



## AMG ADVANCED METALLURGICAL GROUP N.V. REPORTS SECOND QUARTER 2015 RESULTS

### Key Highlights

- EBITDA<sup>(1)</sup> was \$25.1 million in the second quarter 2015, a 23% increase from the same period in 2014
- EPS, adjusted for the one-time cost of refinancing, on a fully diluted basis, was \$0.33 in the second quarter 2015, a 22% increase from the same period in 2014
- Annualized return on capital employed increased to 15.7% in the second quarter 2015, from 9.9% in the same period in 2014
- As of June 30, 2015, net debt was \$41.9 million, a reduction of \$44.9 million in the second quarter of 2015

**Amsterdam, 5 August 2015 (Regulated Information)** --- AMG Advanced Metallurgical Group N.V. (“AMG”, Euronext Amsterdam: “AMG”) reported second quarter 2015 revenue of \$257.4 million, an 8% decrease from \$278.9 million in the second quarter 2014. Net income attributable to shareholders, adjusted for the one-time costs of refinancing, for the second quarter 2015 was \$9.2 million, or \$0.33 per fully diluted share, a 22% increase from \$7.4 million, or \$0.27 in the second quarter 2014. EBITDA increased 23% to \$25.1 million in the second quarter 2015 from \$20.4 million in the second quarter 2014.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, “AMG earnings and cash flow for the second quarter were strong despite an extremely weak metal price environment and the unfavorable translation impact of foreign currency on reported earnings.

AMG Engineering achieved EBITDA of \$4.2 million during the quarter, the highest in eight quarters, making continuous progress towards our stated objective to reduce cost and return the Engineering business to historic levels of profitability in 2016. Order intake of \$81.8 million, representing a 1.45x book to bill ratio, was the highest in thirteen quarters. The improvement was due to orders of heat treatment furnaces for the automotive market, plasma re-melting furnaces for the aerospace market and induction furnaces for powder metallurgy applications.

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

AMG Critical Materials continues to acquire market share in certain business units despite difficult trading conditions and double-digit market price declines in five of AMG's nine critical materials.

AMG reduced net debt by \$45.9 million in the first half of 2015 to \$41.9 million, a net debt to last twelve months EBITDA ratio of 0.46. AMG's strong balance sheet liquidity, as well as the Board's confidence in our long term ability to generate solid cash flow, has resulted in a change in dividend policy. This change reflects our commitment to return value to shareholders."

## Key Figures

*In 000's US Dollar*

	<b>Q2 '15</b>	<b>Q2 '14</b>	<b>Change</b>
<b>Revenue</b>	<b>\$257,443</b>	<b>\$278,941</b>	<b>(8%)</b>
Gross profit	44,613	44,963	(1%)
Gross margin	17.3%	16.1%	
Operating profit	12,122	11,124	9%
Operating margin	4.7%	4.0%	
<b>Net income attributable to shareholders</b>	<b>3,808</b>	<b>7,445</b>	<b>(49%)</b>
Net income attributable to shareholders, adjusted for one-time refinancing costs	9,180	7,445	23%
EPS - Fully diluted	0.14	0.27	(48%)
EPS - Fully diluted, adjusted for one-time refinancing costs	0.33	0.27	22%
<b>EBIT <sup>(1)</sup></b>	<b>18,031</b>	<b>12,221</b>	<b>48%</b>
<b>EBITDA <sup>(2)</sup></b>	<b>25,142</b>	<b>20,392</b>	<b>23%</b>
EBITDA margin	9.8%	7.3%	
Cash flows from operating activities	11,264	19,129	(41%)

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 Critical Materials

	Q2 '15	Q2 '14	Change
Revenue	\$201,188	\$229,265	(12%)
Gross profit	32,112	37,478	(14%)
Operating profit	12,272	14,884	(18%)
EBITDA	20,955	22,193	(6%)

AMG Critical Materials' second quarter 2015 revenue decreased \$28.1 million, or 12%, to \$201.2 million. The decline was primarily the result of unfavorable Euro to US Dollar currency translation effects, lower metal prices and product portfolio optimization.

The reduction in market prices of antimony metal and ferrovanadium of 10% and 28%, respectively, negatively affected revenue in the second quarter of 2015 compared to the second quarter of 2014.

