



AMG ADVANCED METALLURGICAL GROUP N.V. REPORTS THIRD QUARTER 2019 RESULTS

Strategic Highlights

- **AMG commenced the construction of a new catalyst recycling facility in Ohio which will double our spent catalyst recycling capacity to 60,000 tons; to finance the expansion, AMG closed on a tax-exempt bond, generating proceeds of \$325 million**
- **AMG signed a multi-year offtake agreement with Glencore AG to reduce marketing risk and improve working capital management**
- **AMG entered into a 50/50 joint venture for the global expansion of catalyst recycling services; upon obtaining the necessary regulatory approvals, the joint venture company, Shell & AMG Recycling B.V., will service the rapidly expanding spent resid catalyst market**
- **AMG formed AMG Technologies to integrate its aerospace business units; as part of its growth strategy, AMG Technologies signed a definitive agreement to acquire the assets of International Specialty Alloys (located in New Castle, PA) from Kennametal Inc.**

Financial Highlights

- **AMG completed its share repurchase program which returned \$89.9 million to shareholders in 2019**
- **Revenue decreased by 18% to \$269.9 million in the third quarter 2019 from \$328.1 million in the third quarter 2018**
- **EBITDA⁽²⁾ was \$24.4 million in the third quarter 2019, a 59% decrease compared to the same period in 2018**
- **Annualized return on capital employed was 16.1% in the third quarter 2019, as compared to 32.8% in the third quarter 2018**

Amsterdam, 30 October 2019 (Regulated Information) --- AMG Advanced Metallurgical Group N.V. (“AMG”, Euronext Amsterdam: “AMG”) reported third quarter 2019 revenue of \$269.9 million, an 18% decrease from \$328.1 million in the third quarter 2018. EBITDA for the third quarter 2019 was \$24.4 million, a 59% decrease from

\$59.1 million in the third quarter 2018, largely due to lower ferrovanadium prices versus the third quarter of last year. EBIT decreased 73% to \$13.9 million in the third quarter 2019 from \$50.8 million in the third quarter 2018.

Revenue dropped 18% in the third quarter 2019, driven by a significant metal price decline across our portfolio. The 59% decrease in EBITDA to \$24.4 million was largely due to the Critical Materials segment, which achieved an EBITDA of \$8.8 million in the third quarter 2019. That drop is almost entirely explained by the decreased pricing of ferrovanadium, as well as lower chrome metal margin and lower silicon prices. AMG Technologies achieved an EBITDA of \$15.6 million, a 15% decrease from the third quarter of 2018, due to lower profitability in the Titanium Alloys and Coatings business.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, “The unprecedented fall in all critical materials prices across the AMG portfolio has been a major challenge. This negative trend appears to be bottoming out as higher cost producers are experiencing negative cash flows in the vanadium, tantalum, graphite, silicon metal and spodumene industries.

We continue to focus on the things we can control. We have made significant strategic achievements in the quarter, which included signing a long-term offtake agreement with Glencore, mitigating our sales exposure; securing a tax-exempt bond, generating proceeds of \$325 million to build a second catalyst recycling facility in Ohio; signing a joint venture agreement with Shell Catalysts & Technologies for the global expansion of spent catalyst recycling services; and acquiring International Specialty Alloys, Inc., located in New Castle, PA, as a platform to produce several of our advanced metal alloy product lines in the United States.”

Key Figures

In 000's US dollars

	Q3 '19	Q3 '18	Change
Revenue	\$269,873	\$328,071	(18%)
Gross profit	24,907	79,555	(69%)
Gross margin	9.2%	24.2%	
Operating (loss) profit	(10,621)	44,202	N/A
Operating margin	(3.9%)	13.5%	
Net (loss) income attributable to shareholders	(17,775)	29,938	N/A
Adjusted net (loss) income	(2,374)	32,428	N/A
EPS - Fully diluted	(0.60)	0.93	N/A
EBIT (1)	13,917	50,765	(73%)
EBITDA (2)	24,396	59,116	(59%)
EBITDA margin	9.0%	18.0%	
Cash (used in) from operating activities	(4,852)	23,136	N/A

Note:

- (1) EBIT is defined as earnings before interest and income taxes. EBIT excludes restructuring, asset impairment, inventory cost adjustments 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

	Q3 '19	Q3 '18	Change
Revenue	\$165,227	\$219,650	(25%)
Gross (loss) profit	(1,317)	52,768	N/A
Gross profit excluding exceptional items	20,426	52,898	(61%)
Operating (loss) profit	(20,887)	33,487	N/A
EBITDA	8,803	40,800	(78%)

AMG Critical Materials' revenue in the third quarter decreased by \$54.4 million, or 25%, to \$165.2 million, driven largely by lower average prices across all seven business units during the quarter, partially offset by higher sales volumes of chrome metal and lithium concentrate.

