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AMG Advanced Metallurgical Group N.V. Reports First Quarter 2013 Results

Key Highlights

- Revenue was \$296.5 million in the first quarter 2013, an 8% decrease from the same period in 2012
- EBITDA⁽¹⁾ was \$22.2 million in the first quarter 2013, a 1% increase over the same period in 2012
- EPS on a fully diluted basis was \$0.09 in the first quarter 2013, a 31% decrease from the same period in 2012
- AMG Processing generated revenue of \$153.1 million and EBITDA of \$8.7 million in the first quarter 2013
- AMG Engineering generated revenue of \$60.5 million and EBITDA of \$5.6 million in the first quarter 2013
- AMG Mining generated revenue of \$82.9 million and EBITDA of \$7.9 million in the first quarter 2013
- As of March 31, 2013, cash on the balance sheet was \$106.7 million; net debt was \$200.7 million

Amsterdam, 3 May 2013 (Regulated Information) --- AMG Advanced Metallurgical Group N.V. ("AMG", Euronext Amsterdam: "AMG") reported first quarter 2013 revenue of \$296.5 million, an 8% decrease from \$324.0 million in the first quarter 2012.

EBITDA increased 1% to \$22.2 million in the first quarter 2013 from \$22.0 million in the first quarter 2012. Net income attributable to shareholders for the first quarter 2013 was \$2.5 million, or \$0.09 per fully diluted share, a 31% decrease compared to the first quarter 2012. Net income attributable to shareholders for the first quarter 2012 was \$3.6 million, or \$0.13 per fully diluted share.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, "Business conditions remained challenging in the first quarter 2013. Revenue decreased due to the stagnant global economy; however, the decline was more than offset by cost reductions and operational improvements, resulting in a slight increase in EBITDA. In particular, AMG Mining and AMG Engineering reduced costs, generating increases in operating profit and EBITDA. AMG Processing continues to make strides to improve its cost structure and more work can be done. AMG is focusing primarily on generating cash flow."

Key Figures

In 000's US Dollar

Q1'13	Q1'12	Change
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Revenue	\$296,478	\$323,984	(8%)
Gross profit	48,258	53,437	(10%)
Gross margin	16.3%	16.5%	
Operating profit	11,040	11,363	(3%)
Operating margin	3.7%	3.5%	
Net profit attributable to shareholders	2,460	3,648	(33%)
EPS- Fully diluted	0.09	0.13	(31%)
EBIT ⁽¹⁾	13,532	14,886	(9%)
EBITDA ⁽²⁾	22,232	22,002	1%
EBITDA margin	7.5%	6.8%	

Note:

1. EBIT is defined as earnings before interest, tax and excludes non-recurring items
2. EBITDA is defined as earnings before interest, tax, depreciation and amortization and excludes non-recurring items

Operational Review

AMG Processing

	Q1'13	Q1'12	Change
Revenue	\$153,076	\$166,315	(8%)
Gross profit	19,925	25,182	(21%)
Operating profit	5,232	7,516	(30%)
EBITDA	8,713	12,562	(31%)
Capital expenditures	6,557	5,640	16%

AMG Processing's first quarter 2013 revenue decreased \$13.2 million, or 8%, to \$153.1 million. The decrease in revenue was primarily the result of 27%, 17%, and 11% decreases in revenue from chrome products, titanium master alloys, and ferrovandium, respectively, partially offset by an 8% increase in coating revenue, compared to the first quarter 2012. Prices and volumes decreased across most of AMG Processing's materials.

The first quarter 2013 gross margin decreased to 13%, from 15% in the first quarter 2012. The gross margin decline was caused by lower revenues resulting in lower economies of scale and the ramp up at the ferrovandium facility, slightly offset by a 68% increase in aluminum master alloy gross margins due to a reduction of low margin product sales and productivity improvements.

The first quarter 2013 EBITDA decreased \$3.8 million, to 6% of revenue from 8% of revenue in the first quarter 2012. The EBITDA decrease was the result of the \$5.3 million decrease in gross profit slightly offset by \$1.3 million decrease in SG&A personnel expenses.

Capital expenditures were \$6.6 million for the first quarter 2013, a 16% increase from the first quarter 2012. Growth capital investments made in the first quarter included \$4.7 million for the expansion of the spent catalyst recycling facility for ferrovandium production.

