



## AMG REPORTS SECOND QUARTER 2014 RESULTS

### Key Highlights

- Revenue was \$278.9 million in the second quarter 2014, a 4% decrease from the same period in 2013
- EBITDA<sup>(1)</sup> was \$20.4 million in the second quarter 2014, an 8% decrease from the same period in 2013
- EPS on a fully diluted basis was \$0.27 in the second quarter 2014, compared to (\$1.53) in the same period in 2013
- Cash flows from operating activities were \$19.1 million in the second quarter 2014, compared to \$32.0 million in the same period in 2013
- As of June 30, 2014, cash on the balance sheet was \$114.9 million; net debt was \$147.8 million, a reduction of \$12.7 million during the year

**Amsterdam, 6 August 2014 (Regulated Information)** --- AMG Advanced Metallurgical Group N.V. (“AMG”, Euronext Amsterdam: “AMG”) reported second quarter 2014 revenue of \$278.9 million, a 4% decrease from \$291.5 million in the second quarter 2013. Net income attributable to shareholders for the second quarter 2014 was \$7.4 million, or \$0.27 per fully diluted share, compared to a loss of \$42.2 million, or (\$1.53) in the second quarter 2013. EBITDA decreased 8% to \$20.4 million in the second quarter 2014. However, the EBITDA was consistent with the first quarter 2014 EBITDA of \$20.1 million.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, “AMG continued to deliver on its objective of improving operational performance, and reducing gross and net debt. Despite a low metal price environment, market demand was stable during the second quarter 2014. AMG Processing benefited from cost reduction and restructuring efforts, while AMG Mining improved gross margins due to its focus on higher value-added products. AMG Engineering had a disappointing quarter in terms of profitability, the result of weak order intake in the second half of 2013, but generated significant order intake during the quarter, which should result in improved earnings in the second half of the year.”

### Key Figures

*In 000's US Dollar*

	Q2 '14	Q2 '13	Change
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(1) EBITDA is defined as earnings before interest, tax, depreciation and amortization and excludes non-recurring items

<b>Revenue</b>	<b>\$278,941</b>	<b>\$291,528</b>	<b>(4%)</b>
Gross profit	44,963	48,618	(8%)
Gross margin	16.1%	16.7%	
Operating profit (loss)	11,124	(40,222)	N/M
Operating margin	4.0%	(13.8%)	
<b>Net income (loss) attributable to shareholders</b>	<b>7,445</b>	<b>(42,230)</b>	<b>N/M</b>
EPS- Fully diluted	0.27	(1.53)	N/M
<b>EBIT (1)</b>	<b>12,221</b>	<b>14,140</b>	<b>(14%)</b>
<b>EBITDA (2)</b>	<b>20,392</b>	<b>22,184</b>	<b>(8%)</b>
EBITDA margin	7.3%	7.6%	
Cash flows from operating activities	19,129	31,966	(40%)

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

	Q2 '14	Q2 '13	Change
Revenue	\$144,508	\$144,603	0%
Gross profit	20,757	17,718	17%
Operating profit	6,650	4,322	54%
EBITDA	11,158	7,992	40%

AMG Processing's second quarter 2014 revenue was consistent with prior year while gross profit improved by 17%. A 103% increase in ferrovanadium volumes was offset by lower demand in certain aerospace end markets. Improved production efficiencies and lower cost structures at AMG Vanadium and AMG Superalloys were the primary reasons for the improved gross margins. The consistency of metal prices, improved production efficiencies and the impacts of previous restructuring efforts all contributed to the 2% increase in gross margin. The increase in gross margins led to the 40% improvement in EBITDA.

### AMG Engineering

	Q2 '14	Q2 '13	Change
Revenue	\$49,676	\$66,618	(25%)
Gross profit	7,485	18,189	(59%)
Operating loss	(3,760)	(12,420)	(70%)
EBITDA	(1,801)	8,443	N/M

AMG Engineering's second quarter 2014 revenue decreased \$16.9 million, or 25%, to \$49.7 million. Low order intake in the second half of 2013 caused the decline in revenue during the quarter. The second quarter 2014 gross margin decreased to 15%, from 27% in the second quarter 2013 due to reduced volumes and pricing pressure. The \$10.7 million decline in gross profit directly impacted EBITDA.

