



AMG Advanced Metallurgical Group N.V. Reports Second Quarter 2019 Results and Updates Full Year 2019 Guidance

Financial Highlights

- Revenue decreased by 8% to \$303.6 million in the second quarter 2019 from \$329.3 million in the second quarter 2018
- EBITDA⁽²⁾ was \$23.8 million in the second quarter 2019, a 53% decrease over the same period in 2018
- Annualized return on capital employed was 19.0% in the second quarter 2019, as compared to 30.6% in the second quarter 2018
- AMG has returned \$81 million to shareholders in 2019 through its share repurchase program and dividend payments
- AMG declares an interim dividend of €0.20 per ordinary share, unchanged from the interim dividend in the prior year

Amsterdam, 31 July 2019 (Regulated Information) --- AMG Advanced Metallurgical Group N.V. ("AMG", Euronext Amsterdam: "AMG") reported second quarter 2019 revenue of \$303.6 million, an 8% decrease from \$329.3 million in the second quarter 2018. EBITDA for the second quarter 2019 was \$23.8 million, a 53% decrease from \$50.7 million in the second quarter 2018, largely due to lower vanadium prices versus the second quarter of last year. EBIT decreased 68% to \$13.7 million in the second quarter 2019 from \$42.8 million in the second quarter 2018.

Revenue was relatively stable with an 8% drop in the second quarter 2019. The 53% decrease in EBITDA to \$23.8 million was largely due to the Critical Materials segment, which achieved an EBITDA of \$12.4 million in the second quarter 2019. That drop is almost entirely explained by prices of ferrovanadium, as well as chrome metal prices and additional ramp-up costs of the lithium concentrate plant. Actual production in June averaged 85% of capacity for the month.

AMG Technologies achieved an EBITDA of \$11.4 million, a 20% decrease from the second quarter of 2018, due to lower profitability in Titanium Alloys and Coatings and timing effects in the Engineering business.

Second quarter net income, adjusted for the non-cash impairments, was \$6.0 million. The 2019 interim dividend of €0.20 per ordinary share is unchanged from the interim dividend of €0.20 per ordinary share in the prior year.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, "We obviously had a disappointing quarter. Profitability was negatively impacted by deteriorating market prices as current spot prices across all of AMG's portfolio are significantly below the prices which we experienced in the first quarter of 2019.

The second quarter of 2019 was particularly impacted by an unusual market price development in vanadium over the past several quarters. Market prices climbed consistently from the beginning of 2018 into the first quarter of 2019 and then plunged in a very short period beginning late in the first quarter of 2019 until present. We have seen spikes and crashes in the vanadium market before, however, this pattern is unique in the history of the metal. Traditionally, vanadium prices follow a consistent pattern - a short spike followed by a swift decline. This parallel pattern has a minimal effect on our inventory position as we build only a limited volume of high-priced inventory in the short spike period. In contrast, the sustained period of price acceleration in 2018 and into 2019 resulted in the buildup of a significant volume of high-priced vanadium inventory. This unusual pattern resulted in a substantial impact to our profitability as our inventory position experienced cost adjustments due to the sudden and severe decline in market price which eliminate the profitability on sales for the entire working capital cycle.

Despite the decline in price, if you exclude the transitional implications of the higher cost inventory on profitability, AMG's vanadium business is robust and very profitable at the current market price. Additionally, we believe that the profitability associated with catalyst recycling will benefit dramatically over the next several years from the various macro trends impacting the industry."

Key Figures

In 000's US dollar

	Q2 '19	Q2 '18	Change
Revenue	\$303,612	\$329,321	(8%)
Gross (loss) profit	(4,159)	79,161	N/A
Gross margin	(1.4%)	24.0%	
Operating (loss) profit	(37,885)	42,019	N/A
Operating margin	(12.5%)	12.8%	
Net (loss) income attributable to shareholders	(31,096)	17,309	N/A
Adjusted net income	5,953	16,546	(64%)
EPS - Fully diluted	(1.02)	0.54	N/A

EBIT (1)	13,660	42,751	(68%)
EBITDA (2)	23,791	50,749	(53%)
EBITDA margin	7.8%	15.4%	
Cash (used in) operating activities	(11,027)	(1,197)	N/M

Note:

1. EBIT is defined as earnings before interest and income taxes. EBIT excludes restructuring, asset impairment 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

	Q2 '19	Q2 '18	Change
Revenue	\$198,512	\$223,788	(11%)
Gross (loss) profit	(25,189)	51,623	N/A
<i>Gross profit excluding exceptional items</i>	22,564	51,469	(56%)
Operating (loss) profit	(43,029)	30,780	N/A
EBITDA	12,385	36,579	(66%)

AMG Critical Materials' revenue in the second quarter decreased by \$25.3 million, or 11%, to \$198.5 million, driven largely by lower average prices across all seven business units during the quarter, partially offset by higher sales volumes of chrome metal, antimony, silicon metal, and lithium.

