



AMG REPORTS THIRD QUARTER 2014 RESULTS

Key Highlights

- Revenue was \$279.7 million in the third quarter 2014, a 2% decrease from the same period in 2013
- EBITDA⁽¹⁾ was \$23.4 million in the third quarter 2014, a 32% increase from the same period in 2013
- EPS on a fully diluted basis was \$0.12 in the third quarter 2014, a 140% increase from the same period in 2013
- Cash flows from operating activities were \$47.7 million in the third quarter 2014, compared to \$24.7 million in the same period in 2013; record nine month free cash flow generation of \$55.5² million
- As of September 30, 2014, cash on the balance sheet was \$122.2 million; net debt was \$103.9 million, a reduction of \$56.7 million during 2014

Amsterdam, 7 November 2014 (Regulated Information) --- AMG Advanced Metallurgical Group N.V. (“AMG”, Euronext Amsterdam: “AMG”) reported third quarter 2014 revenue of \$279.7 million, a 2% decrease from \$286.4 million in the third quarter 2013. Net income attributable to shareholders for the third quarter 2014 was \$3.2 million, or \$0.12 per fully diluted share, an increase from \$1.4 million, or \$0.05 in the third quarter 2013. EBITDA increased 32% to \$23.4 million in the third quarter 2014 from \$17.7 million in the third quarter 2013.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, “AMG’s efforts to improve its balance sheet and create financial flexibility have been a remarkable success. AMG generated record free cash flow for the first nine months of 2014 and reduced net debt by over \$56 million, or 35%. This was accomplished despite subdued market conditions, through cost reductions, improved working capital management and disciplined capital spending. In the third quarter, AMG Processing and AMG Mining increased year over year gross margins through a focus on providing higher value-added products. AMG Engineering improved profitability compared to the second quarter 2014 and generated significant order intake.”

Key Figures

In 000's US Dollar

	Q3 '14	Q3 '13	Change
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(1) EBITDA is defined as earnings before interest, tax, depreciation and amortization and excludes non-recurring items
(2) Free cash flow is defined as cash flows from operating activities less cash flows used in investing activities

Revenue	\$279,718	\$286,415	(2%)
Gross profit	48,059	39,792	21%
Gross margin	17.2%	13.9%	
Operating profit	14,999	7,275	106%
Operating margin	5.4%	2.5%	
Net income attributable to shareholders	3,236	1,407	130%
EPS- Fully diluted	0.12	0.05	140%
EBIT (1)	15,285	9,623	59%
EBITDA (2)	23,414	17,701	32%
EBITDA margin	8.4%	6.2%	
Cash flows from operating activities	47,662	24,687	93%

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

	Q3 '14	Q3 '13	Change
Revenue	\$134,479	\$138,068	(3%)
Gross profit	20,493	13,008	58%
Operating profit	8,724	814	972%
EBITDA	11,911	4,629	157%

AMG Processing's third quarter 2014 revenue decreased \$3.6 million, or 3% to \$134.5 million. A 78% increase in ferrovanadium volume was offset by a 28% decline in chrome volume, as AMG focused on higher margin, lower volume, chrome products. Improved product mix and increased operating efficiencies in the AMG Vanadium, Superalloys and Titanium Alloy and Coatings units all contributed to the increase in gross margin to 15.2% from 9.4% in the third quarter 2013. The increase in gross profit resulted in 157% improvement in EBITDA.

AMG Engineering

	Q3 '14	Q3 '13	Change
Revenue	\$61,132	\$66,093	(8%)
Gross profit	10,484	13,979	(25%)
Operating (loss) profit	(1,384)	475	(391%)
EBITDA	709	4,179	(83%)

AMG Engineering's third quarter 2014 revenue decreased \$5.0 million, or 8%, to \$61.1 million due to pricing pressure and delays in order intake. The third quarter 2014 gross margin decreased to 17%, from 21% in the third quarter 2013, due to reduced economies of scale and pricing pressure. The \$3.5 million decline in gross profit directly corresponded to the decline in EBITDA.

AMG Engineering signed \$66.9 million in new orders during the third quarter 2014, a 1.09x book to bill ratio. Order backlog was \$141.1 million as of September 30, 2014 and excluding the impact of currency, the backlog increased 3% from June 30, 2014. Heat treatment furnaces accounted for approximately 43% of the order intake.