Gross (loss) profit in the third quarter decreased by \$54.1 million to (\$1.3) million. The reduction in gross profit was largely driven by lower vanadium profitability and non-cash

expenses for vanadium, lithium and tantalum inventory cost adjustments as a result of a significant decline in prices for those materials.

SG&A expenses in the third quarter of 2019 were consistent at \$19.6 million compared to the third quarter 2018.

The third quarter 2019 EBITDA margin was 5% due to lower profitability in the quarter.

AMG Technologies

	Q3 '19	Q3 '18	Change
Revenue	\$104,646	\$108,421	(3%)
Gross profit	26,224	26,787	(2%)
<i>Gross profit excluding exceptional items</i>	26,623	31,238	(15%)
Operating profit	10,266	10,715	(4%)
EBITDA	15,593	18,316	(15%)

With a 2% increase versus June 30, 2019, order backlog maintained a high level of \$202.6 million as of September 30, 2019, and the Company signed \$79.5 million in new orders during the third quarter of 2019. This represents a 1.20x book to bill ratio. This higher book to bill ratio was largely driven by strong orders of turbine blade coating and induction furnaces for the aerospace market.

AMG Technologies' third quarter 2019 revenue slightly decreased due to lower prices and volumes in the Titanium Alloys and Coatings business, which was partially offset by profitability related to the favorable finalization of an outstanding large nuclear contract during the quarter.

Third quarter 2019 gross profit slightly decreased by \$0.6 million, or 2%, to \$26.2 million and gross margin was 25%, consistent with the third quarter 2018.

SG&A expenses decreased slightly to \$15.5 million in the third quarter, compared to \$16.1 in the same period in 2018, primarily due to lower variable compensation expense.

AMG Technologies' third quarter EBITDA decreased by 15%, or \$2.7 million, to \$15.6 million from \$18.3 million in the third quarter of 2018 due to lower prices in the Titanium Alloys and Coatings business.

Financial Review

Tax

AMG recorded an income tax expense of \$1.5 million in the third quarter 2019, compared to \$10.0 million in the same period in 2018. The decrease was primarily due 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 \$7.2 million in the third quarter 2019, compared to tax payments of \$6.3 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. Once earnings have stabilized, we believe that 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 third quarter 2019 gross profit of \$24.9 million includes exceptional items, which are not included in the calculation of EBITDA.

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

Exceptional items included in gross profit

	Q3 '19	Q3 '18	Change
Gross profit	\$24,907	\$79,555	(69%)
Inventory cost adjustment	21,112	–	N/A
Restructuring expense	732	349	110%
Asset impairment expense	298	4,232	(93%)
<i>Gross profit excluding exceptional items</i>	47,049	84,136	(44%)

AMG had a \$21.1 million exceptional non-cash expense for vanadium, lithium and tantalum inventory cost adjustments as a result of a significant decline in prices for those materials. Therefore, it impacted our inventory cost position and resulted in a non-cash balance sheet adjustment which has been adjusted in EBITDA.

Liquidity

	September 30, 2019	December 31, 2018	Change
Senior secured debt	\$350,698	\$355,757	(1%)
Cash & equivalents	229,030	381,900	(40%)
Senior secured net debt (cash)	121,668	(26,143)	N/A
Other debt	28,705	25,687	12%
Net debt excluding municipal bond	150,373	(456)	N/A
Municipal bond debt	319,964	–	N/A
Restricted cash	(316,386)	–	N/A
Net debt (cash)	153,951	(456)	N/A

AMG had a net debt position of \$154.0 million as of September 30, 2019. This was due to the return of \$86.8 million to shareholders in 2019 through its share repurchase program, dividend payments of \$16.7 million and significant investment in growth initiatives.

Cash (used in) operating activities of (\$4.9) million in the third quarter of 2019 decreased by \$28.0 million compared to the same period in 2018, primarily due to lower profitability.

Capital expenditures decreased to \$13.3 million in the third quarter of 2019 compared to \$14.0 million in the same period in 2018. Capital spending in the third quarter 2019 included \$6.2 million of maintenance capital. The remaining \$7.1 million of capital spending is primarily attributable to expansion projects at AMG's vanadium, titanium aluminide, lithium and heat treatment facilities.