Gross (loss) profit in the second quarter decreased by \$76.8 million to (\$25.2) million. The reduction in gross profit was largely driven by lower vanadium profitability including a non-cash expense related to a vanadium inventory adjustment. In addition, AMG recorded non-cash impairments of \$5.2 million associated with capitalized costs for the engineering of Spodumene II in the second quarter 2019.

SG&A expenses in the second quarter of 2019 decreased by \$3.0 million, or 14%, compared to the same period in the prior year, primarily due to lower variable compensation expense.

The second quarter 2019 EBITDA margin was 6% due to lower profitability in the quarter.

AMG Technologies

	Q2 '19	Q2 '18	Change
Revenue	\$105,100	\$105,533	–
Gross profit	21,030	27,538	(24%)
<i>Gross profit excluding exceptional items</i>	23,441	27,610	(15%)
Operating profit	5,144	11,239	(54%)
EBITDA	11,406	14,170	(20%)

Despite an 11% decrease versus March 31, 2019, order backlog maintained a high level of \$198.5 million as of June 30, 2019 and the Company signed \$33.2 million in new orders during the second quarter of 2019. This represents a 0.54x book to bill ratio. This lower book to bill ratio was negatively impacted by timing, as several large orders were delayed into the third quarter. Order intake of over \$40 million was achieved in July, driven by strong orders of turbine blade coating and induction furnaces for the aerospace market.

AMG Technologies' second quarter 2019 revenue was relatively unchanged versus the prior year as revenue generated from the delivery of turbine blade coating furnaces and nuclear waste recycling furnaces remained strong.

Second quarter 2019 gross profit decreased by \$6.5 million, or 24%, to \$21.0 million and gross margin was 20% compared to 26% in the second quarter 2018, due to lower prices in the Titanium Alloys and Coatings business during the quarter.

SG&A expenses decreased slightly to \$15.9 million in the second quarter, compared to \$16.3 in the same period in 2018, primarily due to lower variable compensation expense.

AMG Technologies' second quarter EBITDA decreased by 20%, or \$2.8 million, to \$11.4 million from \$14.2 million in the second quarter of 2018 due to lower prices in the Titanium Alloys and Coatings business and timing effects in the Engineering business.

Financial Review

Tax

AMG recorded an income tax benefit of \$13.5 million in the second quarter 2019 as compared to a tax expense of \$19.5 million in the same

period in 2018. The tax benefit is due primarily to losses in the United States related to the decline in vanadium profitability and vanadium inventory cost adjustments in the current year.

AMG paid taxes of \$6.3 million in the second quarter 2019 as compared to tax payments of \$7.0 million in the same period in 2018. As a result of the year-over-year volatility in income and the timing of cash tax payments, the present cash tax rate is not indicative of the current year performance as payments in the current year are reflective of the income in 2018 and not 2019 which is significantly impacted by the decline in vanadium prices. We do believe that once earnings have stabilized, the cash tax rate is the more meaningful metric with regards to AMG's taxes due to the volatile nature of the company's deferred tax balances.

Exceptional Items

AMG's second quarter 2019 gross loss of (\$4.2) million includes exceptional items, which are not included in the calculation of EBITDA.

A summary of exceptional items included in gross profit in the second quarter of 2019 and 2018 are below:

Exceptional items included in gross (loss) profit

	Q2 '19	Q2 '18	Change
Gross (loss) profit	(\$4,159)	\$79,161	N/A
Restructuring expense	144	950	(85%)
Inventory cost adjustment	44,796	–	N/A
Asset impairment expense (recovery)	5,224	(1,032)	N/A
Gross profit excluding exceptional items	46,005	79,079	(42%)

AMG had a \$44.8 million exceptional non-cash expense related to a net realizable value adjustment to the vanadium inventory cost position on June 30, 2019. This adjustment was driven by a combination of the high vanadium prices at which the Company purchased its inventory in the end of 2018 and beginning of 2019 and the lower comparable price on June 30, 2019. The vanadium price nearly doubled from September to November of 2018, and then declined dramatically. This exceptional price movement impacted our inventory cost position and resulted in a non-cash balance sheet adjustment which has been adjusted in EBITDA.