AMG Mining

	Q3 '14	Q3 '13	Change
Revenue	\$84,107	\$82,254	2%
Gross profit	17,082	12,805	33%
Operating profit	7,659	5,986	28%
EBITDA	10,794	8,893	21%

AMG Mining's third quarter 2014 revenue increased \$1.9 million, or 2%, to \$84.1 million, with increases in tantalum, graphite and silicon revenues offsetting declines in antimony. AMG Mineração's revenue grew due to a 50% increase in tantalum volume. AMG Graphite's revenue improved primarily due to a 13% increase in volume, despite lower prices. Third quarter 2014 gross margins increased to 20.3% from 15.6% in the third quarter 2013 due to increased revenue from higher value-added products and the recent production efficiency improvements. EBITDA increased 21%, to 13% of revenue, primarily due to the 33% improvement in gross profit.

Financial Review

SG&A

AMG's third quarter 2014 SG&A expenses were \$33.1 million, up slightly from \$32.3 million in the third quarter 2013. A one-time charge for an update to the long-term pension liability resulted in the increase in SG&A.

Non-Recurring Items

AMG did not incur any material non-recurring charges during the third quarter 2014. In the third quarter 2013 AMG incurred \$1.8 million of charges consisting primarily of \$1.3 million and \$0.3 million for AMG Engineering and AMG Mining restructuring, respectively.

Liquidity

	September 30, 2014	December 31, 2013	Change
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Total debt	\$226,092	\$263,580	(14%)
Cash and cash equivalents	122,230	103,067	19%
Net debt	103,862	160,513	(35%)

AMG had a net debt position of \$103.9 million as of September 30, 2014. The net debt decreased \$56.7 million from December 31, 2013 due to strong cash flow from operations and lower capital spending.

Cash flows from operating activities were \$72.5 million in the first nine months of 2014 compared to \$57.3 million in the first nine months of 2013. The improvement is primarily attributable to the \$1.8 million increase in EBITDA and the \$9.5 million reduction in financing and tax payments during 2014.

Capital expenditures declined \$5.3 million in the first nine months of 2014 compared to the first nine months of 2013. The \$17.2 million of capital spending in the first nine months of 2014 included \$8.4 million of maintenance capital. The largest expansion capital projects were for AMG TAC's titanium aluminides, AMG Silicon efficiency improvements, and increased capacity of higher value-added graphite products.

Including the \$122.2 million of cash, AMG had \$191.6 million of total liquidity as of September 30, 2014.

Engineering Strategic Alternatives Update

As previously announced, AMG has retained a financial advisor to evaluate a potential IPO of ALD. Equity markets for small cap IPOs have not cooperated for such a transaction to go forward. We will continue to update the market accordingly.

Outlook

In this challenging environment, AMG has generated significant free cash flow and considerably reduced gross and net debt. AMG expects full year 2014 EBITDA growth in excess of 10%. 2014 net income and ROCE will substantially exceed 2013 levels, despite the weakening global economic outlook. AMG is well positioned to further reduce debt through increased profitability and selective capital spending in 2015.

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

	2014 Unaudited	2013 Unaudited
Revenue	279,718	286,415
Cost of sales	231,659	246,623
Gross profit	48,059	39,792
Selling, general and administrative expenses	33,125	32,343
Restructuring expense	19	1,753
Other income, net	(84)	(1,579)
Operating profit	14,999	7,275
Finance expense	3,671	6,347
Finance income	(197)	(324)
Foreign exchange gain	(22)	(358)
Net finance costs	3,452	5,665
Share of (loss) profit of associates and joint ventures	(1,252)	26
Profit before income tax	10,295	1,636
Income tax expense	7,101	459
Profit for the period	3,194	1,177
Attributable to:		
Shareholders of the Company	3,236	1,407
Non-controlling interests	(42)	(230)
Profit for the period	3,194	1,177
Earnings per share		
Basic earnings per share	0.12	0.05
Diluted earnings per share	0.12	0.05

