



AMG ADVANCED METALLURGICAL GROUP N.V. REPORTS RECORD FULL YEAR AND FOURTH QUARTER 2018 RESULTS

Key Highlights

- Revenue increased by 23% to \$344.4 million in the fourth quarter of 2018 from \$280.7 million in the fourth quarter of 2017
- EBITDA⁽²⁾ was \$62.8 million in the fourth quarter of 2018, a 90% increase over the same period in 2017
- Full year 2018 EBITDA was the highest in AMG's history, increasing by 73% to \$217.1 million, from \$125.5 million in the prior year
- EPS, on a fully diluted basis, increased by 104% to \$0.92 in the fourth quarter of 2018 from \$0.45 in the fourth quarter of 2017
- Full year 2018 EPS, the highest in AMG's history, increased by 65% to \$2.97 per fully diluted share from \$1.80 per share in 2017
- Return on capital employed increased to 35.4% in 2018, as compared to 21.2% in 2017
- Operating cash flow was \$97.4 million in 2018, a 24% increase over 2017, enabling AMG to end the year in a net cash position
- Total 2018 dividend proposed of €0.50 per ordinary share, including the interim dividend of €0.20, paid on August 14, 2018, an increase of 79% over the prior year's total dividend of €0.28

Amsterdam, 28 February 2019 (Regulated Information) --- AMG Advanced Metallurgical Group N.V. ("AMG", Euronext Amsterdam: "AMG") reported fourth quarter 2018 revenue of \$344.4 million, a 23% increase from \$280.7 million in the fourth quarter of 2017. EBITDA for the fourth quarter of 2018 was \$62.8 million, a 90% increase from \$33.0 million in the fourth quarter of 2017. On a full year basis, EBITDA increased by 73% to \$217.1 million, from \$125.5 million in the prior year.

Net income attributable to shareholders increased to \$29.0 million in the fourth quarter of 2018 from \$14.3 million in the fourth quarter of 2017. EPS, on a fully diluted basis, increased by 104% to \$0.92 in the fourth quarter of 2018 from \$0.45 in the fourth quarter of 2017. On a full year basis, net income attributable to shareholders increased by 66% to \$94.6 million in 2018 from \$57.0 million in 2017. EPS, on a fully diluted basis, increased by 65% to \$2.97 in 2018 from \$1.80 in 2017.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, “Very strong financial results in the fourth quarter of 2018 resulted in the highest EBITDA and earnings per share in the Company’s history.

“AMG Critical Materials generated EBITDA of \$55.7 million during the fourth quarter of 2018, an increase of 107% from \$26.9 million in the fourth quarter of 2017, due to a combination of higher vanadium prices, as well as improved product mix and strong sales volumes across much of the Critical Materials portfolio.

“AMG Engineering signed \$315.9 million in new orders during 2018, representing a 1.22x book to bill ratio. Order backlog was \$241.4 million as of December 31, 2018, a 17% increase from \$207.0 million as of December 31, 2017. AMG Engineering achieved EBITDA of \$7.1 million during the fourth quarter of 2018, an increase of \$1.0 million compared to the fourth quarter of 2017, driven by higher profitability generated from the delivery of casting furnaces and increased after-sales services during the quarter.

“In the fourth quarter of 2018, AMG generated cash from operating activities of \$50.7 million, an increase of \$17.4 million, or 52%, over the same period in 2017. On a full year basis, AMG generated cash from operating activities of \$97.4 million in 2018, an increase of \$18.9 million, or 24%, compared to the same period in 2017.”

Key Figures

In 000's US dollar

	Q4 '18	Q4 '17	Change	FY '18	FY '17	Change
Revenue	\$344,448	\$280,699	23%	\$1,310,288	\$1,059,651	24%
Gross profit	86,341	56,507	53%	315,175	214,627	47%
Gross margin	25.1%	20.1%		24.1%	20.3%	
Operating profit	42,461	18,391	131%	163,261	79,752	105%
Operating margin	12.3%	6.6%		12.5%	7.5%	
Net income attributable to shareholders	28,980	14,331	102%	94,616	56,965	66%
EPS - Fully diluted	0.92	0.45	104%	2.97	1.80	65%
EBIT ⁽¹⁾	54,327	24,629	121%	184,099	94,598	95%
EBITDA ⁽²⁾	62,788	33,027	90%	217,133	125,497	73%
EBITDA margin	18.2%	11.8%		16.6%	11.8%	
Cash from operating activities	50,675	33,272	52%	97,422	78,525	24%

