



## **AMG ADVANCED METALLURGICAL GROUP N.V. REPORTS THIRD QUARTER 2017 RESULTS**

### **Key Highlights**

- Revenue increased by 5% to \$258.9 million in the third quarter 2017 from \$247.5 million in the third quarter 2016
- EBITDA<sup>(2)</sup> was \$27.6 million in the third quarter 2017, an increase of \$4.2 million, or 18%, over the same period in 2016
- Operating profit increased by 10% to \$17.8 million in the third quarter 2017 from \$16.1 million in the third quarter 2016
- Net income attributable to shareholders increased by 169% to \$14.0 million in the third quarter 2017 from \$5.2 million in the third quarter 2016
- EPS, on a fully diluted basis, was \$0.44 in the third quarter 2017, an increase of \$0.26, or 144%, over the same period in 2016
- Cash from operating activities on a year to date basis was \$45.3 million, an increase of \$4.6 million, or 11%, over the same period in 2016
- Annualized return on capital employed increased to 21.5% in the third quarter 2017, as compared to 18.0% in the third quarter 2016
- AMG has mandated Outotec OYJ, Finland, to complete engineering work for a second lithium concentrate plant at the Mibra mine in Brazil

**Amsterdam, 2 November 2017 (Regulated Information)** --- AMG Advanced Metallurgical Group N.V. ("AMG", Euronext Amsterdam: "AMG") reported third quarter 2017 EBITDA of \$27.6 million, an 18% increase from \$23.4 million in the third quarter 2016. Revenue increased to \$258.9 million in the third quarter 2017, an increase of \$11.4 million, or 5%, from the third quarter 2016. Net income attributable to shareholders for the third quarter 2017 was \$14.0 million, a 169% increase from \$5.2 million in the third quarter 2016.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, "AMG's third quarter 2017 performance was once again strong across all of our key financial and operational metrics, driven primarily by improved pricing and volume in our Critical Materials business. On a year to date basis, net income attributable to shareholders has increased by \$12.0 million, or 39%, to \$42.6 million, resulting in a 29% year to date improvement in EPS, on a fully diluted basis."

I am pleased to announce that during the quarter, we further advanced our work on the first lithium concentrate plant at the Mibra mine in Brazil, in accordance with our EPC contract development schedule with Outotec OYJ, Finland. Furthermore, as announced today, we have signed a contract with Outotec to complete engineering work for a second lithium concentrate plant at the Mibra mine in Brazil. The annual design capacity of the second lithium concentrate plant will be 90,000 tons, leading to a combined annual production capacity of 180,000 tons. We expect to make a final investment decision for the second plant in December 2017 and reach full operating capacity by the end of 2019.

AMG Critical Materials generated EBITDA of \$23.5 million during the third quarter 2017, thanks to strong financial performance in vanadium and titanium alloys, and the recognition of \$4.6 million in business interruption insurance, following the fire at the Mibra mine in Brazil.

AMG Engineering's EBITDA of \$4.1 million in the third quarter 2017 was down compared to the third quarter 2016, mainly due to the \$4.3 million gain on the sale of an unused production facility recognized in the prior year.

In the third quarter of 2017, AMG generated cash from operating activities of \$16.8 million, a decrease of \$3.9 million, or 19%, over the same period in 2016. On a year to date basis, AMG generated cash from operating activities of \$45.3 million in 2017, an increase of \$4.6 million, or 11%, compared to the same period in 2016."

