



## **AMG ADVANCED METALLURGICAL GROUP N.V. REPORTS THIRD QUARTER 2018 RESULTS**

### **Key Highlights**

- Revenue increased by 27% to \$328.1 million in the third quarter 2018 from \$258.9 million in the third quarter 2017
- Gross profit was \$79.6 million in the third quarter 2018, an increase of \$28.3 million, or 55%, over the same period in 2017
- EBITDA<sup>(2)</sup> was \$59.1 million in the third quarter 2018, a 114% increase over the same period in 2017
- Net income attributable to shareholders increased by 115% to \$29.9 million in the third quarter 2018 from \$14.0 million in the third quarter 2017
- EPS, on a fully diluted basis, increased by 111% to \$0.93 in the third quarter 2018 from \$0.44 in the third quarter 2017
- Annualized return on capital employed increased to 32.8% in the third quarter 2018, as compared to 21.5% in the third quarter 2017

***Amsterdam, 1 November 2018 (Regulated Information)*** --- AMG Advanced Metallurgical Group N.V. (“AMG”, Euronext Amsterdam: “AMG”) reported third quarter 2018 revenue of \$328.1 million, a 27% increase from \$258.9 million in the third quarter of 2017. EBITDA for the third quarter of 2018 was \$59.1 million, a 114% increase from \$27.6 million in the third quarter of 2017.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, “As demonstrated through our third quarter results, our business portfolio continues to perform exceptionally well. Thanks to strong end market fundamentals and our relentless pursuit of improvements in productivity and efficiency, AMG’s EBITDA in the third quarter 2018 is the highest reported quarterly EBITDA in 10 years.

AMG Critical Materials generated EBITDA of \$52.1 million during the third quarter of 2018, an increase of 122% from \$23.5 million in the third quarter of 2017, thanks to increased vanadium prices and strong financial performance in chrome metal and aluminum products.

AMG Engineering achieved EBITDA of \$7.0 million during the third quarter of 2018, an increase of 69% from the third quarter of 2017, driven by higher profitability generated from the delivery of turbine blade coating furnaces and increased after-sales services during the quarter.

On a year to date basis, AMG Engineering signed \$248.1 million in new orders in the current year, representing a 1.32x book to bill ratio. Order backlog was \$251.2 million as of September 30, 2018, an increase of 21% from December 31, 2017.”

## Key Figures

*In 000's US dollar*

	<b>Q3 '18</b>	<b>Q3 '17</b>	<b>Change</b>
<b>Revenue</b>	<b>\$328,071</b>	<b>\$258,941</b>	<b>27%</b>
Gross profit	79,555	51,273	55%
Gross margin	24.2%	19.8%	
Operating profit	44,202	17,756	149%
Operating margin	13.5%	6.9%	
<b>Net income attributable to shareholders</b>	<b>29,938</b>	<b>13,953</b>	<b>115%</b>
EPS - Fully diluted	0.93	0.44	111%
<b>EBIT <sup>(1)</sup></b>	<b>50,765</b>	<b>19,879</b>	<b>155%</b>
<b>EBITDA <sup>(2)</sup></b>	<b>59,116</b>	<b>27,638</b>	<b>114%</b>
EBITDA margin	18.0%	10.7%	
<b>Cash from operating activities</b>	<b>23,136</b>	<b>16,790</b>	<b>38%</b>

Note:

- (1) EBIT is defined as earnings before interest and income taxes. EBIT excludes restructuring and equity-settled share-based payments and includes foreign currency gains or losses.
- (2) EBITDA is defined as EBIT adjusted for depreciation and amortization.

## Operational Review

### *AMG Critical Materials*

	<b>Q3 '18</b>	<b>Q3 '17</b>	<b>Change</b>
Revenue	\$261,957	\$203,352	29%
Gross profit	61,455	36,695	67%
Operating profit	38,917	15,752	147%
EBITDA	52,139	23,509	122%

AMG Critical Materials revenue in the third quarter increased by \$58.6 million, or 29%, to \$262.0 million, driven mainly by improved vanadium, aluminum, and chrome metal prices, as well as higher sales volumes of tantalum and aluminum products.