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

	2014 Unaudited	2013 Unaudited
Revenue	833,511	874,421
Cost of sales	694,137	737,753
Gross profit	139,374	136,668
Selling, general and administrative expenses	102,259	102,354
Asset impairment expense	-	49,703
Restructuring expense	1,811	8,488
Other income, net	(1,630)	(1,970)
Operating profit (loss)	36,934	(21,907)
Finance expense	14,098	17,384
Finance income	(538)	(640)
Foreign exchange gain	(8)	(313)
Net finance costs	13,552	16,431
Share of loss of associates and joint ventures	(469)	(530)
Profit (loss) before income tax	22,913	(38,868)
Income tax expense	8,912	2,383
Profit (loss) for the period	14,001	(41,251)
Attributable to:		
Shareholders of the Company	14,600	(38,363)
Non-controlling interests	(599)	(2,888)
Profit (loss) for the period	14,001	(41,251)
Earnings (loss) per share		
Basic earnings (loss) per share	0.53	(1.39)
Diluted earnings (loss) per share	0.53	(1.39)

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

In thousands of US Dollars

	Sept 30, 2014 Unaudited	Dec 31, 2013
Assets		
Property, plant and equipment	240,954	259,683
Goodwill	23,196	25,078
Intangible assets	11,245	12,116
Investments in associates and joint ventures	1,476	4,755
Derivative financial instruments	-	271
Deferred tax assets	30,995	27,003
Restricted cash	7,748	7,967
Other assets	22,753	25,519
Total non-current assets	338,367	362,392
Inventories	157,453	179,343
Trade and other receivables	156,100	150,807
Derivative financial instruments	3,712	2,177
Other assets	31,350	34,430
Cash and cash equivalents	122,230	103,067
Total current assets	470,845	469,824
Total assets	809,212	832,216

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

	Sept 30, 2014 Unaudited	Dec 31, 2013
Equity		
Issued capital	744	744
Share premium	382,518	382,518
Other reserves	(18,923)	(4,605)
Retained earnings (deficit)	(235,556)	(246,304)
Equity attributable to shareholders of the Company	128,783	132,353
Non-controlling interests	3,476	2,237
Total equity	132,259	134,590
Liabilities		
Loans and borrowings	192,318	223,788
Employee benefits	140,817	138,009
Provisions	29,829	30,443
Deferred revenue	11,008	11,776
Government grants	716	883
Other liabilities	9,232	8,425
Derivative financial instruments	6,818	7,702
Deferred tax liabilities	4,328	3,121
Total non-current liabilities	395,066	424,147
Loans and borrowings	11,627	20,873
Short term bank debt	22,147	18,919
Government grants	148	74
Other liabilities	55,834	54,383
Trade and other payables	126,569	127,381
Derivative financial instruments	5,200	5,298
Advance payments	31,156	16,341
Deferred revenue	9,033	5,009
Current taxes payable	3,550	2,329
Employee benefits	200	1,350
Provisions	16,423	21,522
Total current liabilities	281,887	273,479
Total liabilities	676,953	697,626
Total equity and liabilities	809,212	832,216

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

	2014	2013
	Unaudited	Unaudited
Cash flows from operating activities		
Profit (loss) for the period	14,001	(41,251)
Adjustments to reconcile net profit to net cash flows:		
Non-cash:		
Income tax expense	8,912	2,383
Depreciation and amortization	24,447	24,822
Asset impairment expense	-	49,703
Net finance costs	13,552	16,431
Share of loss of associates and joint ventures	469	530
Loss (gain) on sale or disposal of property, plant and equipment	325	(1,429)
Equity-settled share-based payment transactions	673	666
Movement in provisions, pensions and government grants	(4,174)	969
Change in working capital and deferred revenue	27,639	27,369
Cash flows from operating activities	85,844	80,193
Finance costs paid, net	(8,922)	(11,331)
Income tax paid, net	(4,472)	(11,544)
Net cash flows from operating activities	72,450	57,318
Cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	260	1,821
Proceeds from sale of investment in associate	-	650
Acquisition of property, plant and equipment and intangibles	(17,232)	(22,534)
Acquisition of other non-current asset investments	-	(4,000)
Change in restricted cash	(169)	1,952
Other	157	13
Net cash flows used in investing activities	(16,984)	(22,098)
Cash flows used in financing activities		
Proceeds from issuance of debt	-	38
Repayment of borrowings	(30,822)	(42,572)
Change in non-controlling interests	28	(69)
Other	3	7
Net cash flows used in financing activities	(30,791)	(42,596)
Net increase (decrease) in cash and cash equivalents	24,675	(7,376)
Cash and cash equivalents at January 1	103,067	121,639
Effect of exchange rate fluctuations on cash held	(5,512)	2,015
Cash and cash equivalents at September 30	122,230	116,278

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 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).

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Disclaimer

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