## Key Figures

*In 000's US Dollar*

	<b>Q3 '17</b>	<b>Q3 '16</b>	<b>Change</b>
<b>Revenue</b>	<b>\$258,941</b>	<b>\$247,526</b>	<b>5%</b>
Gross profit	51,273	46,298	11%
Gross margin	19.8%	18.7%	
Operating profit	17,756	16,110	10%
Operating margin	6.9%	6.5%	
<b>Net income attributable to shareholders</b>	<b>13,953</b>	<b>5,181</b>	<b>169%</b>
EPS - Fully diluted	0.44	0.18	144%
<b>EBIT <sup>(1)</sup></b>	<b>19,879</b>	<b>16,231</b>	<b>22%</b>
<b>EBITDA <sup>(2)</sup></b>	<b>27,638</b>	<b>23,403</b>	<b>18%</b>
EBITDA margin	10.7%	9.5%	
Cash from operating activities	16,790	20,677	(19%)

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 '17</b>	<b>Q3 '16</b>	<b>Change</b>
Revenue	\$203,352	\$177,490	15%
Gross profit	36,695	31,931	15%
Operating profit	15,752	9,106	73%
EBITDA	23,509	14,467	63%

AMG Critical Materials' revenue in the third quarter increased by \$25.9 million, or 15%, to \$203.4 million, driven by improved vanadium, aluminum, titanium, antimony, chrome and graphite prices, and higher sales volumes of vanadium, chrome, antimony, and titanium products.

Gross profit in the third quarter increased by \$4.8 million, or 15%, to \$36.7 million. Strong financial performance in vanadium and titanium alloys in the quarter was partially offset by lower gross profit in tantalum, aluminum and antimony. The reduction in tantalum gross profit was driven by lower sales volumes due to the fire damage sustained at the Mibra mine in Brazil in the first quarter of 2017, and lower sales prices.

AMG is insured for the interruption to the tantalum business and has recorded insurance proceeds of \$4.6 million during the third quarter 2017, which is included within gross profit and EBITDA.

Additional insurance proceeds, in respect of both business interruption and property damage, are expected to be recorded in the fourth quarter 2017. In accordance with IFRS, AMG is recognizing the insurance proceeds as recovery amounts are finalized.

SG&A expenses in the third quarter 2017 decreased by \$1.8 million, or 8%, compared to the same period in the prior year, primarily due to a reduction in share-based compensation expenses.

Third quarter 2017 EBITDA margin increased to 12%, compared to 8% in the third quarter 2016.

*AMG Engineering*

	<b>Q3 '17</b>	<b>Q3 '16</b>	<b>Change</b>
Revenue	\$55,589	\$70,036	(21%)
Gross profit	14,578	14,367	1%
Operating profit	2,004	7,004	(71%)
EBITDA	4,129	8,936	(54%)

AMG Engineering signed \$40.5 million in new orders during the third quarter 2017, representing a 0.73x book to bill ratio. Order backlog was \$175.9 million as of September 30, 2017, an increase of \$40.4 million, or 30%, from December 31, 2016. Order intake in the third quarter was adversely impacted by the timing of a number of large orders which are expected to be finalized in the near term.

AMG Engineering's third quarter 2017 revenue decreased \$14.4 million, or 21%, to \$55.6 million. Revenue in the quarter was adversely impacted due to a high proportion of early stage, large contracts in the engineering division which increase quarterly volatility. We do not expect any significant impact on revenue or earnings on an annualized basis as a result of the higher proportion of large contracts within the order backlog.

Third quarter 2017 gross profit increased slightly by \$0.2 million, or 1%, to \$14.6 million, and gross margin increased to 26% from 21%, due to a greater proportion of revenue being generated from high margin, aerospace market facing products in the quarter.

SG&A expenses increased by \$0.9 million, or 8%, compared to the third quarter 2016, primarily due to higher employee related expenses and research & development costs, offset by lower share-based compensation expenses.

EBITDA decreased by \$4.8 million to \$4.1 million in the third quarter 2017. The year over year reduction was primarily due to the recognition of a \$4.3 million gain on the sale of an unused production facility in Berlin in the third quarter of 2016.

## Financial Review

### *Tax*

AMG recorded an income tax expense of \$1.7 million in the third quarter 2017 as compared to a tax expense of \$4.1 million in the same period in 2016. The lower tax expense in the third quarter 2017 was primarily due to a drop in the Brazilian Real, which reduced income tax expense.