Gross profit in the third quarter increased by \$24.8 million, or 67%, to \$61.5 million. Strong financial performances in vanadium, chrome metal, and aluminum were partially offset by lower gross profit in silicon metal. This strong performance was driven by higher vanadium prices, improved chrome metal product mix effects and strong sales volumes of aluminum products. The reduction in gross profit in silicon metal was primarily driven by an additional accrual for the repayment of a subsidy granted by the German government in 2012 and 2013, following the completion of negotiations. Furthermore, AMG Silicon quarterly gross profit was adversely affected by additional furnace maintenance due to residual production issues associated with low quality graphite electrodes.

SG&A expenses in the third quarter of 2018 increased by \$1.6 million, or 8%, compared to the same period in the prior year due to higher personnel costs, an increase in research and development expenses, and foreign exchange effects related to the strengthening of the euro relative to the US dollar.

Third quarter 2018 EBITDA margin increased to 20%, compared to 12% in the third quarter of 2017, due to the substantial improvement in gross profit.

*AMG Engineering*

	<b>Q3 '18</b>	<b>Q3 '17</b>	<b>Change</b>
Revenue	\$66,114	\$55,589	19%
Gross profit	18,100	14,578	24%
Operating profit	5,285	2,004	164%
EBITDA	6,977	4,129	69%

AMG Engineering signed \$57.1 million in new orders during the third quarter 2018, representing a 0.86x book to bill ratio. Order intake in the quarter was driven by sales of turbine blade coating furnaces, powder metallurgy furnaces and induction furnaces for the aerospace market.

On a year to date basis, AMG Engineering signed \$248.1 million in new orders in the current year, representing a 1.32x book to bill ratio. Order backlog was \$251.2 million as of September 30, 2018, an increase of 21% from December 31, 2017.

AMG Engineering's third quarter 2018 revenue increased \$10.5 million, or 19%, to \$66.1 million, due to higher revenue generated from the delivery of turbine blade coating furnaces and higher after-sales service revenues.

Third quarter 2018 gross profit increased by \$3.5 million, or 24%, to \$18.1 million and gross margin increased slightly to 27% from 26% in the third quarter of 2017, driven by higher revenues generated during the quarter.

SG&A expenses increased by \$0.2 million, from \$12.6 million in the third quarter of 2017 to \$12.8 million in the third quarter of 2018.

EBITDA increased by \$2.8 million to \$7.0 million in the third quarter of 2018 due to higher profitability generated from the delivery of vacuum furnaces during the quarter.

## Financial Review

### *Tax*

AMG recorded an income tax expense of \$10.0 million in the third quarter of 2018 as compared to a tax expense of \$1.7 million in the same period in 2017, driven by higher levels of profitability, the full recognition of AMG's US operating loss carryforwards in 2017, and the revaluation of AMG's Brazilian tax balances.

AMG continues to benefit from net operating loss carryforward balances, primarily in the United States, to offset taxes payable. As a result, despite high pre-tax profitability, AMG paid taxes of \$6.3 million in the third quarter of 2018 as compared to tax payments of \$3.2 million in the same period in 2017. For the third quarter of 2018, AMG's effective cash tax rate dropped to 16% in comparison to 21% for the same period in the prior year.

Due to the volatile nature of the company's Brazilian deferred tax balances, AMG believes that the cash tax rate is a more meaningful metric.

### *Non-Recurring Items*

AMG's third quarter 2018 gross profit of \$79.6 million includes non-recurring items, which are not included in the calculation of EBITDA.

