluminum master alloys
- Vanadium
- Titanium alloys and coatings
- Superalloys

AMG Engineering
- Capital equipment for high purity materials
- Heat Treatment Services

AMG Mining
- Silicon metal
- Natural graphite
- Antimony
- Tantalum & Niobium

Energy
Aerospace
Infrastructure
Specialty Metals & Chemicals

AMG provides high value-added specialty metal alloys and engineering systems related to CO₂ reduction and conservation of natural resources to growing markets
What is a Superalloy?

- Superalloys are materials that exhibit:
  - Excellent mechanical strength
  - Temperature and expansion resistance, and;
  - Good corrosion and oxidation resistance making them well suited for turbine blades of jet engines

- Superalloys are commonly used in:
  - Parts of gas turbine engines subject to high temperatures
  - Jet engine turbine blades

- Chromium, AMG Superalloys primary product, permits jet engines to operate in a high-temperature, high-stress, oxidizing environment
Introduction to AMG Superalloys

- AMG Superalloys is a highly specialized producer of:
  - Chromium metal
  - Ferro titanium & ferro niobium
  - Nickel niobium
  - Aluminum powders and;
  - Cerium oxide polishing powders

- AMG Superalloys products are used in the following markets:
  - Aluminum
  - High Purity Steel
  - Superalloy
  - Hard-facing
  - Welding and;
  - Optical glass industries

Aerospace
Introduction to AMG Superalloys

- Headquartered in Rotherham, UK
- Four manufacturing plants
  - (3 ISO 9001)
  - ~230 employees
- Comprehensive range of products
- ~$160 million in 2013 revenue

- Management
  - Mr Julien Crisnaire, President
  - Mr. Kevin Lawson, Managing Director
  - Ms. Leonora Scaife, Finance Director

AMG Superalloys UK is a leading provider of specialty metals, alloys and materials
Markets
AMG & AMG Superalloys

AMG Revenue

Aerospace 40.3%
Specialty Metals & Chemicals 28.5%
Infrastructure 12.4%
Energy 18.8%

AMG Superalloys Revenue

Aerospace 26.7%
Specialty Metals & Chemicals 37.9%
Infrastructure 26.5%
Energy 8.9%

Aerospace is AMG's largest end market segment
Aerospace is a significant market for AMG Superalloys
AMG Superalloys for Jet Engines

Materials produced by AMG Superalloys
Key Products – Chrome

- **Products:**
  - From regular grade for steel industry…
  - …To high purity grades for superalloy applications

- **Use:**
  - Chromium provides heat and corrosion resistance in aircraft engines
  - Small component of overall superalloys cost

- **Markets:**
  - Aircraft engines
  - Industrial gas turbines
  - Stainless steels
  - Al & Cu alloys
Key Products – Aluminothermic Chrome

- **Chrome Oxide** + **Aluminum Powder** + **Reaction Boosters** → **Chrome Metal** + **Alumina Slag**

  \[
  \text{Cr}_2\text{O}_3 + 2 \text{Al} \rightarrow 2 \text{Cr} + \text{Al}_2\text{O}_3
  \]

- Chrome Oxide is created from Chrome Ore
  - 95% of chrome ore is used to create ferrochrome for steel
  - ~4% of chrome ore is used to create chrome chemicals (oxides)
  - Chrome oxide primarily produced in South Africa, Russia and Kazakhstan

1 Source: Roskill and Management estimates
Key Products – Aluminothermic Chrome

2013 Chrome Metal Supply
- China: 25%
- Europe: 36%
- Russia: 32%
- Other: 7%

2013 Chrome Metal Demand
- Europe: 31%
- North America: 35%
- Asia: 29%
- Russia: 5%
- Other: 7%

1 Source: Management estimates
Key Products – Aluminum Powders

- **Products:**
  - Aluminum powders
  - Aluminum granules

- **Use:**
  - Chrome metal
  - Rocket fuel
  - Paints and pigments

- **Markets:**
  - Autos
  - Aerospace
  - Chemicals
Key Products – Polishing Powders

- **Products:**
  - Glass and plastics polishing compounds and glass decolorizers
    - Regipol™ - cerium oxide based
    - Decol™ - cerium oxide based
    - Polimax™ - aluminum oxide based

- **Use:**
  - Flat glass (main current market for AMG)
  - Precision optics (growth opportunity for AMG)

- **Markets:**
  - Infrastructure
  - Optics
  - Electronics
Other Products & Applications

**Boron**
- Hard face coating
- Superalloys & stainless steels
- Magnet alloys

**Niobium**
- Steels & Superalloys
- Super conducting magnets
- Construction

**Titanium**
- Stainless & high strength low alloy steels
- Deoxidant
- Complex alloys

**Powders**
- Complex alloys & powders
- Welding industry
- Copper Alloys for bronze production

**Laboratory**
- Inorganic analytical testing services
- Multiple accreditations
Operations
Operations

- Restructured business in Q4 2013
  - New management team installed
  - New Kaizen / continuous improvement culture kick started
- Focus on
  - Improving Environmental Health & Safety (EH&S)
  - Improving gross margins
    - Reduced fixed costs and SG&A (10% headcount reduction)
    - Rationalized low margin / ROCE products
    - Implemented systems to reduce raw material price risk
    - Right-sized production levels to current market demand
  - Reducing working capital
    - Improved terms with suppliers and customers
    - Improved value chain management

- All with the goal to improve ROCE and increase operating cash flow