Despite difficult trading conditions, sales volumes of ferrovanadium, antimony, chrome metal and silicon metal increased as the business units continue to increase market share. Titanium Alloys and Aluminum sales volumes reduced compared to the prior year due to the planned elimination of low margin titanium products, the previously announced aluminum capacity reductions and the sale of AMG Aluminum's Benda-Lutz-Alpoco operation.

Gross profit decreased \$5.4 million, or 14%, to \$32.1 million, primarily due to foreign currency translation effects and falling ferrovanadium prices. However, AMG Critical Materials' second quarter 2015 gross margin remained at 16% compared to the same period in 2014.

Second quarter 2015 EBITDA margin of 10% was in-line with the second quarter of 2014. SG&A reductions and a reversal of previously recorded environmental expense offset the impact of a reduction in gross profit in the quarter.

### AMG Engineering

	Q2 '15	Q2 '14	Change
Revenue	\$56,255	\$49,676	13%
Gross profit	12,501	7,485	67%
Operating loss	(150)	(3,760)	96%
EBITDA	4,187	(1,801)	N/A

AMG Engineering signed \$81.8 million in new orders during the second quarter of 2015, representing a 1.45x book to bill ratio, the highest order intake in 13 quarters. Order backlog was \$138.3 million as of June 30, 2015, an increase of 19% from March 31, 2015.

AMG Engineering's second quarter 2015 revenue increased \$6.6 million, or 13%, to \$56.3 million, due to the improved order intake in the second half of 2014. Revenue generated from turbine blade coating furnaces, heat treatment furnaces and induction furnaces increased in the second quarter of 2015 compared to the second quarter of 2014.

Second quarter 2015 gross margin increased to 22% from 15% in the second quarter of 2014 due to higher sales, product mix effects and improved project cost management.

EBITDA increased by \$6.0 million, to \$4.2 million, in the second quarter of 2015, the highest quarterly EBITDA in eight quarters, primarily as a result of higher gross profit.

## Financial Review

### *Refinancing Costs*

In the second quarter of 2015, AMG incurred \$5.4 million related to the refinancing of the Company's credit facility. As refinancing the credit facility is not ordinary course of business, these charges are considered non-recurring for the purposes of adjusted earnings per share.

### *Tax*

AMG recorded a tax expense of \$9.6 million through the first six months of 2015 as compared to a tax expense of \$1.8 million in the first half of 2014. The largest driver of this variance relates to changes in the valuation of the Brazilian currency.

Movements in the Brazilian Real exchange rate impact the valuation of the Company's net deferred tax assets. The devaluation of the Real during the first half of 2015 resulted in additional tax expense of \$1.6 million. The appreciation of the Real in the first half of 2014 resulted in a \$3.2 million tax benefit. The 2015 effective tax rate was also adversely impacted by the refinancing costs of \$5.4 million, for which no tax benefit could be recognized.

### *Liquidity*

	<b>June 30, 2015</b>	<b>December 31, 2014</b>	<b>Change</b>
Total debt	\$179,026	\$195,878	(9%)
Cash and cash equivalents	137,123	108,029	27%
Net debt	41,903	87,849	(52%)

AMG had a net debt position of \$41.9 million as of June 30, 2015. Net debt and gross debt decreased \$45.9 million and \$16.9 million, respectively, from December 31, 2014.

Cash flows from operating activities were \$15.1 million in the first six months of 2015 compared to \$24.8 million in the same period in 2014. Due to the refinancing of the credit facility, \$3.0 million of cash was spent that will not reoccur.

Capital expenditures declined to \$7.0 million in the first six months of 2015 compared to \$10.5 million in the same period in 2014. The \$7.0 million of capital spending in the first six months of 2015 included \$4.6 million of maintenance capital. The largest expansion capital project was for AMG's titanium aluminides business.

Including the \$137.1 million of cash, AMG had \$263.0 million of total liquidity as of June 30, 2015.

### *Currency Fluctuations*

AMG's financial statements are prepared in US Dollars, so fluctuations in the exchange rate between the US Dollar and other currencies, primarily the Euro and Brazilian Real, have an effect on the results of operations and on the reported value of assets and liabilities as measured in US Dollars.

The appreciation of the US Dollar as of June 30, 2015 compared to December 31, 2014, resulted in a decrease of \$48.7 and \$37.0 million in assets and liabilities on the balance sheet, respectively. The appreciation of the US Dollar compared to the Euro in the second quarter of 2015 in relation to the second quarter of 2014, resulted in a reduction in revenue and EBITDA of \$30.2 million and \$2.9 million, respectively.

