



AMG ADVANCED METALLURGICAL GROUP N.V. REPORTS FIRST QUARTER 2014 RESULTS

Key Highlights

- Revenue was \$274.9 million in the first quarter 2014, a 7% decrease from the same period in 2013
- EBITDA⁽¹⁾ was \$20.1 million in the first quarter 2014, a 10% decrease from the same period in 2013
- Earnings per share on a fully diluted basis was \$0.14 in the first quarter 2014, a 56% increase over the same period in 2013
- Cash flows from operating activities were \$5.7 million in the first quarter 2014, compared to \$0.7 million in the same period in 2013
- AMG Processing generated revenue of \$145.1 million and EBITDA of \$9.4 million in the first quarter 2014
- AMG Engineering generated revenue of \$48.8 million and EBITDA of \$1.5 million in the first quarter 2014
- AMG Mining generated revenue of \$81.0 million and EBITDA of \$9.1 million in the first quarter 2014
- As of March 31, 2014, cash on the balance sheet was \$97.9 million; net debt was \$160.9 million

Amsterdam, 8 May 2014 (Regulated Information) --- AMG Advanced Metallurgical Group N.V. (“AMG”, Euronext Amsterdam: “AMG”) reported first quarter 2014 revenue of \$274.9 million, a 7% decrease from \$296.5 million in the first quarter 2013.

EBITDA decreased 10% to \$20.1 million in the first quarter 2014 from \$22.2 million in the first quarter 2013. Net income attributable to shareholders for the first quarter 2014 was \$3.9 million, or \$0.14 per fully diluted share, a 59% increase from \$2.5 million, or \$0.09 in the first quarter 2013.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, “The specialty metals industry continued to experience low market prices during the first quarter 2014. The management changes made in AMG Superalloys and AMG Titanium Alloys & Coatings began to yield operational improvements during the quarter. These operational activities resulted in improved margins and cash flows, which is our primary focus. We are also making progress on our strategic plans to optimize our portfolio and obtain critical mass in critical materials.”

Key Figures

In 000's US Dollar

(1) EBITDA is defined as earnings before interest, tax, depreciation and amortization and excludes non-recurring items

	Q1 '14	Q1 '13	Change
Revenue	\$274,852	\$296,478	(7%)
Gross profit	46,352	48,258	(4%)
Gross margin	16.9%	16.3%	
Operating profit	10,811	11,040	(2%)
Operating margin	3.9%	3.7%	
Net income attributable to shareholders	3,919	2,460	59%
EPS- Fully diluted	\$0.14	\$0.09	
EBIT ⁽¹⁾	11,919	13,501	(12%)
EBITDA ⁽²⁾	20,068	22,200	(10%)
EBITDA margin	7.3%	7.5%	
Cash Flow from operating activities	5,659	665	751%

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

	Q1'14	Q1'13	Change
Revenue	\$145,110	\$153,076	(5%)
Gross profit	18,927	19,925	(5%)
Operating profit	5,239	5,232	0%
EBITDA	9,419	8,713	8%
Capital expenditures	2,322	6,557	(65%)

AMG Processing's first quarter 2014 revenue decreased \$8.0 million to \$145.1 million. The decline was primarily the result of a 24% decline in AMG Titanium Alloys & Coatings revenue, due to lower prices and volumes, and a 3% decline in AMG Aluminum revenue, due to lower master alloy prices. These declines were partially offset by a 12% increase in AMG Vanadium revenue on improved volumes from the capacity expansion that was completed in 2013.

The first quarter 2014 gross margin was 13%, consistent with the first quarter 2013, due to improved operational performance, despite lower revenues. Specifically, improved vanadium prices and the operation of the expanded AMG Vanadium roaster compared to the first quarter 2013, resulted in a 200% increase in AMG Vanadium gross margins. This helped offset a 34% decline in AMG Superalloys margins as lower market prices impacted margins.