Including the \$229.0 million of cash, AMG had \$398.7 million of total liquidity as of September 30, 2019.

Net Finance Costs

AMG's third quarter 2019 net finance costs increased to \$5.9 million compared to \$4.7 million in the third quarter 2018. Third quarter 2019 includes additional interest expense associated with lease liabilities due to the adoption of IFRS16 on January 1, 2019.

SG&A

AMG's third quarter 2019 SG&A expenses were \$35.1 million compared to \$35.6 million in the third quarter of 2018, primarily due to lower variable compensation expense.

Subsequent Events

On October 8, 2019, AMG signed an agreement with Shell Catalysts & Technologies to form a joint venture that will provide a long-term solution for catalyst reclamation and recycling. Also, to increase AMG Titanium Alloys & Coatings' market position, the Company signed a definitive agreement on October 9, 2019 to acquire the assets of International Specialty Alloys from Kennametal.

Outlook

Although our financial results continue to be impacted by depressed market conditions, we reiterate our 2019 EBITDA outlook of approximately \$120 million. We are continuing to focus on the things we can control and are extremely pleased with the noted achievements in our strategic initiatives which will drive long-term value creation. Assuming continued weak market conditions, our target for 2020 is to improve profitability relative to 2019.

Net (loss) income to EBITDA reconciliation

	Q3 '19	Q3 '18	YTD '19	YTD '18
Net (loss) income	(\$18,021)	\$29,552	(\$34,503)	\$65,110
Income tax expense (benefit)	1,541	9,961	(6,057)	39,122
Net finance cost*	6,276	4,789	21,706	16,110
Equity-settled share-based payment transactions	1,363	1,605	4,092	4,610
Restructuring expense	732	349	823	1,488
Inventory cost adjustment	21,112	–	75,791	–
Asset impairment expense	298	4,232	5,522	3,200
Environmental provision	491	-	491	-
Others	125	277	100	132
EBIT	13,917	50,765	67,965	129,772
Depreciation and amortization	10,479	8,351	30,645	24,573
EBITDA	24,396	59,116	98,610	154,345

*Excludes foreign exchange expense (income).

Net (loss) income adjusted for non-cash impairments

	Q3 '19	Q3 '18	YTD '19	YTD '18
Net (loss) income	(\$18,021)	\$29,552	(\$34,503)	\$65,110
Inventory cost adjustment, net of tax	15,450	–	56,476	–
Asset impairment expense, net of tax	197	2,876	3,645	2,197
Adjusted net (loss) income	(2,374)	32,428	25,618	67,307

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

For the quarter ended September 30

In thousands of US dollars

	2019 Unaudited	2018 Unaudited
Continuing operations		
Revenue	269,873	328,071
Cost of sales	244,966	248,516
Gross profit	24,907	79,555
Selling, general and administrative expenses	35,067	35,645
Environmental expense	491	-
Other income	(30)	(292)
Net other operating expense (income)	461	(292)
Operating (loss) profit	(10,621)	44,202
Finance income	(706)	(930)
Finance cost	6,565	5,619
Net finance cost	5,859	4,689
(Loss) profit before income tax	(16,480)	39,513
Income tax expense	1,541	9,961
(Loss) profit for the period	(18,021)	29,552
Attributable to:		
Shareholders of the Company	(17,775)	29,938
Non-controlling interests	(246)	(386)
(Loss) profit for the period	(18,021)	29,552
(Loss) earnings per share		
Basic (loss) earnings per share	(0.60)	0.98
Diluted (loss) earnings per share	(0.60)	0.93

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

For the nine months ended September 30

In thousands of US dollars

	2019 Unaudited	2018 Unaudited
Continuing operations		
Revenue	920,008	965,840
Cost of sales	832,140	737,006
Gross profit	87,868	228,834
Selling, general and administrative expenses	106,242	108,450
Environmental expense	491	-
Other income	(155)	(416)
Net other operating expense (income)	336	(416)
Operating (loss) profit	(18,710)	120,800
Finance income	(3,066)	(2,212)
Finance cost	24,916	18,780
Net finance cost	21,850	16,568
(Loss) profit before income tax	(40,560)	104,232
Income tax (benefit) expense	(6,057)	39,122
(Loss) profit for the period	(34,503)	65,110
Attributable to:		
Shareholders of the Company	(34,044)	65,636
Non-controlling interests	(459)	(526)
(Loss) profit for the period	(34,503)	65,110
(Loss) earnings per share		
Basic (loss) earnings per share	(1.14)	2.17
Diluted (loss) earnings per share	(1.14)	2.05