Order backlog increased 9% to \$148.0 million at June 30, 2014 from \$135.8 million at March 31, 2014, as delayed orders began to be realized. \$62.3 million in new orders were signed in the second quarter 2014, a 1.25x book to bill ratio. Turbine blade coating systems accounted for approximately 33% of the order intake.

#### *AMG Mining*

	<b>Q2 '14</b>	<b>Q2 '13</b>	<b>Change</b>
Revenue	\$84,757	\$80,307	6%
Gross profit	16,721	12,711	32%
Operating profit (loss)	8,234	(32,124)	N/M
EBITDA	11,035	5,749	92%

AMG Mining's second quarter 2014 revenue increased \$4.5 million, or 6%, to \$84.8 million, with tantalum and graphite recording the biggest improvements. AMG Tantalum's revenue increased due to a 54% increase in volumes, and price improvements related to a long-term contract, while AMG Graphite revenues improved primarily due to a 21% increase in volumes. The focus on operational efficiencies and increased sales of higher margin graphite products for the energy efficiency market improved AMG Graphite's gross margin to 20% from 16%. The EBITDA increased 92% to 13% of revenue, primarily due to the 32% improvement in gross profit.

### **Financial Review**

#### *SG&A*

AMG's second quarter 2014 SG&A expenses were \$34.1 million, consistent with \$34.0 million in the second quarter 2013. SG&A expenses were stable, despite incurring approximately \$1.1 million in costs related to specific strategic initiatives.

#### *Non-Recurring Items*

AMG's second quarter 2014 operating profit of \$11.1 million includes non-recurring items, which are not included in the calculation of EBITDA.

A summary of non-recurring items in the second quarter 2014 and 2013 are below:

	<b>For the three months ended</b>	
	<b>June 2014</b>	<b>June 2013</b>
<b>Non-recurring items included in operating profit (loss):</b>		
Restructuring expense	\$1,034	\$5,399
Asset impairment expense	-	49,703
<b>Total non-recurring items included in operating profit (loss)</b>	<b>1,034</b>	<b>55,102</b>

AMG Processing incurred \$1.0 million during the second quarter 2014 to right size the workforce to current market realities. This is a substantial reduction from \$55.1 million of restructuring and asset impairment expenses recorded in 2013 related to the Company's solar operations and non-developed mining assets.

#### *Liquidity*

	<b>June 30, 2014</b>	<b>December 31, 2013</b>	<b>Change</b>
Total debt	\$262,743	\$263,580	(0%)
Cash & short-term investments	114,940	103,067	12%
Net debt	147,803	160,513	(8%)

AMG had a net debt position of \$147.8 million as of June 30, 2014. This decreased \$12.7 million since December 31, 2013 due to strong cash flow from operations and lower capital spending.

Cash flows from operating activities were \$24.8 million in the first half of 2014 compared to \$32.6 million in the first half of 2013. The decline is primarily attributable to a \$15.0 million long-term contract prepayment received in the first half of 2013 that did not recur in 2014.

Capital expenditures declined \$5.7 million in the first half of 2014 as compared to the first half of 2013. The \$10.5 million of capital spending incurred in the first half of 2014 included \$6.1 million of maintenance capital. The largest capital projects were for AMG TAC's titanium aluminide expansion, AMG Silicon efficiency improvements, and capacity expansion of higher value-added graphite products.

Including the \$114.9 million of cash, AMG had \$172.7 million of total liquidity as of June 30, 2014.

On May 27, 2014, AMG amended its revolving credit facility. The amendment extended the modified tangible net worth covenant through April 2016, the remainder of the term of the credit facility.