Notes:

- (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

	Q4 '18	Q4 '17	Change	FY '18	FY '17	Change
Revenue	\$272,939	\$213,963	28%	\$1,050,460	\$814,446	29%
Gross profit	65,924	39,325	68%	241,452	149,871	61%
Gross profit before non-recurring items	66,623	40,113	66%	246,837	152,825	62%
Operating profit	37,324	14,350	160%	143,089	62,608	129%
EBITDA	55,665	26,907	107%	190,132	99,967	90%

AMG Critical Materials' revenue in the fourth quarter increased by \$59.0 million, or 28%, to \$272.9 million, driven by substantially improved vanadium prices, as well as price increases for aluminum products, chrome metal, and titanium products, and higher sales volumes of aluminum products.

Gross profit before non-recurring items in the fourth quarter increased by \$26.5 million, or 66%, to \$66.6 million. Strong financial performances in vanadium, chrome metal, titanium alloys and graphite in the quarter were partially offset by lower gross profit in silicon metal and in Brazil. Profitability in our tantalum and lithium mine in Brazil was adversely affected by lithium start-up costs and lower prices. Titanium alloys benefited from the early termination of a customer contract.

SG&A expenses in the fourth quarter of 2018 decreased by \$2.0 million, or 9%, compared to the same period in the prior year, due to lower personnel costs and professional fees.

EBITDA increased by \$28.8 million, or 107%, to \$55.7 million in the fourth quarter of 2018 due to higher levels of gross profit.

AMG Engineering

	Q4 '18	Q4 '17	Change	FY '18	FY '17	Change
Revenue	\$71,509	\$66,736	7%	\$259,828	\$245,205	6%
Gross profit	20,417	17,182	19%	73,723	64,756	14%
Gross profit before non-recurring items	20,415	17,514	17%	73,723	65,509	13%
Operating profit	5,137	4,041	27%	20,172	17,144	18%
EBITDA	7,123	6,120	16%	27,001	25,530	6%

AMG Engineering signed \$67.8 million in new orders during the fourth quarter of 2018, representing a 0.95x book to bill ratio, due to strong orders of turbine blade coating and heat treatment furnaces. Order backlog was \$241.4 million as of December 31, 2018, a 17% increase from \$207.0 million as of December 31, 2017. On a full year basis, AMG Engineering signed \$315.9 million in new orders, representing a 1.22x book to bill ratio.

AMG Engineering's fourth quarter 2018 revenue increased by \$4.8 million, or 7%, to \$71.5 million, due to higher sales of turbine blade coating and vacuum induction furnaces and an increase in after-sales service revenues, partially offset by lower sales of remelting and heat treatment furnaces.

Fourth quarter 2018 gross profit before non-recurring items increased by \$2.9 million, or 17%, to \$20.4 million, and gross margin before non-recurring items improved to 29% from 26% in the fourth quarter of 2017, due to product mix effects.

SG&A expenses increased by \$2.2 million, or 17%, in the fourth quarter of 2018 compared to the fourth quarter of 2017, due to higher employee related expenses partly associated with increased hiring to grow our after-sales business.

EBITDA increased by \$1.0 million to \$7.1 million in the fourth quarter of 2018, due to higher levels of gross profit before non-recurring items, partially offset by higher SG&A expenses. On a full year basis, EBITDA in 2018 rose by 6% from \$25.5 million in 2017 to \$27.0 million.

Financial Review

Tax

AMG recorded an income tax expense of \$45.0 million in 2018 as compared to \$13.9 million in 2017. The increase in income tax expense was driven by the full recognition of AMG's US operating loss carryforwards in the prior year and higher levels of profitability in 2018.

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. In the fourth quarter of 2018, AMG benefited from operating loss carryforwards that offset taxes payable. As a result of high pre-tax profitability, AMG paid taxes of \$21.3 million in 2018 as compared to \$10.3 million in 2017. For 2018, AMG's effective cash tax rate was 15%, as compared to 14% in 2017.

Non-Recurring Items

AMG's fourth quarter 2018 and full year 2018 gross profit include non-recurring items, which are not included in the calculation of EBITDA.

