



AMG ADVANCED METALLURGICAL GROUP N.V. REPORTS SECOND QUARTER 2016 RESULTS

Key Highlights

- **EBITDA⁽²⁾ was \$26.0 million in the second quarter 2016, a 4% increase over the same period in 2015**
- **Net income attributable to shareholders more than tripled to \$13.4 million in the second quarter 2016 from \$3.8 million in the second quarter 2015**
- **EPS, on a fully diluted basis, increased to \$0.48 in the second quarter 2016, from \$0.14 in the same period in 2015**
- **Cash flows from operating activities increased by 116% to \$24.3 million in the second quarter 2016 from \$11.3 million in the second quarter 2015**
- **Annualized return on capital employed increased to 17.8% in the second quarter 2016, as compared to 15.7% in the second quarter 2015**

Amsterdam, 4 August 2016 (Regulated Information) --- AMG Advanced Metallurgical Group N.V. (“AMG”, Euronext Amsterdam: “AMG”) reported EBITDA for the second quarter 2016 of \$26.0 million, a 4% increase from \$25.1 million in the second quarter 2015. Net income attributable to shareholders increased to \$13.4 million in the second quarter 2016 from \$3.8 million in the second quarter 2015. On a year to date basis, EBITDA increased by 4% to \$47.2 million, from \$45.5 million in the prior year, despite an increase in AMG’s Performance Share Unit (PSU) plan costs of \$3.2 million, compared to the same period in 2015, driven by AMG’s strong share price performance.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, “AMG’s focus on operational excellence, cost reduction and price risk management resulted in solid financial results in the second quarter 2016. Despite weak metals prices, AMG performed well across all key financial metrics during the quarter.

AMG Engineering achieved EBITDA of \$5.6 million during the second quarter 2016, a 33% increase from \$4.2 million in the second quarter of 2015. AMG Engineering signed \$92.8 million in new orders during the second quarter of 2016, the highest quarterly order intake since Q4 2010, representing a 1.39x book to bill ratio. The Engineering division continues to experience strong demand for plasma remelting, induction and turbine blade coating furnaces for the aerospace market and heat treatment furnaces

for the automotive market. Order backlog was \$158.8 million as of June 30, 2016, an increase of 17% from March 31, 2016.

AMG Critical Materials generated EBITDA of \$20.5 million during the second quarter 2016. Year-over-year double-digit declines in average quarterly prices of Nickel, Aluminum, Chrome, Niobium and Antimony negatively affected revenue in the second quarter of 2016 compared to the second quarter of 2015.

Cash flows from operating activities increased to \$24.3 million in the second quarter 2016 from \$11.3 million in the second quarter 2015, due to lower levels of working capital driven by the advance payments received by AMG Engineering.”

Key Figures

In 000's US Dollar

	Q2 '16	Q2 '15	Change
Revenue	\$248,349	\$257,443	(4%)
Gross profit	53,756	44,613	20%
Gross margin	21.6%	17.3%	
Operating profit	18,967	12,122	56%
Operating margin	7.6%	4.7%	
Net income attributable to shareholders	13,447	3,808	253%
EPS - Fully diluted	0.48	0.14	243%
EBIT ⁽¹⁾	18,585	18,031	3%
EBITDA ⁽²⁾	26,049	25,142	4%
EBITDA margin	10.5%	9.8%	
Cash flows from operating activities	24,315	11,264	116%

Note:

- (1) EBIT is defined as earnings before interest and income taxes. EBIT excludes restructuring 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

	Q2 '16	Q2 '15	Change
Revenue	\$181,619	\$201,188	(10%)
Gross profit	* 38,230	32,112	19%
Operating profit	15,016	12,272	22%
EBITDA	20,485	20,955	(2%)

* Includes \$3.6 million non-cash benefit related to reversal of previously expensed vanadium, nickel and molybdenum inventory adjustments

AMG Critical Materials continues to be impacted by weak metal prices, and as a result, revenue decreased by 10%, to \$181.6 million.

Double-digit declines in average quarterly prices of Nickel, Aluminum, Chrome, Niobium and Antimony negatively affected revenue in the second quarter of 2016 compared to the second quarter of 2015.

Gross profit in the second quarter increased by \$6.1 million, or 19%, to \$38.2 million, due to strong sales of Aluminum combined with lower production costs in Aluminum, Tantalum, Chrome and Silicon. In addition, Vanadium gross profit in the second quarter 2016 benefited from a \$3.6 million reversal of previously recorded inventory adjustment expenses, due to improving vanadium and molybdenum prices.

Second quarter 2016 EBITDA margin increased to 11% from 10% in the second quarter 2015.

AMG Engineering

	Q2 '16	Q2 '15	Change
Revenue	\$66,730	\$56,255	19%
Gross profit	15,526	12,501	24%
Operating profit	3,951	(150)	N/A
EBITDA	5,564	4,187	33%

AMG Engineering signed \$92.8 million in new orders during the second quarter of 2016, representing a 1.39x book to bill ratio. Order backlog was \$158.8 million as of June 30, 2016, an increase of 17% from March 31, 2016. Order intake in the quarter benefited from a number of orders which had been postponed from the first quarter of 2016. Year to date, AMG Engineering signed \$143.3 million in new orders, representing a 1.12x book to bill ratio.