The first quarter 2014 EBITDA increased by \$0.7 million, or 6% of revenue, which is consistent with the first quarter 2013. The EBITDA increase was the result of a \$1.7 million decline in SG&A expenses, which more than offset a \$1.0 million decrease in gross profit. The decrease in SG&A expenses was related to a decline in personnel cost and professional fees related to efficiency initiatives.

Capital expenditures were \$2.3 million for the first quarter 2014, a 65% decrease from the first quarter 2013. Capital investments made in the first quarter included \$1.9 million of maintenance expenditures.

AMG Engineering

	Q1 '14	Q1 '13	Change
Revenue	\$48,765	\$60,511	(19%)
Gross profit	12,772	15,366	(17%)
Operating (loss) profit	(913)	1,597	N/A
EBITDA	1,530	5,592	(73%)
Capital expenditures	348	318	9%

AMG Engineering's first quarter 2014 revenue decreased \$11.7 million, or 19%, to \$48.8 million. The first quarter revenue was impacted by the low level of order backlog at the beginning of the quarter. Increases of 38% and 36% in revenue from heat treatment systems and nuclear systems, respectively, were more than offset by 62% and 54% declines in casting and sintering furnaces and remelting systems, respectively.

Order backlog increased 24% to \$135.8 million at March 31, 2014 from \$109.7 million at December 31, 2013. AMG Engineering generated order intake of \$74.5 million in the first quarter 2014, a 141% increase compared to the first quarter 2013, and a 1.53x book to bill ratio.

The first quarter 2014 gross margin was 26%, consistent with the first quarter 2013. The impact of cost reductions made in 2013 combined with an increase in higher margin service revenues offset increased pricing pressure and resulted in the consistent gross margins.

The first quarter 2014 EBITDA decreased \$4.1 million, to 3% of revenue from 9% of revenue in the first quarter 2013. The EBITDA decrease was primarily the result of the \$2.6 million decrease in gross profit and a \$0.8 million increase in SG&A professional fees.

Capital expenditures were \$0.3 million in the first quarter 2014, which were primarily maintenance capital expenditures for the heat treatment services business.

AMG Mining

	Q1 '14	Q1 '13	Change
Revenue	\$80,977	\$82,891	(2%)
Gross profit	14,653	12,967	13%
Operating profit	6,485	4,211	54%
EBITDA	9,119	7,895	16%
Capital expenditures	3,181	2,249	41%

AMG Mining's first quarter 2014 revenue decreased \$1.9 million, or 2%, to \$81.0 million. Volumes were mixed, as increases in antimony and graphite products were offset by declines in tantalum and silicon. Antimony prices decreased 10%, while graphite and silicon prices remained consistent with the first quarter 2013.

The first quarter 2014 gross margin increased to 18%, from 16% in the first quarter 2013. The gross margin increase was primarily the result of an increase in antimony and graphite volumes, and improved product mix.

The first quarter 2014 EBITDA increased \$1.2 million, to 11% of revenue from 10% of revenue in the first quarter 2013. The EBITDA increase was the result of \$1.7 million increase in gross profit and a \$0.5 million decrease in SG&A, offset slightly by lower depreciation expense included in the gross profit.

Capital expenditures were \$3.2 million in the first quarter 2014, 41% more than the first quarter 2013. Capital expenditures were primarily composed of \$2.0 million for a silicon metal furnace efficiency upgrade and \$0.5 million for maintenance expenditures.

Financial Review

Tax

AMG recorded an income tax expense of \$3.3 million in the first quarter 2014. The income tax expense was reflective of the composition of earnings among certain tax jurisdictions. The income tax expense in the first quarter 2013 was \$3.7 million.

SG&A

AMG's first quarter 2014 SG&A expenses were \$35.0 million, compared to \$36.0 million in the first quarter 2013, a decrease of 3%. The \$1.0 million decrease in SG&A expenses was primarily due to a decrease in personnel expenses.

Non-Recurring Items

AMG's first quarter 2014 operating income of \$10.8 million 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 due to their nature and/or size should be presented separately to enable better analysis of the results.