A summary of non-recurring items in 2018 and 2017 are below:

Non-recurring items included in gross profit

	Q4 '18	Q4 '17	Change	FY '18	FY '17	Change
Gross profit	\$86,341	\$56,507	53%	\$315,175	\$214,627	47%
Restructuring expense	564	771	(27%)	2,052	2,547	(19%)
Asset impairment expense	133	349	(62%)	3,333	1,160	187%
Gross profit before non-recurring items	87,038	57,627	51%	320,560	218,334	47%

Gross profit before non-recurring items by reporting segment

	Q4 '18	Q4 '17	Change	FY '18	FY '17	Change
AMG Critical Materials	\$66,623	\$40,113	66%	\$246,837	\$152,825	62%
AMG Engineering	20,415	17,514	17%	73,723	65,509	13%
Gross profit before non-recurring items	87,038	57,627	51%	320,560	218,334	47%

Non-recurring environmental expense

	Q4 '18	Q4 '17	Change	FY '18	FY '17	Change
Environmental expense	8,722	3,092	182%	8,757	3,092	183%

During the fourth quarter of 2018, AMG recorded non-recurring environmental expense of \$8.7 million, the majority of which was related to its Newfield, New Jersey site, which is not included in the calculation of EBITDA.

Liquidity

	December 31, 2018	December 31, 2017	Change
Total debt	\$381,444	\$189,108	102%
Cash and cash equivalents	381,900	178,800	114%
Net (cash) debt	(456)	10,308	N/A

AMG had a net cash position of \$0.5 million as of December 31, 2018. Net debt decreased by \$10.8 million from December 31, 2017, while gross debt increased by \$192.3 million.

Cash from operating activities increased to \$97.4 million in 2018 from \$78.5 million in 2017.

Capital expenditures decreased to \$73.0 million in 2018 compared to \$80.9 million in 2017. Capital spending in 2018 included \$27.9 million of maintenance capital, compared to \$32.0 million in 2017. The largest expansion capital project in 2018 was AMG's lithium project in Brazil.

Including the \$381.9 million of cash, AMG had \$551.5 million of total liquidity as of December 31, 2018.

Net Finance Costs

AMG's fourth quarter 2018 net finance costs were \$6.9 million compared to \$2.3 million in the fourth quarter of 2017. The increase was primarily due to higher interest rates and higher outstanding gross debt associated with AMG's new, long-term credit facility.

SG&A

AMG's fourth quarter 2018 SG&A expenses were \$35.1 million, a slight increase of 1% from the same period in the prior year.

Full year 2018 SG&A expenses were \$143.6 million, a 9% increase from \$132.3 million in 2017, primarily due to an increase in personnel costs.

Final Dividend Proposed

AMG intends to declare a dividend of €0.50 per ordinary share over the financial year 2018. The interim dividend of €0.20, paid on August 14, 2018, will be deducted from the amount to be distributed to shareholders. The proposed final dividend per ordinary share therefore amounts to €0.30.

A proposal to resolve upon the final dividend distribution will be included on the agenda for the Annual General Meeting to be held on May 1, 2019.

Outlook

As regards outlook, our last long-term guidance at the AGM in May 2018 was that we would reach \$200 million of EBITDA, or more, by 2020 or earlier. Obviously, we reached our target earlier – and with record numbers all around. For 2019, our target is to exceed the \$200 million mark again.

The updated long-term guidance will be published at the AGM on May 1, 2019.

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

For the quarter ended December 31

In thousands of US dollars

	2018 Unaudited	2017 Unaudited
Continuing operations		
Revenue	344,448	280,699
Cost of sales	258,107	224,192
Gross profit	86,341	56,507
Selling, general and administrative expenses	35,131	34,955
Environmental expense	8,722	3,092
Other expense, net	27	69
Net other operating expense	8,749	3,161
Operating profit	42,461	18,391
Finance income	(1,509)	(1,116)
Finance cost	8,450	3,444
Net finance cost	6,941	2,328
Profit before income tax	35,520	16,063
Income tax expense	5,849	980
Profit for the period	29,671	15,083
Attributable to:		
Shareholders of the Company	28,980	14,331
Non-controlling interests	691	752
Profit for the period	29,671	15,083
Earnings per share		
Basic earnings per share	0.95	0.48
Diluted earnings per share	0.92	0.45