AMG also recorded non-cash impairments of \$5.2 million associated with capitalized costs for the engineering of Spodumene II in the second quarter 2019. In AMG Brazil, the Company has decided to shift attention to increasing capacity at the Spodumene I plant. This project is known as Spodumene I+, and the Company expects it to add an incremental thirty thousand tons of capacity. The significant advantage of Spodumene I+ over Spodumene II is that Spodumene I+ can be done within the infrastructure of Spodumene I and therefore implies substantially lower capital expenditures and a higher return on capital employed compared to Spodumene II. The decision to pursue Spodumene I+ resulted in having to write-off the capitalized preliminary engineering expense associated with Spodumene II.

Liquidity

	June 30, 2019	December 31, 2018	Change
Total debt	\$380,435	\$381,444	–
Cash and cash equivalents	271,732	381,900	(29%)
Net debt (cash)	108,703	(456)	N/A

AMG had a net debt position of \$108.7 million as of June 30, 2019. Net debt increased by \$109.2 million mainly due to AMG returning \$81.4 million in cash to shareholders through the share buyback program and dividends, as well as capital expenditures related to our expansion projects.

Cash (used in) operating activities decreased by \$9.8 million to (\$11.0) million in the second quarter of 2019 compared to the same period in 2018, primarily due to lower profitability.

Capital expenditures decreased to \$12.4 million in the second quarter of 2019 compared to \$18.4 million in the same period in 2018. Capital spending in the second quarter 2019 included \$3.5 million of maintenance capital. The remaining \$8.9 million of capital spending is primarily attributable to expansion projects at AMG's vanadium, titanium aluminide, lithium and heat treatment facilities.

Including the \$271.7 million of cash, AMG had \$441.4 million of total liquidity as of June 30, 2019.

Net Finance Costs

AMG's second quarter 2019 net finance costs increased to \$6.8 million compared to \$5.3 million in the second quarter 2018. This increase is primarily driven by interest expense associated with lease liabilities due to the adoption of IFRS16 on January 1, 2019.

SG&A

AMG's second quarter 2019 SG&A expenses were \$33.8 million compared to \$37.2 million in the second quarter of 2018, primarily due to lower variable compensation expense.

Subsequent Events

On July 11, 2019, AMG closed on a \$307 million tax-exempt bond, generating proceeds of \$325 million. The bond is unsecured, has a 30-year maturity and yields 4.28%. The use of proceeds will be to build a catalyst recycling facility near its current recycling facility in

Outlook

In the short-term, our financial results will be impacted by lower prices as we work through our higher cost inventories. Current spot prices across all of AMG's portfolio are significantly below the prices we experienced in the first quarter of 2019. As such we have decided to update our full year EBITDA guidance for 2019 from the previously announced target of \$150 million to \$120 million.

Regarding our long-term guidance, we are extremely pleased with the advancement of our strategic projects. We made excellent progress in operating Spodumene I during the quarter. The plant operated at 85% of capacity during June and we continue to increase production levels. With respect to our vanadium strategy, substantial advancements were made during the quarter as we secured all the necessary financing to build a new catalyst recycling facility near our current recycling facility in Cambridge, Ohio. Lastly, the evaluation of a separate listing of AMG Technologies is progressing as planned.

These transformational projects in lithium, catalyst recycling and in AMG Technologies confirm our confidence in our long-term guidance. Our long-term guidance therefore remains unchanged at an EBITDA level of \$350 million, or more, in 5 years, or less.

Net income to EBITDA reconciliation

	Q2 '19	Q2 '18	YTD '19	YTD '18
Net (loss) income	(\$31,185)	\$17,225	(\$16,482)	35,558
Income tax (benefit) expense	(13,474)	19,456	(\$7,598)	29,161
Net finance cost*	6,578	4,743	15,430	11,321
Equity-settled share-based payment transactions	1,611	1,371	2,729	3,005
Restructuring expense	144	950	91	1,139
Inventory cost adjustment	44,796	–	54,679	–
Asset impairment expense	5,224	(1,032)	5,224	(1,032)
Others	(34)	38	(25)	(145)
EBIT	13,660	42,751	54,048	79,007
Depreciation and amortization	10,131	7,998	20,166	16,222
EBITDA	23,791	50,749	74,214	95,229

*Excludes foreign exchange expense (income).