Due to the volatile nature of the Company's deferred tax balances caused by items such as the Brazil currency fluctuations, AMG focuses on cash tax payments. AMG paid taxes of \$3.2 million in the third quarter 2017 as compared to tax payments of \$1.1 million in the same period in 2016. For the third quarter 2017, AMG's effective cash tax rate was 21%, compared to 12% in the same period in 2016. The increase is due to higher profitability in countries where the Company does not have tax losses carried forward to reduce tax liabilities.

### *Non-Recurring Items*

AMG's third quarter 2017 gross profit of \$51.3 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 2017 and 2016 are below:

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

	<b>Q3 '17</b>	<b>Q3 '16</b>	<b>Change</b>
Gross profit	\$51,273	\$46,298	11%
Restructuring expense	353	234	51%
Asset impairment (reversal) expense	(101)	-	N/A
<b>Gross profit before non-recurring items</b>	<b>51,525</b>	<b>46,532</b>	<b>11%</b>

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

	<b>Q3 '17</b>	<b>Q3 '16</b>	<b>Change</b>
AMG Critical Materials	\$36,873	\$32,025	15%
AMG Engineering	14,652	14,507	1%
<b>Gross profit before non-recurring items</b>	<b>51,525</b>	<b>46,532</b>	<b>11%</b>

As noted in AMG's 2016 financial statements, the Company modified its income statement presentation in order to take into consideration ESMA's latest recommendations. This resulted in the reclassification of restructuring expenses and asset impairment expenses into expenses by function, and consequently gross profit.

### *Liquidity*

	<b>September 30, 2017</b>	<b>December 31, 2016</b>	<b>Change</b>
Total debt	\$187,217	\$168,080	11%
Cash and cash equivalents	171,789	160,744	7%
Net debt	15,428	7,336	110%

AMG had a net debt position of \$15.4 million as of September 30, 2017. Total debt increased by \$19.1 million and net debt increased \$8.1 million from December 31, 2016, as we borrowed in Brazil for our first spodumene plant.

Cash from operating activities decreased by \$3.9 million, or 19%, to \$16.8 million in the third quarter 2017, due to an increase in working capital during the quarter which was largely driven by an increase in accounts receivable related to increases in price and volume in AMG Critical Materials.

Capital expenditures increased to \$23.2 million in the third quarter 2017 compared to \$8.3 million in the same period in 2016. Capital spending in the third quarter 2017 included \$9.2 million of maintenance capital. The largest expansion capital projects were the lithium project in Brazil, and the titanium aluminide expansion in Germany.

Including the \$171.8 million of cash, AMG had \$338 million of total liquidity as of September 30, 2017.

### *Net Finance Costs*

AMG's third quarter 2017 net finance costs decreased to \$2.3 million from \$6.8 million in the third quarter 2016, due to significant finance costs recognized in the third quarter of 2016 as a result of refinancing the credit facility.

### *SG&A*

AMG's third quarter 2017 SG&A expenses were \$33.8 million compared to \$34.7 million in the third quarter 2016, primarily due to a decrease in share-based compensation expenses of \$4.3 million, partially offset by higher employee related expenses of \$2.8 million.

### *Outlook*

AMG expects full year 2017 EBITDA to improve by 10%, or more, relative to 2016.

In 2018, AMG expects to continue its strong financial performance and improve profitability relative to 2017.