#### *Outlook*

The specialty metals markets are relatively stable as the global economy is slowly improving. In this low growth environment, AMG is rationalizing production, limiting capital investments, and continuing cost reduction programs. These actions are the primary factors behind the improved AMG Processing and AMG Mining margins. The increase in AMG Engineering's backlog and the lower cost base in AMG Processing and AMG Mining, should position the Company for improved EBITDA and net income, and reduced debt levels, in the second half of 2014.

AMG Advanced Metallurgical Group N.V.  
Condensed interim consolidated income statement  
**For the quarter ended June 30**  
*In thousands of US Dollars*

	2014 Unaudited	2013 Unaudited
Revenue	278,941	291,528
Cost of sales	233,978	242,910
<b>Gross profit</b>	<b>44,963</b>	<b>48,618</b>
Selling, general and administrative expenses	34,098	33,994
Asset impairment expense	-	49,703
Restructuring expense	1,034	5,399
Other income, net	(1,293)	(256)
<b>Operating profit (loss)</b>	<b>11,124</b>	<b>(40,222)</b>
Finance expense	5,752	5,320
Finance income	(138)	(173)
Foreign exchange loss	199	964
<b>Net finance costs</b>	<b>5,813</b>	<b>6,111</b>
Share of profit of associates and joint ventures	678	156
<b>Profit (loss) before income tax</b>	<b>5,989</b>	<b>(46,177)</b>
Income tax benefit	(1,463)	(1,788)
<b>Profit (loss) for the period</b>	<b>7,452</b>	<b>(44,389)</b>
Attributable to:		
Shareholders of the Company	7,445	(42,230)
Non-controlling interests	7	(2,159)
<b>Profit (loss) for the period</b>	<b>7,452</b>	<b>(44,389)</b>
<b>Earnings (loss) per share</b>		
Basic earnings (loss) per share	0.27	(1.53)
Diluted earnings (loss) per share	0.27	(1.53)

AMG Advanced Metallurgical Group N.V.  
Condensed interim consolidated income statement  
**For the six months ended June 30**  
*In thousands of US Dollars*

	2014 Unaudited	2013 Unaudited
Revenue	553,793	588,006
Cost of sales	462,478	491,130
<b>Gross profit</b>	<b>91,315</b>	<b>96,876</b>
Selling, general and administrative expenses	69,134	70,011
Asset impairment expense	-	49,703
Restructuring expense	1,792	6,735
Other income, net	(1,546)	(391)
<b>Operating profit (loss)</b>	<b>21,935</b>	<b>(29,182)</b>
Finance expense	10,427	11,037
Finance income	(341)	(316)
Foreign exchange loss	14	45
<b>Net finance costs</b>	<b>10,100</b>	<b>10,766</b>
Share of profit (loss) of associates and joint ventures	783	(556)
<b>Profit (loss) before income tax</b>	<b>12,618</b>	<b>(40,504)</b>
Income tax expense	1,811	1,924
<b>Profit (loss) for the period</b>	<b>10,807</b>	<b>(42,428)</b>
Attributable to:		
Shareholders of the Company	11,364	(39,770)
Non-controlling interests	(557)	(2,658)
<b>Profit (loss) for the period</b>	<b>10,807</b>	<b>(42,428)</b>
<b>Earnings (loss) per share</b>		
Basic earnings (loss) per share	0.41	(1.44)
Diluted earnings (loss) per share	0.41	(1.44)

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

*In thousands of US Dollars*

	June 30, 2014 Unaudited	December 31, 2013
<b>Assets</b>		
Property, plant and equipment	251,268	259,683
Goodwill	24,817	25,078
Intangible assets	11,346	12,116
Investments in associates and joint ventures	4,806	4,755
Derivative financial instruments	71	271
Deferred tax assets	34,336	27,003
Restricted cash	8,959	7,967
Other assets	24,558	25,519
<b>Total non-current assets</b>	<b>360,161</b>	<b>362,392</b>
Assets held for sale	689	-
Inventories	166,945	179,343
Trade and other receivables	174,425	150,807
Derivative financial instruments	2,675	2,177
Other assets	31,928	34,430
Cash and cash equivalents	114,940	103,067
<b>Total current assets</b>	<b>491,602</b>	<b>469,824</b>
<b>Total assets</b>	<b>851,763</b>	<b>832,216</b>