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

For the year ended December 31

In thousands of US dollars

	2018 Unaudited	2017
Continuing operations		
Revenue	1,310,288	1,059,651
Cost of sales	995,113	845,024
Gross profit	315,175	214,627
Selling, general and administrative expenses	143,581	132,294
Environmental expense	8,757	3,092
Other income, net	(424)	(511)
Net other operating expense	8,333	2,581
Operating profit	163,261	79,752
Finance income	(3,721)	(1,766)
Finance cost	27,230	10,160
Net finance cost	23,509	8,394
Profit before income tax	139,752	71,358
Income tax expense	44,971	13,905
Profit for the year	94,781	57,453
Attributable to:		
Shareholders of the Company	94,616	56,965
Non-controlling interests	165	488
Profit for the year	94,781	57,453
Earnings per share		
Basic earnings per share	3.12	1.95
Diluted earnings per share	2.97	1.80

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

<i>In thousands of US dollars</i>	December 31, 2018 Unaudited	December 31, 2017
Assets		
Property, plant and equipment	327,951	298,540
Goodwill and other intangible assets	35,130	38,110
Derivative financial instruments	7,592	636
Other investments	21,452	30,562
Deferred tax assets	34,112	40,108
Restricted cash	1,715	829
Non-current tax asset	-	2,488
Other assets	11,266	17,729
Total non-current assets	439,218	429,002
Inventories	316,715	162,505
Derivative financial instruments	1,335	6,372
Trade and other receivables	138,530	137,174
Other assets	39,426	37,547
Current tax assets	3,668	3,147
Cash and cash equivalents	381,900	178,800
Assets held for sale	144	2,056
Total current assets	881,718	527,601
Total assets	1,320,936	956,603

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

<i>In thousands of US dollars</i>	December 31, 2018 Unaudited	December 31, 2017
Equity		
Issued capital	812	796
Share premium	462,891	432,844
Treasury shares	(347)	(3,461)
Other reserves	(104,274)	(72,880)
Retained earnings (deficit)	(39,158)	(99,343)
Equity attributable to shareholders of the Company	319,924	257,956
Non-controlling interests	24,119	24,633
Total equity	344,043	282,589
Liabilities		
Loans and borrowings	356,997	164,788
Employee benefits	149,217	156,193
Provisions	32,527	35,887
Other liabilities	4,371	4,011
Derivative financial instruments	5,148	-
Deferred tax liabilities	7,930	7,888
Total non-current liabilities	556,190	368,767
Loans and borrowings	8,947	8,820
Short-term bank debt	15,500	15,500
Other liabilities	61,120	61,836
Trade and other payables	230,939	155,115
Derivative financial instruments	8,267	1,415
Advance payments	50,210	33,025
Current taxes payable	19,675	9,155
Provisions	26,045	20,381
Total current liabilities	420,703	305,247
Total liabilities	976,893	674,014
Total equity and liabilities	1,320,936	956,603

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

For the year ended December 31

In thousands of US dollars

	2018 Unaudited	2017
Cash from operating activities		
Profit for the year	94,781	57,453
Adjustments to reconcile net profit to net cash flows:		
Non-cash:		
Income tax expense	44,971	13,905
Depreciation and amortization	33,034	30,899
Asset impairment	3,333	1,160
Net finance costs	23,509	8,394
(Gain) loss on sale or disposal of property, plant and equipment	(720)	75
Equity-settled share-based payment transactions	7,499	8,697
Movement in provisions, pensions and government grants	3,724	(3,016)
Working capital and deferred revenue adjustments	(73,107)	(21,308)
Cash generated from operating activities	137,024	96,259
Finance costs paid, net	(18,273)	(7,443)
Income tax paid, net	(21,329)	(10,291)
Net cash from operating activities	97,422	78,525
Cash used in investing activities		
Proceeds from sale of property, plant and equipment	1,660	254
Insurance proceeds on property, plant and equipment	1,300	1,516
Acquisition of property, plant and equipment and intangibles	(73,031)	(80,904)
Change in restricted cash	(923)	1,911
Other	(325)	3
Net cash used in investing activities	(71,319)	(77,220)

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

For the year ended December 31

In thousands of US dollars

	2018 Unaudited	2017
Cash from financing activities		
Proceeds from issuance of debt	353,087	30,000
Transaction costs related to the issuance of debt	(9,238)	-
Repayment of borrowings	(155,423)	(17,153)
Proceeds from issuance of common shares	15,923	14,370
Net repurchase of common shares	(9,558)	(12,434)
Dividends paid	(12,092)	(9,293)
Net cash from financing activities	182,699	5,490
 Net increase in cash and cash equivalents	 208,802	 6,795
 Cash and cash equivalents at January 1	 178,800	 160,744
Effect of exchange rate fluctuations on cash held	(5,702)	11,261
Cash and cash equivalents at December 31	381,900	178,800

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.

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

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