AMG Engineering

	Q1'13	Q1'12	Change
Revenue	\$60,511	\$68,035	(11%)
Gross profit	15,366	14,837	4%
Operating profit	1,597	887	80%
EBITDA	5,592	3,525	59%
Capital expenditures	318	1,076	(70%)

AMG Engineering's first quarter 2013 revenue decreased \$7.5 million, or 11%, to \$60.5 million. Revenue from casting and sintering furnace systems increased 74% to \$14.1 million. This increase was more than offset by 61%, 34%, and 7% decreases in revenues from heat treatment furnaces, remelting furnaces, and heat treatment services, respectively, compared to the first quarter 2012.

Order backlog decreased 20% to \$132.2 million at March 31, 2013 from \$165.3 million at December 31, 2012 as a number of orders were delayed until the second quarter. AMG Engineering generated order intake of \$30.9 million in the first quarter 2013, a 62% decrease compared to the first quarter 2012 and a 0.51x book to bill ratio. Heat treatment services were the largest portion of the order intake accounting for 39% of the total.

The first quarter 2013 gross margin increased to 25%, from 22% in the first quarter 2012. Improved profitability on certain large projects was the primary driver of the increase in gross margin. This was slightly offset by lower revenues, which resulted in a decline in economies of scale.

The first quarter 2013 EBITDA increased \$2.1 million, to 9% of revenue from 5% of revenue in the first quarter 2012. The EBITDA increase was primarily the result of the \$0.5 million increase in gross profit and the \$0.7 million decrease in research and development expenses.

Capital expenditures were \$0.3 million in the first quarter 2013, 70% less than the first quarter 2012. Capital investments in the first quarter were primarily maintenance capital expenditures for the heat treatment services business.

AMG Mining

	Q1 '13	Q1 '12	Change
Revenue	\$82,891	\$89,634	(8%)
Gross profit	12,967	13,418	(3%)
Operating profit	4,211	2,960	42%
EBITDA	7,927	5,915	34%
Capital expenditures	2,249	4,810	(53%)

AMG Mining's first quarter 2013 revenue decreased \$6.7 million, or 8%, to \$82.9 million. Volume declines caused revenue to decrease 21% and 8% for antimony and silicon metal, respectively. The decrease was partially offset by 16% and 3% increases in revenue from graphite and tantalum, respectively, compared to the first quarter 2012.

The first quarter 2013 gross margin increased to 16%, from 15% in the first quarter 2012. The gross margin increase was primarily the result of substantially improved

operational performance of the tantalum mine, slightly offset by 11% lower average silicon metal prices.

The first quarter 2013 EBITDA increased by \$2.0 million, to 10% of revenue from 7% of revenue in the first quarter 2012. The EBITDA increase was the result of the improvement in gross profit and a 9% decrease in SG&A due to cost containment measures.

Capital expenditures were \$2.2 million in the first quarter 2013, 53% less than the first quarter 2012. Capital expenditures were primarily composed of the Mozambique natural graphite mine exploration program.

Financial Review

For purposes of this release, AMG restated the December 31, 2012 statement of financial position and 2012 income statement to comply with new IFRS standards and interpretations. IAS 19R and IFRIC 20 were effective for periods beginning after January 1, 2013 and require restatement for comparability.

Tax

AMG recorded a tax expense of \$3.7 million, or a 65% effective tax rate in the first quarter 2013. In the first quarter 2013, AMG generated losses in countries where the benefits of those losses cannot be booked, thus generating a high effective tax rate.

SG&A

AMG's first quarter 2013 SG&A expenses were \$36.0 million, compared to \$39.0 million in the first quarter 2012, a decrease of 8%. The \$3.0 million decrease in SG&A expenses was due to a decrease in personnel and research and development costs.

Non-Recurring Items

AMG's first quarter 2013 \$11.0 million operating profit includes non-recurring items, which are not included in the calculation of EBITDA. These items are comprised of income and expense items, that in the view of management, do not arise in the normal course of business and items that, because of their nature and/or size, should be presented separately to enable better analysis of the results.

A summary of non-recurring items in the first quarter 2013 and 2012 are below:

For the three months ended	March 2013	March 2012
Non-recurring items included in operating profit:		
Restructuring expense	1,336	2,843
Environmental expense	33	728
Total non-recurring items included in operating profit	1,369	3,571

AMG incurred \$1.4 million of non-recurring items in the first quarter 2013, consisting of \$1.3 million for the management restructuring of AMG Engineering and less than \$0.1 million in environmental costs.

Currency Fluctuations

AMG transacts business in many currencies other than the U.S. dollar, the Company's reporting currency. AMG's financial statements are prepared in U.S. dollars, so fluctuations in the exchange rates between the U.S. dollar and other currencies have an effect both on the results of operations and on the reported value of assets and liabilities as measured in U.S. dollars. The appreciation in the value of the U.S. dollar as of March 31, 2013 compared to December 31, 2012, resulted in a decrease in the assets and liabilities on the balance sheet of \$18.6 million and \$12.6 million, respectively. The net result of the slight depreciation in the value of the U.S. dollar in the first quarter 2013 compared to the first quarter 2012, resulted in an increase in revenue and EBITDA of \$1.3 million and \$0.1 million, respectively.