AMG incurred \$0.8 million of restructuring expense in the first quarter 2014, primarily related to AMG Processing. The restructuring expenses are part of the Company's process to simplify its corporate structure and ongoing cost reduction efforts.

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 depreciation in the value of the U.S. dollar compared to the Brazilian Real as of March 31, 2014 compared to December 31, 2013, resulted in a \$1.6 million increase in both the assets and the liabilities on the balance sheet. The net result of the depreciation in the value of the U.S. dollar against the Euro in the first quarter 2014 compared to the first quarter 2013, resulted in an increase in revenue and EBITDA of \$4.8 million and \$0.4 million, respectively.

Liquidity

	March 31, 2014	December 31, 2013	Change
Total debt	\$258,769	\$263,580	(2%)
Cash and cash equivalents	97,866	103,067	(5%)
Net debt	160,903	160,513	0%

AMG had a net debt position of \$160.9 million as of March 31, 2014. In a continuing effort to right size its balance sheet and reduce finance expense, AMG reduced its gross debt balance by \$4.8 million during the first quarter. Including the \$97.9 million of cash, AMG had \$172.9 million of total liquidity as of March 31, 2014.

Cash Flow

	For the quarter ended March 31	
	2014	2013
Net cash flows from operating activities	\$5,659	\$665
Capital expenditures	(5,851)	(9,124)
Cash flows from other investing activities	118	29
Net cash flows used in investing activities	(5,733)	(9,095)
Net cash flows used in financing activities	(5,138)	(4,163)

Cash flows from operating activities were \$5.7 million for the quarter ended March 31, 2014 compared to cash flows from operating activities of \$0.7 million in the same period in 2013. Net cash flows from operating activities are comprised of \$20.1 million in EBITDA offset by \$7.2 million increase in working capital and deferred revenue, \$1.3 million of cash tax payments, \$0.9 million of net cash interest payments, and restructuring payments of \$2.7 million.

Cash flows used in investing activities were \$5.7 million for the quarter ended March 31, 2014. The \$3.4 million decrease compared to the same period in 2013 is primarily composed of a \$3.3 million decrease in capital investments. This reduction in capital investments reflects management's continued cash control initiatives and more stringent return metrics.

Cash flows used in financing activities were \$5.1 million for the quarter ended March 31, 2014 as the Company repaid \$5.2 million of borrowings. In the same period in 2013, AMG repaid \$4.2 million of borrowings.

Outlook

AMG continues to improve its operational performance and is executing on the strategy to gain critical mass in critical materials. These improvements are helping offset the continued weak specialty metals markets. The destocking in the global aerospace value chain is expected to continue for the balance of the year and slowing China growth remains a concern. Despite these challenging market conditions, AMG's improved operational performance should enable it to produce significant operating cash flow in 2014, and increase ROCE, EBITDA, and net income over 2013 levels.

AMG Advanced Metallurgical Group N.V.
Condensed interim consolidated income statement
For the quarter ended March 31
In thousands of US Dollars

	2014	2013
	Unaudited	Unaudited
Continuing operations		
Revenue	274,852	296,478
Cost of sales	228,500	248,220
Gross profit	46,352	48,258
Selling, general and administrative expenses	35,036	36,017
Restructuring expense	758	1,336
Environmental	-	33
Other income, net	(253)	(168)
Operating profit	10,811	11,040
Finance income	(203)	(143)
Finance expense	4,675	5,717
Foreign exchange gain	(185)	(919)
Net finance costs	4,287	4,655
Share of profit (loss) of associates and joint ventures	105	(712)
Profit before income tax	6,629	5,673
Income tax expense	3,274	3,712
Profit for the period	3,355	1,961
Attributable to:		
Shareholders of the Company	3,919	2,460
Non-controlling interests	(564)	(499)
Profit for the period	3,355	1,961
Earnings per share		
Basic earnings per share	0.14	0.09
Diluted earnings per share	0.14	0.09

AMG Advanced Metallurgical Group N.V.
 Condensed interim consolidated statement of financial position