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

**For the quarter ended September 30**

*In thousands of US Dollars*

	2017 Unaudited	2016 Unaudited
<b>Continuing operations</b>		
Revenue	258,941	247,526
Cost of sales	207,668	201,228
<b>Gross profit</b>	<b>51,273</b>	<b>46,298</b>
<b>Selling, general and administrative expenses</b>	<b>33,787</b>	<b>34,701</b>
<b>Environmental expense</b>	<b>-</b>	<b>45</b>
<b>Net other operating income</b>	<b>(270)</b>	<b>(4,558)</b>
<b>Operating profit</b>	<b>17,756</b>	<b>16,110</b>
Finance income	(229)	(165)
Finance expense	2,136	6,293
Foreign exchange loss	359	708
<b>Net finance costs</b>	<b>2,266</b>	<b>6,836</b>
<b>Share of gain of associates and joint ventures, net of tax</b>	<b>-</b>	<b>368</b>
<b>Profit before income tax</b>	<b>15,490</b>	<b>9,642</b>
<b>Income tax expense</b>	<b>1,731</b>	<b>4,132</b>
<b>Profit for the period</b>	<b>13,759</b>	<b>5,510</b>
Attributable to:		
Shareholders of the Company	13,953	5,181
Non-controlling interests	(194)	329
<b>Profit for the period</b>	<b>13,759</b>	<b>5,510</b>
<b>Earnings per share</b>		
Basic earnings per share	0.47	0.19
Diluted earnings per share	0.44	0.18

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

**For the nine months ended September 30**

*In thousands of US Dollars*

	2017 Unaudited	2016 Unaudited
<b>Continuing operations</b>		
Revenue	778,952	733,274
Cost of sales	620,832	589,451
<b>Gross profit</b>	<b>158,120</b>	<b>143,823</b>
 <b>Selling, general and administrative expenses</b>	 <b>97,339</b>	 <b>100,761</b>
 <b>Environmental expense</b>	 <b>-</b>	 <b>45</b>
 <b>Net other operating income</b>	 <b>(580)</b>	 <b>(4,993)</b>
 <b>Operating profit</b>	 <b>61,361</b>	 <b>48,010</b>
 Finance income	 (650)	 (459)
Finance expense	6,440	10,806
Foreign exchange loss	276	1,644
<b>Net finance costs</b>	<b>6,066</b>	<b>11,991</b>
 <b>Share of gain of associates and joint ventures, net of tax</b>	 <b>-</b>	 <b>1,804</b>
 <b>Profit before income tax</b>	 <b>55,295</b>	 <b>37,823</b>
 <b>Income tax expense</b>	 <b>12,925</b>	 <b>7,217</b>
 <b>Profit for the period</b>	 <b>42,370</b>	 <b>30,606</b>
Attributable to:		
Shareholders of the Company	42,634	30,602
Non-controlling interests	(264)	4
<b>Profit for the period</b>	<b>42,370</b>	<b>30,606</b>
 <b>Earnings per share</b>		
Basic earnings per share	1.47	1.10
Diluted earnings per share	1.34	1.04



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

<i>In thousands of US Dollars</i>	September 30, 2017 Unaudited	December 31, 2016
<b>Assets</b>		
Property, plant and equipment	271,258	226,098
Goodwill	24,753	22,729
Intangible assets	12,368	10,486
Derivative financial instruments	751	740
Other investments	30,411	29,930
Deferred tax assets	37,113	41,285
Restricted cash	817	2,526
Other assets	12,738	17,207
<b>Total non-current assets</b>	<b>390,209</b>	<b>351,001</b>
Inventories	158,565	143,593
Derivative financial instruments	8,523	4,007
Trade and other receivables	149,186	129,220
Other assets	38,760	31,598
Cash and cash equivalents	171,789	160,744
Assets held for sale	2,025	149
<b>Total current assets</b>	<b>528,848</b>	<b>469,311</b>
<b>Total assets</b>	<b>919,057</b>	<b>820,312</b>