A summary of non-recurring items included in gross profit in the third quarters of 2018 and 2017 are below:

#### *Non-recurring items included in gross profit*

	<b>Q3 '18</b>	<b>Q3 '17</b>	<b>Change</b>
Gross profit	\$79,555	\$51,273	55%
Restructuring expense	349	353	(1%)
Asset impairment expense (recovery)	4,232	(101)	N/A
<b>Gross profit before non-recurring items</b>	<b>84,136</b>	<b>51,525</b>	<b>63%</b>

#### *Gross profit before non-recurring items by reporting segment*

	<b>Q3 '18</b>	<b>Q3 '17</b>	<b>Change</b>
AMG Critical Materials	\$66,036	\$36,873	79%
AMG Engineering	18,100	14,652	24%
<b>Gross profit before non-recurring items</b>	<b>84,136</b>	<b>51,525</b>	<b>63%</b>

AMG Critical Materials incurred a non-recurring non-cash asset impairment expense of \$4.1 million in the third quarter due to the early termination of a customer contract. AMG is in negotiations with the customer in question to fully recover the impairment costs incurred and expects these negotiations to be finalized in the fourth quarter of 2018.

### *Liquidity*

	<b>September 30, 2018</b>	<b>December 31, 2017</b>	<b>Change</b>
Total debt	\$382,148	\$189,108	102%
Cash and cash equivalents	349,889	178,800	96%
<b>Net debt</b>	<b>32,259</b>	<b>10,308</b>	<b>213%</b>

AMG had a net debt position of \$32.3 million as of September 30, 2018. Net debt increased by \$22.0 million and total debt increased by \$193.0 million from December 31, 2017.

Cash from operating activities increased by \$6.3 million, or 38%, in the third quarter of 2018 compared to the same period in the prior year, primarily due to improved profitability in AMG Critical Materials and AMG Engineering.

Capital expenditures decreased to \$14.0 million in the third quarter of 2018 compared to \$23.2 million in the same period in 2017. Capital spending in the third quarter of 2018 included \$5.6 million of maintenance capital. The largest expansion capital project was AMG's lithium project in Brazil.

AMG had \$519.5 million of total liquidity as of September 30, 2018, following the successful refinancing of AMG's credit facilities during the first quarter of 2018.

### *Net Finance Costs*

AMG's third quarter 2018 net finance costs increased to \$4.7 million compared to \$2.3 million in the third quarter 2017, due to higher levels of gross debt and higher interest rates associated with AMG's new, long term credit facility.

### *SG&A*

AMG's third quarter 2018 SG&A expenses increased by 5% to \$35.6 million in the third quarter of 2017, primarily due to higher personnel costs, an increase in research and development expenses, and foreign exchange effects related to the strengthening of the euro relative to the US dollar.

### *Outlook*

Based on improving market conditions across AMG's Critical Materials portfolio, AMG expects full year 2018 EBITDA to exceed \$200 million.

In 2019, AMG expects to continue its strong financial performance and improve profitability relative to 2018.

AMG Advanced Metallurgical Group N.V.  
Condensed Interim Consolidated Income Statement

**For the quarter ended September 30**

*In thousands of US dollars*

	2018 Unaudited	2017 Unaudited
<b>Continuing operations</b>		
Revenue	328,071	258,941
Cost of sales	248,516	207,668
<b>Gross profit</b>	<b>79,555</b>	<b>51,273</b>
<b>Selling, general and administrative expenses</b>	<b>35,645</b>	<b>33,787</b>
<b>Net other operating income</b>	<b>(292)</b>	<b>(270)</b>
<b>Operating profit</b>	<b>44,202</b>	<b>17,756</b>
Finance income	(930)	(229)
Finance cost	5,619	2,495
<b>Net finance cost</b>	<b>4,689</b>	<b>2,266</b>
<b>Profit before income tax</b>	<b>39,513</b>	<b>15,490</b>
<b>Income tax expense</b>	<b>9,961</b>	<b>1,731</b>
<b>Profit for the period</b>	<b>29,552</b>	<b>13,759</b>
Attributable to:		
Shareholders of the Company	29,938	13,953
Non-controlling interests	(386)	(194)
<b>Profit for the period</b>	<b>29,552</b>	<b>13,759</b>
<b>Earnings per share</b>		
Basic earnings per share	0.98	0.47
Diluted earnings per share	0.93	0.44