AMG Engineering's second quarter 2016 revenue increased \$10.5 million, or 19%, to \$66.7 million, due to strong sales of plasma remelting and induction furnaces for the aerospace market and heat treatment furnaces for the automotive market.

Second quarter 2016 gross margin increased to 23% from 22% in the second quarter of 2015 due to higher revenue, product mix effects and improved project cost management.

EBITDA increased by \$1.4 million to \$5.6 million in the second quarter of 2016, the highest quarterly EBITDA in twelve quarters, due to higher levels of gross profit.

Financial Review

Tax

AMG recorded an income tax expense of \$2.8 million in the second quarter of 2016 as compared to a tax expense of \$4.1 million in the same period in 2015. The currency effect of the strengthening Brazilian Real on deferred taxes positively affected tax expense in the quarter.

AMG paid taxes of \$1.8 million in the second quarter of 2016 as compared to tax payments of \$1.6 million in the same period in 2015. For the second quarter of 2016, AMG's effective cash tax rate was 11%.

Liquidity

	June 30, 2016	December 31, 2015	Change
Total debt	\$131,251	\$126,743	4%
Cash and cash equivalents	125,075	127,778	(2%)
Net debt (cash)	6,176	(1,035)	N/A

AMG had a net debt position of \$6.2 million as of June 30, 2016. Net debt and gross debt increased \$7.2 million and \$4.5 million, respectively, from December 31, 2015.

Cash flows from operating activities increased to \$24.3 million in the second quarter 2016 from \$11.3 million in the second quarter 2015, primarily due to lower levels of working capital driven by advance payments received by AMG Engineering.

Historic declines in discount rates have negatively influenced AMG's defined benefit plan liabilities and the related funding status of those plans. In response, the Company made cash contributions to its pension plans of \$20.6 million during the second quarter 2016. Voluntary contributions to the plans create flexibility in reducing plan liabilities and allow the Company to avoid certain future costs associated with plan deficits. The contributions made during the quarter negatively impacted cash flows from operating activities and the Company's net debt balance.

Cash flow used in investing activities increased to \$7.8 million in the second quarter of 2016 compared to \$0.7 million in the same period in 2015, due to higher levels of capital expenditures.

Capital expenditures increased to \$7.5 million in the second quarter of 2016 compared to \$3.3 million in the same period in 2015. Capital spending in the second quarter of 2016 included \$3.0 million of maintenance capital. The largest expansion capital project was for AMG's Ancuabe graphite mine project.

Including the \$125.1 million of cash, AMG had \$268.0 million of total liquidity as of June 30, 2016.

SG&A

AMG's second quarter 2016 SG&A expenses were \$34.8 million compared to \$32.9 million in the second quarter of 2015, an increase of 6%. This increase was primarily due to higher costs associated with AMG's Performance Share Unit (PSU) plan as a result of recent increases in the Company's share price compared to the defined peer group.

Interim Dividend

AMG has announced an interim dividend in respect of the period from January 1, 2016, to June 30, 2016, of €0.13 per ordinary share, an increase of €0.03, or 30%, compared to the interim dividend paid in September 2015.

The increased dividend reflects AMG's ongoing commitment to return value to our shareholders and the Board's confidence in our long term ability to generate solid cash flow.

Outlook

In this challenging market environment, AMG expects 2016 full year profitability to improve relative to 2015. AMG will also continue to generate strong operating cash flows throughout the year.

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

For the quarter ended June 30

In thousands of US Dollars

	2016 Unaudited	2015 Unaudited
Continuing operations		
Revenue	248,349	257,443
Cost of sales	194,593	212,830
Gross profit	53,756	44,613
Selling, general and administrative expenses	34,762	32,863
Restructuring expense	454	1,965
Environmental	-	(2,286)
Other income, net	(427)	(51)
Operating profit	18,967	12,122
Finance income	(179)	(134)
Finance expense	2,423	5,324
Foreign exchange loss (gain)	1,082	(1,289)
Net finance costs	3,326	3,901
Share of (loss) profit of associates and joint ventures	(14)	122
Profit before income tax	15,627	8,343
Income tax expense	2,802	4,091
Profit for the period	12,825	4,252
Attributable to:		
Shareholders of the Company	13,447	3,808
Non-controlling interests	(622)	444
Profit for the period	12,825	4,252
Earnings per share		
Basic earnings per share	0.48	0.14
Diluted earnings per share	0.48	0.14