Liquidity

	March 31, 2013	December 31, 2012	Change
Total debt	\$307,350	\$315,844	(3%)
Cash & short-term investments	106,697	121,639	(12%)
Net debt	200,653	194,205	3%

AMG had a net debt position of \$200.7 million as of March 31, 2013. AMG's net debt position increased \$6.4 million since December 31, 2012 primarily due to \$10.8 million increase in working capital and provisions, \$9.1 million in capital investments, \$6.4 million of cash tax payments, \$2.2 million of net cash interest payments, reduced by \$22.2 million of EBITDA. Including the \$106.7 million of cash, AMG had \$172.9 million of total liquidity as of March 31, 2013.

Cash Flow

	Q1'13	Q1'12
Net cash flows from (used in) operations	\$665	(\$3,066)
Capital expenditures	(9,124)	(11,526)
Cash flows from other investing activities	29	104
Net cash flows used in investing activities	(9,095)	(11,422)
Net cash flows (used in) from financing activities	(4,163)	14,642

Cash flows from operations were \$0.7 million in the first quarter 2013 compared to cash used in operations of \$3.1 million in the first quarter 2012. The first quarter 2013 cash flows from operations are primarily the result of \$22.2 million in EBITDA less \$10.8 million increase in working capital and provisions, \$6.4 million in cash tax payments and \$2.2 million in cash interest payments.

Cash used in investing activities was \$9.1 million in the first quarter 2013. The \$2.3 million decrease compared to the first quarter 2012 is primarily composed of a \$2.4 million decrease in capital investments.

Cash used in financing activities was \$4.2 million in the first quarter 2013 as the Company repaid balances on its revolving credit facility. In the first quarter 2012, AMG drew \$16.3 million on its revolving lines of credit, which was the primary driver for the \$14.6 million of cash flows from financing activities in that period. The borrowings on the revolving lines of credit in the first quarter 2012 were used to fund working capital increases as well as the acquisition of Graphit Kropfmühl shares and related transaction costs.

Outlook

AMG's markets, particularly for the European centric businesses, remain challenging. While AMG is addressing this low growth environment through securing long-term contracts, where possible, and focusing on cost reductions, global demand is expected to remain sluggish. AMG is making progress on reducing costs, achieving an 8% reduction in SG&A in the first quarter 2013. AMG believes that cost reductions and operational improvements will generate an increase in EBITDA and stable cash flows in 2013.

Composition of Supervisory Board

General Wesley Clark has asked the Supervisory Board of AMG to withdraw his nomination for re-appointment to the AMG Supervisory Board at AMG's 2013 Annual General Meeting. General Clark's term as a Supervisory Board member of AMG will end on May 13, 2013. The Supervisory Board of AMG wishes to thank General Clark for his six years of service to the Company.

AMG Advanced Metallurgical Group N.V. Consolidated Income Statement

For the period ended March 31

In thousands of US Dollars

	2013	2012
Continuing operations		(restated)
Revenue	296,478	323,984
Cost of sales	248,220	270,547
Gross profit	48,258	53,437
Selling, general and administrative expenses	36,017	38,971
Restructuring expense	1,336	2,843
Environmental expense	33	728
Other income, net	(168)	(468)
Operating profit	11,040	11,363

Finance expense	5,717	6,691
Finance income	(143)	(155)
Foreign exchange (gain) loss	(919)	409
Net finance costs	4,655	6,945
Share of (loss) profit of associates and joint ventures	(712)	166
Profit before income tax	5,673	4,584
Income tax expense	3,712	1,228
Profit for the period	1,961	3,356
Attributable to:		
Shareholders of the Company	2,460	3,648
Non-controlling interests	(499)	(292)
	1,961	3,356
Earnings per share		
Basic earnings per share	0.09	0.13
Diluted earnings per share	0.09	0.13

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

<i>In thousands of US Dollars</i>	March 31, 2013	December 31, 2012 (restated)
Assets		
Property, plant and equipment	281,786	288,269
Goodwill	24,278	24,751
Intangible assets	14,962	13,971
Investments in associates and joint ventures	6,449	7,351
Derivative financial instruments	133	527
Deferred tax assets	35,296	37,437
Restricted cash	11,829	11,888
Notes receivable	255	227
Other assets	21,894	22,262
Total non-current assets	396,882	406,683
Inventories	205,384	211,531
Trade and other receivables	187,193	177,232
Derivative financial instruments	3,380	3,229
Other assets	32,101	30,438
Cash and cash equivalents	106,697	121,639