AMG Advanced Metallurgical Group N.V.  
Condensed Interim Consolidated Income Statement

**For the nine months ended September 30**

*In thousands of US dollars*

	2018 Unaudited	2017 Unaudited
<b>Continuing operations</b>		
Revenue	965,840	778,952
Cost of sales	737,006	620,832
<b>Gross profit</b>	<b>228,834</b>	<b>158,120</b>
 <b>Selling, general and administrative expenses</b>	 <b>108,450</b>	 <b>97,339</b>
 <b>Net other operating income</b>	 <b>(416)</b>	 <b>(580)</b>
 <b>Operating profit</b>	 <b>120,800</b>	 <b>61,361</b>
 Finance income	 (2,212)	 (650)
Finance cost	18,780	6,716
<b>Net finance cost</b>	<b>16,568</b>	<b>6,066</b>
 <b>Profit before income tax</b>	 <b>104,232</b>	 <b>55,295</b>
 <b>Income tax expense</b>	 <b>39,122</b>	 <b>12,925</b>
 <b>Profit for the period</b>	 <b>65,110</b>	 <b>42,370</b>
Attributable to:		
Shareholders of the Company	65,636	42,634
Non-controlling interests	(526)	(264)
<b>Profit for the period</b>	<b>65,110</b>	<b>42,370</b>
 <b>Earnings per share</b>		
Basic earnings per share	2.17	1.47
Diluted earnings per share	2.05	1.34



AMG Advanced Metallurgical Group N.V.  
Condensed Interim Consolidated Statement of Financial  
Position

<i>In thousands of US dollars</i>	September 30, 2018 Unaudited	December 31, 2017
<b>Assets</b>		
Property, plant and equipment	318,550	298,540
Goodwill and other intangible assets	35,515	38,110
Derivative financial instruments	6,080	636
Other investments	30,463	30,562
Deferred tax assets	34,195	40,108
Restricted cash	804	829
Non-current tax asset	-	2,488
Other assets	15,942	17,729
<b>Total non-current assets</b>	<b>441,549</b>	<b>429,002</b>
Inventories	271,087	162,505
Derivative financial instruments	1,306	6,372
Trade and other receivables	166,731	137,174
Other assets	44,621	37,547
Current tax assets	7,852	3,147
Cash and cash equivalents	349,889	178,800
Assets held for sale	139	2,056
<b>Total current assets</b>	<b>841,625</b>	<b>527,601</b>
<b>Total assets</b>	<b>1,283,174</b>	<b>956,603</b>

AMG Advanced Metallurgical Group N.V.  
Condensed Interim Consolidated Statement of Financial  
Position  
(continued)

<i>In thousands of US dollars</i>	September 30, 2018 Unaudited	December 31, 2017
<b>Equity</b>		
Issued capital	812	796
Share premium	462,891	432,844
Treasury shares	(596)	(3,461)
Other reserves	(93,967)	(72,880)
Retained earnings (deficit)	(72,061)	(99,343)
<b>Equity attributable to shareholders of the Company</b>	<b>297,079</b>	<b>257,956</b>
Non-controlling interests	23,781	24,633
<b>Total equity</b>	<b>320,860</b>	<b>282,589</b>
<b>Liabilities</b>		
Loans and borrowings	365,519	164,788
Employee benefits	152,878	156,193
Provisions	31,266	35,887
Other liabilities	4,464	4,011
Derivative financial instruments	6,989	-
Deferred tax liabilities	7,609	7,888
<b>Total non-current liabilities</b>	<b>568,725</b>	<b>368,767</b>
Loans and borrowings	896	8,820
Short term bank debt	15,733	15,500
Other liabilities	58,882	61,836
Trade and other payables	192,349	155,115
Derivative financial instruments	12,108	1,415
Advance payments	63,132	33,025
Current taxes payable	21,930	9,155
Provisions	28,559	20,381
<b>Total current liabilities</b>	<b>393,589</b>	<b>305,247</b>
<b>Total liabilities</b>	<b>962,314</b>	<b>674,014</b>
<b>Total equity and liabilities</b>	<b>1,283,174</b>	<b>956,603</b>