### *Outlook & Dividend Policy*

In this challenging environment, AMG will continue to reduce cost and maintain a conservative balance sheet.

AMG Critical Materials expects to continue to acquire market share in certain business units although currency translation effects and metal prices will continue to affect revenues in the division.

AMG Engineering expects to return to historic levels of profitability in 2016. The strong order intake in the second quarter of 2015 and successful launch of new product lines has positioned the division well at the midpoint of the current fiscal year.

Against weak industry trends, AMG expects to generate full year EBITDA in-line with prior year and improve its return on capital employed in 2015.

The change in AMG's dividend policy reflects a commitment to return value to shareholders and is a result of an improved balance sheet, ample liquidity and confidence in our ability to generate strong cash flows.

AMG Advanced Metallurgical Group N.V.  
Condensed interim consolidated income statement

**For the quarter ended June 30**

*In thousands of US Dollars*

	2015 Unaudited	2014 Unaudited
Revenue	257,443	278,941
Cost of sales	212,830	233,978
<b>Gross profit</b>	<b>44,613</b>	<b>44,963</b>
Selling, general and administrative expenses	32,863	34,098
Restructuring expense	1,965	1,034
Environmental	(2,286)	-
Other income, net	(51)	(1,293)
<b>Operating profit</b>	<b>12,122</b>	<b>11,124</b>
Finance income	(134)	(138)
Finance expense	5,324	5,752
Foreign exchange (gain) loss	(1,289)	199
<b>Net finance costs</b>	<b>3,901</b>	<b>5,813</b>
Share of profit of associates and joint ventures	122	678
<b>Profit before income tax</b>	<b>8,343</b>	<b>5,989</b>
Income tax expense (benefit)	4,091	(1,463)
<b>Profit for the period</b>	<b>4,252</b>	<b>7,452</b>
Attributable to:		
Shareholders of the Company	3,808	7,445
Non-controlling interests	444	7
<b>Profit for the period</b>	<b>4,252</b>	<b>7,452</b>
<b>Earnings per share</b>		
Basic earnings per share	0.14	0.27
Diluted earnings per share	0.14	0.27

AMG Advanced Metallurgical Group N.V.  
Condensed interim consolidated income statement

**For the six months ended June 30**

*In thousands of US Dollars*

	2015 Unaudited	2014 Unaudited
Revenue	514,434	553,793
Cost of sales	426,519	462,478
<b>Gross profit</b>	<b>87,915</b>	<b>91,315</b>
Selling, general and administrative expenses	63,006	69,134
Restructuring expense	3,659	1,792
Environmental	(2,286)	-
Other income, net	(139)	(1,546)
<b>Operating profit</b>	<b>23,675</b>	<b>21,935</b>
Finance income	(472)	(341)
Finance expense	8,996	10,427
Foreign exchange (gain) loss	(1,117)	14
<b>Net finance costs</b>	<b>7,407</b>	<b>10,100</b>
Share of profit of associates and joint ventures	197	783
<b>Profit before income tax</b>	<b>16,465</b>	<b>12,618</b>
Income tax expense	9,556	1,811
<b>Profit for the period</b>	<b>6,909</b>	<b>10,807</b>
Attributable to:		
Shareholders of the Company	6,484	11,364
Non-controlling interests	425	(557)
<b>Profit for the period</b>	<b>6,909</b>	<b>10,807</b>
<b>Earnings per share</b>		
Basic earnings per share	0.23	0.41
Diluted earnings per share	0.23	0.41

AMG Advanced Metallurgical Group N.V.

Condensed interim consolidated statement of financial position

<i>In thousands of US Dollars</i>	June 30, 2015 Unaudited	December 31, 2014
<b>Assets</b>		
Property, plant and equipment	217,618	237,418
Goodwill	18,996	20,618
Intangible assets	9,914	11,116
Investments in associates and joint ventures	1,795	1,450
Derivative financial instruments	14	-
Deferred tax assets	33,923	37,903
Restricted cash	6,946	7,582
Other assets	21,180	21,987
<b>Total non-current assets</b>	<b>310,386</b>	<b>338,074</b>
Inventories	143,214	145,418
Trade and other receivables	141,703	135,293
Derivative financial instruments	2,156	1,997
Other assets	37,261	47,055
Assets held for sale	476	2,553
Cash and cash equivalents	137,123	108,029
<b>Total current assets</b>	<b>461,933</b>	<b>440,345</b>
<b>Total assets</b>	<b>772,319</b>	<b>778,419</b>