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

<i>In thousands of US Dollars</i>	September 30, 2017 Unaudited	December 31, 2016*
<b>Equity</b>		
Issued capital	796	760
Share premium	432,848	389,066
Treasury shares	(3,821)	(570)
Other reserves	(78,768)	(97,085)
Retained earnings (deficit)	(114,889)	(116,457)
<b>Equity attributable to shareholders of the Company</b>	<b>236,166</b>	<b>175,714</b>
Non-controlling interests	24,280	22,073
<b>Total equity</b>	<b>260,446</b>	<b>197,787</b>
<b>Liabilities</b>		
Loans and borrowings	155,393	150,959
Employee benefits	153,675	141,588
Provisions	31,054	30,854
Deferred revenue	-	2,822
Other liabilities	3,968	6,874
Derivative financial instruments	60	887
Deferred tax liabilities	9,398	8,435
<b>Total non-current liabilities</b>	<b>353,548</b>	<b>342,419</b>
Loans and borrowings	16,324	9,621
Short term bank debt	15,500	7,500
Other liabilities	56,639	57,528
Trade and other payables	144,225	133,328
Derivative financial instruments	1,109	4,661
Advance payments	40,982	29,404
Deferred revenue	1,098	10,198
Current taxes payable	10,819	7,065
Provisions	18,367	20,801
<b>Total current liabilities</b>	<b>305,063</b>	<b>280,106</b>
<b>Total liabilities</b>	<b>658,611</b>	<b>622,525</b>
<b>Total equity and liabilities</b>	<b>919,057</b>	<b>820,312</b>

\*Reclassified share reserves from other reserves to retained earnings (deficit) for December 31, 2016

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*

	2017 Unaudited	2016 Unaudited
<b>Cash from operating activities</b>		
Profit for the year	42,370	30,606
Adjustments to reconcile net profit to net cash flows:		
<b>Non-cash:</b>		
Income tax expense	12,925	7,217
Depreciation and amortization	22,501	22,010
Asset impairment expense	811	-
Net finance costs	6,066	11,991
Share of gain of associates and joint ventures	-	(1,804)
Gain on sale or disposal of property, plant and equipment	(43)	(4,193)
Equity-settled share-based payment transactions	6,624	1,509
Movement in provisions, pensions and government grants	(4,718)	(14,834)
Working capital and deferred revenue adjustments	(27,318)	(2,043)
<b>Cash generated from operating activities</b>	<b>59,218</b>	<b>50,459</b>
Finance costs paid, net	(5,813)	(4,994)
Income tax paid, net	(8,152)	(4,793)
<b>Net cash from operating activities</b>	<b>45,253</b>	<b>40,672</b>
<b>Cash used in investing activities</b>		
Proceeds from sale of property, plant and equipment	183	522
Insurance proceeds on property, plant and equipment	1,516	-
Proceeds from sale of subsidiaries (net of cash divested of \$1,820 in 2016)	-	6,512
Acquisition of property, plant and equipment and intangibles	(52,677)	(22,738)
Acquisition of subsidiaries (net of cash acquired of \$35 in 2016)	-	(4,961)
Acquisition of other non-current investments	-	(1,000)
Change in restricted cash	1,883	116
Other	(11)	(46)
<b>Net cash used in investing activities</b>	<b>(49,106)</b>	<b>(21,595)</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*

	2017 Unaudited	2016 Unaudited
<b>Cash from financing activities</b>		
Proceeds from issuance of debt	19,500	163,755
Payment of transaction costs related to debt issuance	-	(3,267)
Repayment of borrowings	(7,909)	(121,640)
Change in non-controlling interests	-	(2,695)
Proceeds from issuance of common shares	14,370	-
Net repurchase of common stock	(12,434)	(1,705)
Dividend	(9,310)	(7,558)
Other	-	(68)
<b>Net cash from financing activities</b>	<b>4,217</b>	<b>26,822</b>
 <b>Net increase in cash and cash equivalents</b>	 <b>364</b>	 <b>45,899</b>
 Cash and cash equivalents at January 1	 160,744	 127,778
Effect of exchange rate fluctuations on cash held	10,681	400
<b>Cash and cash equivalents at September 30</b>	<b>171,789</b>	<b>174,077</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, 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 3,000 employees, AMG operates globally with production facilities in Germany, the United Kingdom, France, Czech Republic, the United States, China, Mexico, Brazil, 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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## Disclaimer

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