AMG Advanced Metallurgical Group N.V.  
Condensed Interim Consolidated Statement of Cash Flows

**For the nine months ended September 30**

*In thousands of US dollars*

	2018 Unaudited	2017 Unaudited
<b>Cash from operating activities</b>		
Profit for the year	65,110	42,370
Adjustments to reconcile net profit to net cash flows:		
<b>Non-cash:</b>		
Income tax expense	39,122	12,925
Depreciation and amortization	24,573	22,501
Asset impairment	3,200	811
Net finance costs	16,568	6,066
Gain on sale or disposal of property, plant and equipment	(1,065)	(43)
Equity-settled share-based payment transactions	4,610	6,624
Movement in provisions, pensions and government grants	7,002	(4,718)
Working capital and deferred revenue adjustments	(84,955)	(27,318)
<b>Cash generated from operating activities</b>	<b>74,165</b>	<b>59,218</b>
Finance costs paid, net	(11,949)	(5,813)
Income tax paid, net	(15,469)	(8,152)
<b>Net cash from operating activities</b>	<b>46,747</b>	<b>45,253</b>
<b>Cash used in investing activities</b>		
Proceeds from sale of property, plant and equipment	1,489	183
Insurance proceeds on property, plant and equipment	1,300	1,516
Acquisition of property, plant and equipment and intangibles	(55,043)	(52,677)
Change in restricted cash	-	1,883
Other	(31)	(11)
<b>Net cash used in investing activities</b>	<b>(52,285)</b>	<b>(49,106)</b>

AMG Advanced Metallurgical Group N.V.  
Condensed Interim Consolidated Statement of Cash Flows  
(continued)

**For the nine months ended September 30**

*In thousands of US dollars*

	2018 Unaudited	2017 Unaudited
<b>Cash from financing activities</b>		
Proceeds from issuance of debt	351,172	19,500
Payment of transaction costs related to the issuance of debt	(9,238)	-
Repayment of borrowings	(155,195)	(7,909)
Proceeds from issuance of common shares	15,923	14,370
Net repurchase of common shares	(9,558)	(12,434)
Dividends paid	(12,092)	(9,310)
<b>Net cash from financing activities</b>	<b>181,012</b>	<b>4,217</b>
 <b>Net increase in cash and cash equivalents</b>	 <b>175,474</b>	 <b>364</b>
 Cash and cash equivalents at January 1	 178,800	 160,744
Effect of exchange rate fluctuations on cash held	(4,385)	10,681
<b>Cash and cash equivalents at September 30</b>	<b>349,889</b>	<b>171,789</b>

*This press release contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.*

*This press release contains regulated information as defined in the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).*

## **About AMG**

AMG is a global critical materials company at the forefront of CO<sub>2</sub> reduction trends. AMG produces highly engineered specialty metals and mineral products and provides related vacuum furnace systems and services to the transportation, infrastructure, energy, and specialty metals & chemicals end markets.

AMG Critical Materials produces aluminum master alloys and powders, titanium alloys and coatings, ferrovanadium, natural graphite, chromium metal, antimony, lithium, tantalum, niobium and silicon metal. AMG Engineering designs, engineers, and produces advanced vacuum furnace systems and operates vacuum heat treatment facilities, primarily for the transportation and energy industries.

With approximately 3,300 employees, AMG operates globally with production facilities in Germany, the United Kingdom, France, the Czech Republic, the United States, China, Mexico, Brazil, India, Sri Lanka and Mozambique, and has sales and customer service offices in Russia and Japan ([www.amg-nv.com](http://www.amg-nv.com)).

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