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

For the six months ended June 30

In thousands of US Dollars

	2016	2015
	Unaudited	Unaudited
Continuing operations		
Revenue	485,748	514,434
Cost of sales	387,701	426,519
Gross profit	98,047	87,915
Selling, general and administrative expenses	66,060	63,006
Restructuring expense	522	3,659
Environmental	-	(2,286)
Other income, net	(435)	(139)
Operating profit	31,900	23,675
Finance income	(294)	(472)
Finance expense	4,513	8,996
Foreign exchange loss (gain)	936	(1,117)
Net finance costs	5,155	7,407
Share of profit of associates and joint ventures	1,436	197
Profit before income tax	28,181	16,465
Income tax expense	3,085	9,556
Profit for the period	25,096	6,909
Attributable to:		
Shareholders of the Company	25,421	6,484
Non-controlling interests	(325)	425
Profit for the period	25,096	6,909
Earnings per share		
Basic earnings per share	0.91	0.23
Diluted earnings per share	0.90	0.23

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

<i>In thousands of US Dollars</i>	June 30, 2016 Unaudited	December 31, 2015
Assets		
Property, plant and equipment	211,897	215,833
Goodwill	23,141	18,676
Intangible assets	10,522	10,246
Investments in associates and joint ventures	-	2,230
Other investments	15,000	14,000
Deferred tax assets	32,037	31,551
Restricted cash	2,548	2,527
Other assets	21,429	19,883
Total non-current assets	316,574	314,946
Inventories	131,422	126,389
Trade and other receivables	143,174	124,270
Derivative financial instruments	3,099	978
Other assets	31,660	27,648
Assets held for sale	2,431	673
Cash and cash equivalents	125,075	127,778
Total current assets	436,861	407,736
Total assets	753,435	722,682

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

<i>In thousands of US Dollars</i>	June 30, 2016 Unaudited	December 31, 2015
Equity		
Issued capital	760	745
Share premium	389,387	382,978
Treasury shares	(1,716)	-
Other reserves	(64,166)	(49,500)
Retained earnings (deficit)	(182,660)	(205,662)
Equity attributable to shareholders of the Company	141,605	128,561
Non-controlling interests	24,758	25,006
Total equity	166,363	153,567
Liabilities		
Loans and borrowings	118,262	112,217
Employee benefits	136,704	137,853
Provisions	29,807	29,617
Deferred revenue	6,131	13,539
Government grants	460	536
Other liabilities	14,171	8,821
Derivative financial instruments	1,895	5,642
Deferred tax liabilities	11,286	11,691
Total non-current liabilities	318,716	319,916
Loans and borrowings	2,945	3,222
Short term bank debt	10,044	11,304
Government grants	101	99
Liabilities associated with assets held for sale	1,087	423
Other liabilities	43,927	42,872
Trade and other payables	129,441	108,019
Derivative financial instruments	4,288	8,379
Advance payments	41,454	44,184
Deferred revenue	14,294	16,124
Current taxes payable	6,031	3,093
Provisions	14,744	11,480
Total current liabilities	268,356	249,199
Total liabilities	587,072	569,115
Total equity and liabilities	753,435	722,682

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

	2016 Unaudited	2015 Unaudited
Cash flows from operating activities		
Profit for the year	25,096	6,909
Adjustments to reconcile net profit to net cash flows:		
Non-cash:		
Income tax expense	3,085	9,556
Depreciation and amortization	14,838	14,292
Net finance costs	5,155	7,407
Share of profit of associates and joint ventures	(1,436)	(197)
Gain on sale or disposal of property, plant and equipment	(80)	(156)
Equity-settled share-based payment transactions	914	2,788
Movement in provisions, pensions and government grants	(15,735)	(896)
Working capital and deferred revenue adjustments	(5,006)	(15,524)
Cash flows from operating activities	26,831	24,179
Finance costs paid, net	(3,162)	(6,946)
Income tax paid, net	(3,674)	(2,172)
Net cash flows from operating activities	19,995	15,061
Cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	368	931
Proceeds from sale of subsidiaries (net of cash divested of \$35 and \$1,347, respectively)	675	(550)
Acquisition of property, plant and equipment and intangibles	(14,389)	(7,040)
Acquisition of subsidiaries (net of cash acquired of \$35 in 2016)	(4,961)	-
Acquisition of other non-current investments	(1,000)	-
Change in restricted cash	19	437
Other	28	26
Net cash flows used in investing activities	(19,260)	(6,196)

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

	2016	2015
	Unaudited	Unaudited
Cash flows (used in) from financing activities		
Proceeds from issuance of debt	1,573	177,272
Payment of transaction costs related to debt issuance	-	(4,371)
Repayment of borrowings	-	(184,871)
Change in non-controlling interests	-	37,530
Repurchase of common stock	(1,785)	-
Dividends paid	(3,503)	-
Other	1	(132)
Net cash flows (used in) from financing activities	(3,714)	25,428
Net (decrease) increase in cash and cash equivalents	(2,979)	34,293
Cash and cash equivalents at January 1	127,778	108,029
Effect of exchange rate fluctuations on cash held	276	(5,199)
Cash and cash equivalents at June 30	125,075	137,123

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, titanium alloys and coatings, ferrovandium, 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).

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