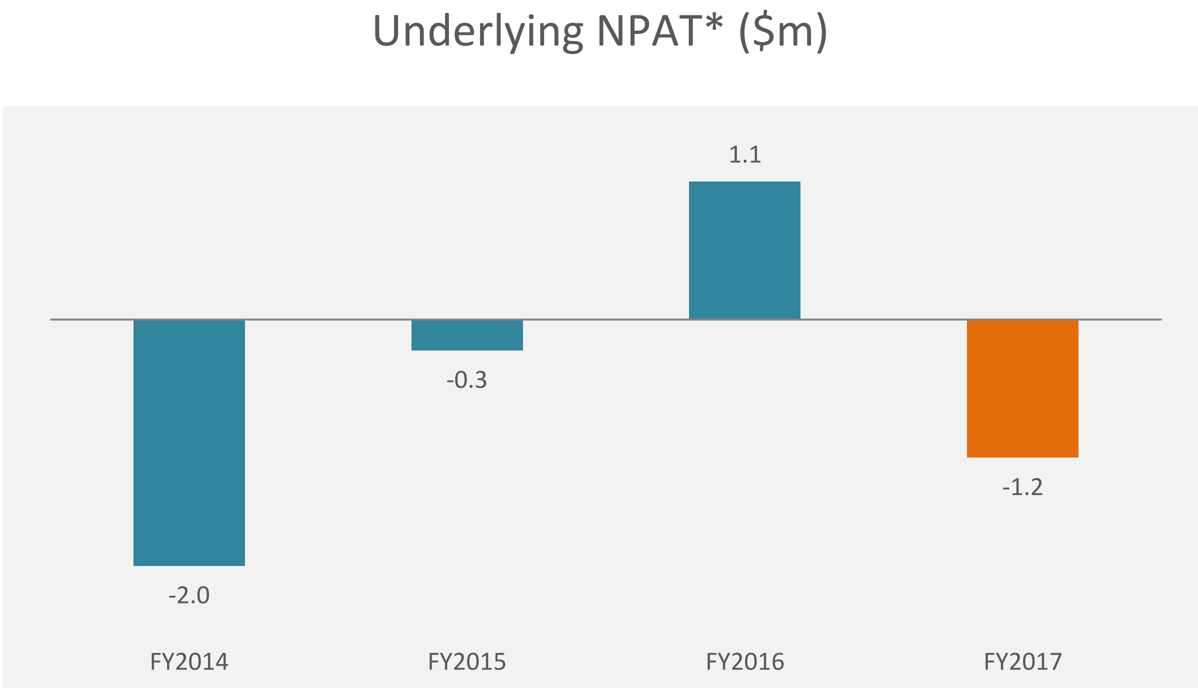
Press release
28 February 2018

MAGONTEC LIMITED - FY2017 ANNUAL RESULT

Magontec Limited (MGL) announces a Full Year 2017 Underlying Net Loss After Tax* of $1.2m, down $2.3m on the previous corresponding period.

In 2017 the Company generated $2.3m of cash from underlying operations and a Gross Profit of $12.5m, down 13.0% on the previous corresponding period.

The key drivers of the 2017 annual result include -$1.1m of pre-tax significant items, a sharp reversal in performance from the Romanian magnesium alloy recycling facility and the loss of a key contract by Magontec's Chinese magnesium anode business (regained in 2018).



*Underlying Net Profit After Tax is defined as Reported Net Profit After Tax excluding unrealised foreign exchange gains and losses.

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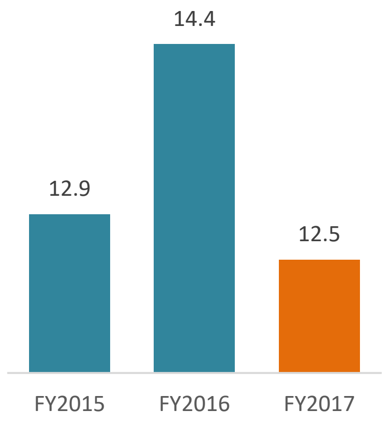
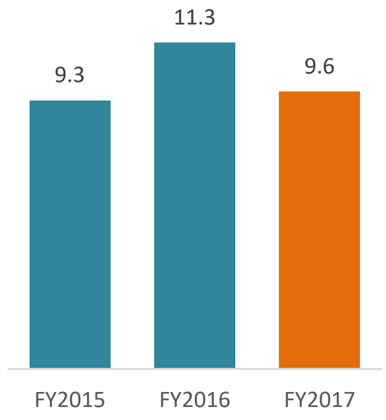
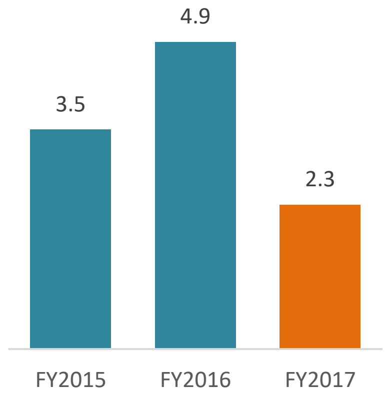
FY2017 Financial & Operational Summary

Gross Profit ($m)	Gross Profit Margin (%)	Cash from underlying operations ($m)[1]
		

Magontec Qinghai Magnesium Alloy Cast House

New Cast House at Qinghai commenced production in October 2017

Associated electrolytic plant also ramping up production

Commenced supply to local customers

Metals Division Magnesium Alloys

European Mg Recycling challenged by labour problems at Romanian plant

Strong performance from German recycling led by cost improvements

Cathodic Corrosion Protection (Anodes)

Volumes in China -14% following contract loss. EU volumes +8%.

Outlook positive with higher volumes expected in both regions in 2018

[1] Underlying operating cash flow is one of the key metrics that management monitors internally and is defined as operating cash flow before interest, tax payments and working capital movements. For Magontec, working capital movements in any particular period can have a large impact on overall operating cash flow. These movements are generally a reflection of timing differences in cash receipts and payments in the metals business, which is highly working capital intensive.

Outlook

The new magnesium alloy cast house at Qinghai commenced production in October 2017, with monthly volumes at 100-200 metric tonnes. The commissioning process of the QSLM pure magnesium electrolytic plant (raw material supply to the Magontec cast house) is yet to achieve stable and consistent production.

Raising volumes at Magontec Qinghai to 1,000 metric tonnes a month is a critical aspect of the 2018 Business Plan. In the early stages of the year, profitability in this business is likely to be negatively impacted while the plant operates below scale.

In 2018, the primary magnesium alloy plant in Shanxi Province will close. This will incur some additional one-off costs. This is expected to be offset in part by a recovery, from 2017 levels, in the European magnesium alloy recycling business.

2018 is expected to see a better performance from the Cathodic Corrosion Protection business (Mg and electronic anodes), the result of higher volumes, more efficient production metrics and further investment in automation.

Nicholas Andrews

Executive Chairman

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To view the FY2017 Magontec Limited Annual Report and for more information on Magontec Limited please visit our website at www.magontec.com

Picture: Qinghai Salt Lake Magnesium Co. Ltd electrolytic magnesium project at Golmud in Qinghai Province PRC. The Magontec Qinghai magnesium alloy cast house is part of this complex.