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

	June 30, 2014 Unaudited	December 31, 2013
<b>Equity</b>		
Issued capital	744	744
Share premium	382,518	382,518
Other reserves	(9,450)	(4,605)
Retained earnings (deficit)	(234,281)	(246,304)
<b>Equity attributable to shareholders of the Company</b>	<b>139,531</b>	<b>132,353</b>
Non-controlling interests	1,376	2,237
<b>Total equity</b>	<b>140,907</b>	<b>134,590</b>
<b>Liabilities</b>		
Loans and borrowings	217,776	223,788
Employee benefits	148,904	138,009
Provisions	30,424	30,443
Deferred revenue	8,903	11,776
Government grants	781	883
Other liabilities	7,346	8,425
Derivative financial instruments	6,471	7,702
Deferred tax liabilities	4,329	3,121
<b>Total non-current liabilities</b>	<b>424,934</b>	<b>424,147</b>
Loans and borrowings	19,555	20,873
Short term bank debt	25,412	18,919
Government grants	95	74
Other liabilities	56,055	54,383
Trade and other payables	128,221	127,381
Derivative financial instruments	1,792	5,298
Advance payments	22,497	16,341
Deferred revenue	12,310	5,009
Current taxes payable	2,836	2,329
Employee benefits	200	1,350
Provisions	16,949	21,522
<b>Total current liabilities</b>	<b>285,922</b>	<b>273,479</b>
<b>Total liabilities</b>	<b>710,856</b>	<b>697,626</b>
<b>Total equity and liabilities</b>	<b>851,763</b>	<b>832,216</b>

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*

	2014	2013
	Unaudited	Unaudited
<b>Cash flows from operating activities</b>		
Profit (loss) for the period	10,807	(42,428)
Adjustments to reconcile net profit to net cash flows:		
<b>Non-cash:</b>		
Income tax expense	1,811	1,924
Depreciation and amortization	16,320	16,744
Asset impairment expense	-	49,703
Net finance costs	10,100	10,766
Share of (profit) loss of associates and joint ventures	(783)	556
Loss on sale or disposal of property, plant and equipment	134	30
Equity-settled share-based payment transactions	429	428
Movement in provisions, pensions and government grants	(5,240)	2,473
Change in working capital and deferred revenue	2,956	11,360
<b>Cash flows from operating activities</b>	<b>36,534</b>	<b>51,556</b>
Finance costs paid, net	(7,921)	(9,296)
Income tax paid, net	(3,825)	(9,629)
<b>Net cash flows from operating activities</b>	<b>24,788</b>	<b>32,631</b>
<b>Cash flows used in investing activities</b>		
Proceeds from sale of property, plant and equipment	220	356
Proceeds from sale of investment in associate	-	650
Acquisition of property, plant and equipment and intangibles	(10,478)	(16,219)
Change in restricted cash	(1,220)	523
Other	(5)	(4,000)
<b>Net cash flows used in investing activities</b>	<b>(11,483)</b>	<b>(18,690)</b>
<b>Cash flows used in financing activities</b>		
Proceeds from issuance of debt	-	41
Repayment of borrowings	(857)	(22,471)
Change in non-controlling interests	28	(69)
Other	-	5
<b>Net cash flows used in financing activities</b>	<b>(829)</b>	<b>(22,494)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>12,476</b>	<b>(8,553)</b>
Cash and cash equivalents at January 1	103,067	121,639
Effect of exchange rate fluctuations on cash held	(603)	(856)
<b>Cash and cash equivalents at June 30</b>	<b>114,940</b>	<b>112,230</b>

## About AMG

AMG creates and applies innovative metallurgical solutions to the global trend of sustainable development of natural resources and CO<sub>2</sub> 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 and produces advanced vacuum furnace systems, and operates vacuum heat treatment facilities, primarily for the Aerospace and Energy 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](http://www.amg-nv.com)).

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