In thousands of US Dollars

	March 31, 2014 Unaudited	December 31, 2013
Assets		
Property, plant and equipment	254,683	259,683
Goodwill	25,054	25,078
Intangible assets	11,465	12,116
Investments in associates and joint ventures	4,856	4,755
Derivative financial instruments	100	271
Deferred tax assets	27,681	27,003
Restricted cash	7,770	7,967
Other assets	26,548	25,519
Total non-current assets	358,157	362,392
Inventories	178,111	179,343
Trade and other receivables	171,728	150,807
Derivative financial instruments	1,988	2,177
Other assets	31,271	34,430
Cash and cash equivalents	97,866	103,067
Total current assets	480,964	469,824
Total assets	839,121	832,216

AMG Advanced Metallurgical Group N.V.
Condensed interim consolidated statement of financial position
(continued)
In thousands of US Dollars

	March 31, 2014	December 31, 2013
	Unaudited	
Equity		
Issued capital	744	744
Share premium	382,518	382,518
Other reserves	(3,017)	(4,605)
Retained earnings (deficit)	(242,385)	(246,304)
Equity attributable to shareholders of the Company	137,860	132,353
Non-controlling interests	1,562	2,237
Total equity	139,422	134,590
Liabilities		
Loans and borrowings	223,528	223,788
Employee benefits	138,124	138,009
Provisions	30,498	30,443
Deferred revenue	11,292	11,776
Government grants	869	883
Other liabilities	8,348	8,425
Derivative financial instruments	7,944	7,702
Deferred tax liabilities	3,597	3,121
Total non-current liabilities	424,200	424,147
Loans and borrowings	9,976	20,873
Short term bank debt	25,265	18,919
Government grants	74	74
Other liabilities	60,225	54,383
Trade and other payables	130,547	127,381
Derivative financial instruments	2,806	5,298
Advance payments	19,526	16,341
Deferred revenue	5,012	5,009
Current taxes payable	3,354	2,329
Employee benefits	801	1,350
Provisions	17,913	21,522
Total current liabilities	275,499	273,479
Total liabilities	699,699	697,626
Total equity and liabilities	839,121	832,216

AMG Advanced Metallurgical Group N.V.
Condensed interim consolidated statement of cash flows
For the quarter ended March 31
In thousands of US Dollars

	2014	2013
	Unaudited	Unaudited
Cash flows from operating activities		
Profit for the period	3,355	1,961
Adjustments to reconcile net profit to net cash flows:		
Non-cash:		
Income tax expense	3,274	3,712
Depreciation and amortization	8,149	8,700
Net finance costs	4,287	4,655
Share of (profit) loss of associates and joint ventures	(105)	712
(Gain) loss on sale or disposal of property, plant and equipment	(36)	107
Equity-settled share-based payment transactions	165	205
Movement in provisions, pensions and government grants	(4,003)	(1,597)
Change in working capital and deferred revenue	(7,198)	(9,242)
Cash flows from operating activities	7,888	9,213
Finance costs paid, net	(888)	(2,192)
Income tax paid, net	(1,341)	(6,356)
Net cash flows from operating activities	5,659	665
Cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	118	12
Acquisition of property, plant and equipment and intangibles	(5,851)	(9,124)
Change in restricted cash	(15)	(20)
Other	15	37
Net cash flows used in investing activities	(5,733)	(9,095)
Cash flows used in financing activities		
Repayment of borrowings	(5,166)	(4,159)
Contributions by non-controlling interests	28	-
Other	-	(4)
Net cash flows used in financing activities	(5,138)	(4,163)
Net decrease in cash and cash equivalents	(5,212)	(12,593)
Cash and cash equivalents at January 1	103,067	121,639
Effect of exchange rate fluctuations on cash held	11	(2,349)
Cash and cash equivalents at March 31	97,866	106,697

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 Processing develops and produces specialty metals, alloys, and high performance materials. AMG is a significant producer of specialty metals, such as ferrovanadium, 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 Russia, and Japan (www.amg-nv.com).

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