Net income adjusted for non-cash impairments

	Q2 '19	Q2 '18	YTD '19	YTD '18
Net (loss) income	(\$31,185)	\$17,225	(\$16,482)	\$35,558
Inventory cost adjustment, net of tax	33,690	–	41,026	–
Asset impairment expense, net of tax	3,448	(679)	3,448	(679)
Adjusted net income	5,953	16,546	27,992	34,879

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

For the quarter ended June 30

In thousands of US dollars

	2019	2018
	Unaudited	Unaudited
Continuing operations		
Revenue	303,612	329,321
Cost of sales	307,771	250,160
Gross (loss) profit	(4,159)	79,161
Selling, general and administrative expenses	33,818	37,179
Net other operating income	92	37
Operating (loss) profit	(37,885)	42,019
Finance income	(1,389)	(864)
Finance cost	8,163	6,202
Net finance cost	6,774	5,338
(Loss) profit before income tax	(44,659)	36,681

Income tax (benefit) expense	(13,474)	19,456
(Loss) profit for the period	(31,185)	17,225
Attributable to:		
Shareholders of the Company	(31,096)	17,309
Non-controlling interests	(89)	(84)
(Loss) profit for the period	(31,185)	17,225
(Loss) earnings per share		
Basic (loss) earnings per share	(1.02)	0.57
Diluted (loss) earnings per share	(1.02)	0.54

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

For the six months ended June 30

In thousands of US dollars

	2019	2018
	Unaudited	Unaudited
Continuing operations		
Revenue	650,135	637,769
Cost of sales	587,174	488,490
Gross profit	62,961	149,279
Selling, general and administrative expenses	71,175	72,805
Net other operating income	125	124
Operating (loss) profit	(8,089)	76,598
Finance income	(2,360)	(1,382)
Finance cost	18,351	13,261
Net finance cost	15,991	11,879
(Loss) profit before income tax	(24,080)	64,719
Income tax (benefit) expense	(7,598)	29,161
(Loss) profit for the period	(16,482)	35,558
Attributable to:		
Shareholders of the Company	(16,269)	35,698
Non-controlling interests	(213)	(140)
(Loss) profit for the period	(16,482)	35,558
(Loss) earnings per share		
Basic (loss) earnings per share	(0.54)	1.19
Diluted (loss) earnings per share	(0.54)	1.12

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

In thousands of US dollars

	June 30, 2019	December 31,
	Unaudited	2018
Assets		
Property, plant and equipment	363,242	327,951
Goodwill and other intangible assets	34,865	35,130
Derivative financial instruments	1,206	7,592

Other investments	22,786	21,452
Deferred tax assets	49,025	34,112
Restricted cash	907	1,715
Other assets	16,457	11,266
Total non-current assets	488,488	439,218
Inventories	262,912	316,715
Derivative financial instruments	2,029	1,335
Trade and other receivables	153,697	138,530
Other assets	40,922	39,570
Current tax assets	6,714	3,668
Cash and cash equivalents	271,732	381,900
Total current assets	738,006	881,718
Total assets	1,226,494	1,320,936

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

<i>In thousands of US dollars</i>	June 30, 2019 Unaudited	December 31, 2018
Equity		
Issued capital	831	812
Share premium	489,546	462,891
Treasury shares	(66,704)	(347)
Other reserves	(102,819)	(104,274)
Retained earnings (deficit)	(94,257)	(39,158)
Equity attributable to shareholders of the Company	226,597	319,924
Non-controlling interests	23,859	24,119
Total equity	250,456	344,043
Liabilities		
Loans and borrowings	363,347	356,997
Lease liabilities*	32,088	-
Employee benefits	156,445	149,217
Provisions	29,270	32,527
Other liabilities	5,041	4,371
Derivative financial instruments	5,397	5,148
Deferred tax liabilities	4,254	7,930
Total non-current liabilities	595,842	556,190
Loans and borrowings	9,588	8,947
Lease liabilities*	3,720	-
Short-term bank debt	7,500	15,500
Other liabilities	56,476	61,120
Trade and other payables	186,686	230,939
Derivative financial instruments	5,493	8,267
Advance payments	60,484	50,210
Current tax liability	24,579	19,675
Provisions	25,670	26,045
Total current liabilities	380,196	420,703
Total liabilities	976,038	976,893
Total equity and liabilities	1,226,494	1,320,936