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

<i>In thousands of US dollars</i>	September 30, 2019 Unaudited	December 31, 2018
Assets		
Property, plant and equipment	369,796	327,951
Goodwill and other intangible assets	33,810	35,130
Derivative financial instruments	447	7,592
Other investments	22,803	21,452
Deferred tax assets	47,014	34,112
Restricted cash	316,386	1,715
Other assets	10,825	11,266
Total non-current assets	801,081	439,218
Inventories	243,136	316,715
Derivative financial instruments	1,679	1,335
Trade and other receivables	139,876	138,530
Other assets	36,786	39,570
Current tax assets	16,191	3,668
Cash and cash equivalents	229,030	381,900
Total current assets	666,698	881,718
Total assets	1,467,779	1,320,936

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

<i>In thousands of US dollars</i>	September 30, 2019 Unaudited	December 31, 2018
Equity		
Issued capital	831	812
Share premium	489,546	462,891
Treasury shares	(84,217)	(347)
Other reserves	(113,087)	(104,274)
Retained earnings (deficit)	(116,527)	(39,158)
Equity attributable to shareholders of the Company	176,546	319,924
Non-controlling interests	23,389	24,119
Total equity	199,935	344,043
Liabilities		
Loans and borrowings	670,665	356,997
Lease liabilities *	30,307	-
Employee benefits	153,916	149,217
Provisions	28,700	32,527
Other liabilities	3,994	4,371
Derivative financial instruments	6,525	5,148
Deferred tax liabilities	3,832	7,930
Total non-current liabilities	897,939	556,190
Loans and borrowings	21,202	8,947
Lease liabilities *	3,594	-
Short-term bank debt	7,500	15,500
Other liabilities	64,555	61,120
Trade and other payables	159,404	230,939
Derivative financial instruments	7,685	8,267
Advance payments	57,120	50,210
Current tax liability	25,248	19,675
Provisions	23,597	26,045
Total current liabilities	369,905	420,703
Total liabilities	1,267,844	976,893
Total equity and liabilities	1,467,779	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 nine months ended September 30

In thousands of US dollars

	2019 Unaudited	2018 Unaudited
Cash (used in) from operating activities		
(Loss) profit for the period	(34,503)	65,110
Adjustments to reconcile net (loss) profit to net cash flows:		
Non-cash:		
Income tax (benefit) expense	(6,057)	39,122
Depreciation and amortization	30,645	24,573
Asset impairments	5,522	3,200
Net finance cost	21,850	16,568
Gain on sale or disposal of property, plant and equipment	(96)	(1,065)
Equity-settled share-based payment transactions	4,092	4,610
Movement in provisions, pensions and government grants	(5,630)	7,002
Working capital and deferred revenue adjustments	10,875	(84,955)
Cash generated from operating activities	26,698	74,165
Finance costs paid, net	(18,361)	(11,949)
Income tax paid, net	(17,281)	(15,469)
Net cash (used in) from operating activities	(8,944)	46,747
Cash used in investing activities		
Proceeds from sale of property, plant and equipment	305	1,489
Insurance proceeds on property, plant and equipment	-	1,300
Acquisition of property, plant and equipment and intangibles	(38,422)	(55,043)
Change in restricted cash	(314,671)	-
Interest received on restricted cash	1,486	-
Other	-	(31)
Net cash used in investing activities	(351,302)	(52,285)

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

	2019	2018
	Unaudited	Unaudited
Cash from financing activities		
Proceeds from issuance of debt	324,996	351,172
Payment of transaction costs related to the issuance of debt	(4,981)	(9,238)
Repayment of borrowings	(2,728)	(155,195)
Proceeds from issuance of common shares	3,100	15,923
Net repurchase of common shares	(89,881)	(9,558)
Dividends paid	(16,703)	(12,092)
Payment of lease liabilities	(2,876)	-
Net cash from financing activities	210,927	181,012
Net (decrease) increase in cash and cash equivalents	(149,319)	175,474
Cash and cash equivalents at January 1	381,900	178,800
Effect of exchange rate fluctuations on cash held	(3,551)	(4,385)
Cash and cash equivalents at September 30	229,030	349,889

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

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