Total current assets	534,755	544,069
Total assets	931,637	950,752

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

Equity

Issued capital	743	743
Share premium	382,176	382,176
Other reserves	(14,396)	(10,190)
Retained earnings (deficit)	(201,745)	(204,284)
Equity attributable to shareholders of the Company	166,778	168,445
Non-controlling interests	6,412	6,818
Total equity	173,190	175,263

Liabilities

Loans and borrowings	258,923	265,553
Employee benefits	132,821	137,957
Provisions	31,109	31,852
Deferred revenue	-	2,724
Government grants	447	472
Other liabilities	9,370	6,690
Derivative financial instruments	10,770	11,082
Deferred tax liabilities	29,381	28,102
Total non-current liabilities	472,821	484,432
Loans and borrowings	14,764	20,333
Short term bank debt	33,662	29,958
Government grants	54	55
Other liabilities	52,922	58,934
Trade and other payables	135,593	125,342
Derivative financial instruments	4,325	3,900
Advance payments	21,810	26,989
Deferred revenue	5,258	2,533
Current taxes payable	2,809	8,623
Provisions	14,429	14,390
Total current liabilities	285,626	291,057
Total liabilities	758,447	775,489
Total equity and liabilities	931,637	950,752

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

For the period ended March 31

In thousands of US Dollars

	2013	2012
Cash flows from (used in) operating activities		(restated)
Profit for the period	1,961	3,356
Adjustments to reconcile net profit to net cash flows:		
Non-cash:		
Income tax expense	3,712	1,228
Depreciation and amortization	8,700	7,116
Net finance costs	4,655	6,945
Share of loss (profit) of associates and joint ventures	712	(166)
Loss on sale or disposal of property, plant and equipment	107	28
Equity-settled share-based payment transactions	205	362
Movement in provisions, pensions and government grants	(1,597)	3,155
Change in working capital	(9,242)	(18,745)
Cash flows from operating activities	9,213	3,279
Finance costs paid, net	(2,192)	(3,114)
Income tax paid, net	(6,356)	(3,231)
Net cash flows from (used in) operating activities	665	(3,066)
Cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	12	32
Acquisition of property, plant and equipment and intangibles	(9,124)	(11,526)
Change in restricted cash	(20)	78
Other	37	(6)
Net cash flows used in investing activities	(9,095)	(11,422)
Cash flows (used in) from financing activities		
Proceeds from issuance of debt	-	16,298
Repayment of borrowings	(4,159)	(1,628)
Acquisition of non-controlling interests	-	(76)
Other	(4)	48
Net cash flows (used in) from financing activities	(4,163)	14,642
Net (decrease) increase in cash and cash equivalents	(12,593)	154
Cash and cash equivalents at January 1	121,639	79,571
Effect of exchange rate fluctuations on cash held	(2,349)	1,515
Cash and cash equivalents at March 31	106,697	81,240

The notes are an integral part of these consolidated financial statements.

About AMG

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 consists of three segments: AMG Processing, AMG Engineering and AMG Mining.

AMG Processing develops and produces specialty metals, alloys and high performance materials. AMG is a significant producer of specialty metals, such as ferrovandium, ferronickel-molybdenum, aluminum master alloys and additives, chromium metal and ferrotitanium for Energy, Aerospace, Infrastructure and Specialty Metal and Chemicals applications. Other key products include specialty alloys for titanium and superalloys, coating materials and vanadium chemicals.

AMG Engineering designs, engineers and produces advanced vacuum furnace systems and operates vacuum heat treatment facilities, primarily for the Aerospace and Energy (including solar and nuclear) industries. Furnace systems produced by AMG include vacuum remelting, solar silicon melting and crystallization, vacuum induction melting, vacuum heat treatment and high pressure gas quenching, turbine blade coating and sintering. AMG also provides vacuum case-hardening heat treatment services on a tolling basis.

AMG Mining produces critical materials utilizing its secure raw material sources in Africa, Asia, Europe and South America. AMG Mining produces critical materials such as high purity natural graphite, tantalum, antimony and silicon metal. These materials are of significant importance to the global economy and are available in limited supply. End markets for these materials include electronics, energy efficiency, green energy and infrastructure.

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 and has sales and customer service offices in Belgium, Russia and Japan (www.amg-nv.com).

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Disclaimer

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1. EBITDA is defined as earnings before interest, tax, depreciation and amortization and excludes nonrecurring items

[Q1 2013](#)