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

<i>In thousands of US Dollars</i>	June 30 2015 Unaudited	December 31, 2014
<b>Equity</b>		
Issued capital	745	745
Share premium	382,978	382,978
Other reserves	(47,421)	(59,728)
Retained earnings (deficit)	(204,338)	(225,843)
<b>Equity attributable to shareholders of the Company</b>	<b>131,964</b>	<b>98,152</b>
Non-controlling interests	25,051	2,825
<b>Total equity</b>	<b>157,015</b>	<b>100,977</b>
<b>Liabilities</b>		
Loans and borrowings	152,400	167,990
Employee benefits	141,010	159,672
Provisions	29,433	37,056
Deferred revenue	6,689	8,950
Government grants	556	666
Other liabilities	7,733	8,885
Derivative financial instruments	577	5,056
Deferred tax liabilities	10,125	8,261
<b>Total non-current liabilities</b>	<b>348,523</b>	<b>396,536</b>
Loans and borrowings	3,272	6,562
Short term bank debt	23,354	21,326
Government grants	101	88
Liabilities associated with assets held for sale	1,834	248
Other liabilities	47,943	53,257
Trade and other payables	126,432	134,373
Derivative financial instruments	8,835	9,104
Advance payments	30,450	31,689
Deferred revenue	7,341	8,414
Current taxes payable	3,417	671
Provisions	13,802	15,174
<b>Total current liabilities</b>	<b>266,781</b>	<b>280,906</b>
<b>Total liabilities</b>	<b>615,304</b>	<b>677,442</b>
<b>Total equity and liabilities</b>	<b>772,319</b>	<b>778,419</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*

	2015	2014
	Unaudited	Unaudited
<b>Cash flows from operating activities</b>		
Profit for the period	6,909	10,807
Adjustments to reconcile net profit to net cash flows:		
<b>Non-cash:</b>		
Income tax expense	9,556	1,811
Depreciation and amortization	14,292	16,320
Net finance costs	7,407	10,100
Share of gain of associates and joint ventures	(197)	(783)
(Gain) loss on sale or disposal of property, plant and equipment	(156)	134
Equity-settled share-based payment transactions	2,788	429
Movement in provisions, pensions and government grants	(896)	(5,240)
Working capital and deferred revenue adjustments	(15,524)	2,956
<b>Cash flows from operating activities</b>	<b>24,179</b>	<b>36,534</b>
Finance costs paid, net	(6,946)	(7,921)
Income tax paid, net	(2,172)	(3,825)
<b>Net cash flows from operating activities</b>	<b>15,061</b>	<b>24,788</b>
<b>Cash flows used in investing activities</b>		
Proceeds from sale of property, plant and equipment	931	220
Proceeds from sale of subsidiaries (net of cash divested of \$1,347)	(550)	-
Acquisition of property, plant and equipment and Intangibles	(7,040)	(10,478)
Change in restricted cash	437	(1,220)
Other	26	(5)
<b>Net cash flows used in investing activities</b>	<b>(6,196)</b>	<b>(11,483)</b>

AMG Advanced Metallurgical Group N.V.  
Condensed interim consolidated statement of cash flows  
(continued)

**For the six months ended June 30**

*In thousands of US Dollars*

	2015	2014
	Unaudited	Unaudited
<b>Cash flows from (used in) financing activities</b>		
Proceeds from issuance of debt	177,272	-
Payment of transaction costs related to debt issuance	(4,371)	-
Repayment of borrowings	(184,871)	(857)
Change in non-controlling interests	37,530	28
Other	(132)	-
<b>Net cash flows from (used in) financing activities</b>	<b>25,428</b>	<b>(829)</b>
<b>Net increase in cash and cash</b>	<b>34,293</b>	<b>12,476</b>
<b>Equivalents</b>		
Cash and cash equivalents at January 1	108,029	103,067
Effect of exchange rate fluctuations on cash held	(5,199)	(603)
<b>Cash and cash equivalents at June 30</b>	<b>137,123</b>	<b>114,940</b>

## 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 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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