*The Company applied IFRS 16 (lease accounting) for the first time as of January 1, 2019. The Company recognized new assets and liabilities for its operating leases which are primarily comprised of buildings, equipment, machinery and automobiles. Right of use assets are included within property, plant and equipment and classified in the same manner as if the underlying assets were owned by the Company. The lease liabilities are presented as a separate line item on the consolidated statement of financial position. The nature and pattern of expense recognition in relation to these leases has changed. The Company recognizes depreciation on the right of use assets on a straight-line basis over the expected term of the lease. Interest expense related to the lease liabilities are recognized over the expected term of the lease using the effective interest method. Comparative figures have not been adjusted. Assets and liabilities increased per January 1, 2019 by \$37 million.

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

For the six months ended June 30

In thousands of US dollars

	2019	2018
	Unaudited	Unaudited
Cash (used in) from operating activities		
(Loss) profit for the period	(16,482)	35,558
Adjustments to reconcile net (loss) profit to net cash flows:		
Non-cash:		
Income tax (benefit) expense	(7,598)	29,161
Depreciation and amortization	20,166	16,222
Asset impairments	5,224	(1,032)
Net finance cost	15,991	11,879
Gain on sale or disposal of property, plant and equipment	(102)	(42)
Equity-settled share-based payment transactions	2,729	3,005
Movement in provisions, pensions and government grants	(4,168)	4,675
Working capital and deferred revenue adjustments	3,018	(58,607)
Cash generated from operating activities	18,778	40,819
Finance costs paid, net	(12,752)	(7,992)
Income tax paid, net	(10,118)	(9,216)
Net cash (used in) from operating activities	(4,092)	23,611
Cash used in investing activities		
Proceeds from sale of property, plant and equipment	295	122
Insurance proceeds on property, plant and equipment	-	1,300
Acquisition of property, plant and equipment and intangibles	(25,111)	(41,017)
Change in restricted cash	808	-
Other	8	(37)
Net cash used in investing activities	(24,000)	(39,632)

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

For the six months ended June 30

In thousands of US dollars

	2019	2018
	Unaudited	Unaudited
Cash (used in) from financing activities		
Proceeds from issuance of debt	-	346,336
Payment of transaction costs related to the issuance of debt	-	(9,238)
Repayment of borrowings	(1,750)	(155,082)
Proceeds from issuance of common shares	3,100	15,923
Net repurchase of common shares	(71,033)	(9,853)
Dividends paid	(10,335)	(5,013)
Payment of lease liabilities	(1,914)	-
Net cash (used in) from financing activities	(81,932)	183,073
Net (decrease) increase in cash and cash equivalents	(110,024)	167,052
Cash and cash equivalents at January 1	381,900	178,800
Effect of exchange rate fluctuations on cash held	(144)	(3,315)
Cash and cash equivalents at June 30	271,732	342,537

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 CO₂ 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, ferrovanadium, natural graphite, chromium metal, antimony, lithium, tantalum, niobium and silicon metal. AMG Technologies produces titanium aluminides and titanium alloys for the aerospace market; 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).

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Disclaimer

Certain statements in this press release are not historical facts and are “forward looking.” Forward looking statements include statements concerning AMG’s plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans and intentions relating to acquisitions, AMG’s competitive strengths and weaknesses, plans or goals relating to forecasted production, reserves, financial position and future operations and development, AMG’s business strategy and the trends AMG anticipates in the industries and the political and legal environment in which it operates and other information that is not historical information. When used in this press release, the words “expects,” “believes,” “anticipates,” “plans,” “may,” “will,” “should,” and similar expressions, and the negatives thereof, are intended to identify forward looking statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These forward-looking statements speak only as of the date of this press release. AMG expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in AMG’s expectations with regard thereto or any change in events, conditions, or circumstances on which any forward-looking statement is based.

Attachment

- 1 [Second Quarter 2019 Results & Updated Guidance](#)