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

05/07/2015

### Key Highlights

- Revenue was \$257.0 million in the first quarter 2015, a 6% decrease from the same period in 2014
- EBITDA<sup>(1)</sup> was \$20.4 million in the first quarter 2015, a 2% increase from the same period in 2014
- EPS on a fully diluted basis was \$0.10 in the first quarter 2015, a 29% decrease from the same period in 2014
- Annualized return on capital employed increased to 12.7% in the first quarter 2015, from 9.7% in the same period in 2014
- Cash flows from operating activities were \$3.8 million in the first quarter 2015, compared to \$5.7 million in the same period in 2014
- As of March 31, 2015, cash on the balance sheet was \$99.3 million; net debt was \$86.8 million, a reduction of \$1.1 million in the first quarter of 2015

**Amsterdam, 7 May 2015 (Regulated Information)** --- AMG Advanced Metallurgical Group N.V. ("AMG", Euronext Amsterdam: "AMG") reported first quarter 2015 revenue of \$257.0 million, a 6% decrease from \$274.9 million in the first quarter 2014. Net income attributable to shareholders for the first quarter 2015 was \$2.7 million, or \$0.10 per fully diluted share, a 32% decrease from \$3.9 million, or \$0.14 in the first quarter 2014. EBITDA increased 2% to \$20.4 million in the first quarter 2015 from \$20.1 million in the first quarter 2014.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, "Despite weakening metals prices and the unfavorable translation impact of foreign currency on reported earnings during the quarter, AMG's efforts to reduce cost and optimize our product portfolio have resulted in improved year over year EBITDA. Annualized return on capital employed also improved to 12.7% in the first quarter of 2015 from 9.7% in the first quarter of 2014.

In the first quarter, AMG Critical Materials successfully maintained year over year gross margins, despite falling metals prices, through improved sales volumes and a continued focus on providing higher value added products. AMG Engineering improved EBITDA by 104% compared to the same period in 2014 due to improving revenues and lower SG&A costs.

As previously announced, AMG completed the sale of a 40% equity stake in AMG Graphit Kropfmühl GmbH. This transaction will result in a substantial reduction in net debt in the second quarter of 2015."

### Key Figures

In 000's US Dollar

	Q1 '15	Q1 '14	Change
<b>Revenue</b>	<b>\$256,991</b>	<b>\$274,852</b>	<b>(6%)</b>
Gross profit	43,302	46,352	(7%)
Gross margin	16.8%	16.9%	
Operating profit	11,553	10,811	7%
Operating margin	4.5%	3.9%	
<b>Net income attributable to shareholders</b>	<b>2,676</b>	<b>3,919</b>	<b>(32%)</b>
EPS- Fully diluted	0.10	0.14	(29%)
<b>EBIT<sup>(1)</sup></b>	<b>13,207</b>	<b>11,919</b>	<b>11%</b>
<b>EBITDA<sup>(2)</sup></b>	<b>20,388</b>	<b>20,068</b>	<b>2%</b>
EBITDA margin	7.9%	7.3%	

Cash flows from operating activities	3,797	5,659	(33%)
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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

	Q1 '15	Q1 '14	Change
Revenue	\$202,288	\$226,087	(11%)
Gross profit	31,206	33,580	(7%)
Operating profit	10,656	11,724	(9%)
EBITDA	17,273	18,538	(7%)

AMG Critical Materials' first quarter 2015 revenue decreased \$23.8 million, or 11%, to \$202.3 million. The decline was primarily the result of unfavorable Euro to US Dollar currency translation effects, lower metal prices and product portfolio optimization.

Despite increased sales volume, the impact of lower antimony metal prices compared to the first quarter of 2014 and a reduction in low margin products at AMG Superalloys and AMG Aluminum, due to product mix optimization initiatives, negatively impacted revenues.

Gross profit decreased \$2.4 million, or 7%, to \$31.2 million, primarily due to foreign currency translation effects. However, AMG Critical Materials' first quarter 2015 gross margin remained consistent at 15% compared to the same period in 2014.

First quarter 2015 EBITDA margin was 9%, up 1% from the first quarter of 2014. Consistent gross margins and SG&A reductions of 8%, due to currency effects and cost cutting measures, resulted in an improved EBITDA margin.

### AMG Engineering

	Q1 '15	Q1 '14	Change
Revenue	\$54,703	\$48,765	12%
Gross profit	12,066	12,772	(5%)
Operating profit (loss)	897	(913)	N/A
EBITDA	3,115	1,530	104%

AMG Engineering's first quarter 2015 revenue increased \$5.9 million, or 12%, to \$54.7 million due to improved order backlog at the end of 2014, relative to the end of 2013.

First quarter 2015 gross margin decreased to 22% from 26% in the first quarter of 2014 due to product mix effects and cost overruns in certain long-term projects nearing completion.

EBITDA increased by \$1.6 million, or 104%, to \$3.1 million in the first quarter of 2015 due to lower SG&A costs.

AMG Engineering signed \$51.9 million in new orders during the first quarter of 2015, a 0.95x book to bill ratio. Order backlog was \$116.4 million as of March 31, 2015 and excluding the impact of currency, the backlog decreased 3% from December 31, 2014. Heat treatment and induction furnaces accounted for approximately 58% of the order intake.

## Financial Review

### SG&A

AMG's first quarter 2015 SG&A expenses were \$30.1 million compared to \$35.0 million in the first quarter of 2014, a decrease of 14%. This decline was due to lower employee expenses of \$1.7 million and a reduction of \$1.9 million in legal and professional fees. Foreign currency translation effects, cost cutting initiatives and lower transaction related legal and professional fees drove the improvement.

### Non-Recurring Items

In the first quarter of 2015, AMG incurred \$1.7 million in non-recurring charges compared to \$0.8 million in the first quarter of 2014, which are not included in the calculation of EBITDA. These charges relate to the previously announced restructuring activities in AMG Engineering of \$0.9 million and restructuring expenses incurred within AMG Critical Materials of \$0.8 million, primarily associated with the divestiture of peripheral assets.

### Liquidity

	March 31, 2015	December 31, 2014	Change
Total debt	\$186,103	\$195,878	(5%)
Cash and cash equivalents	99,315	108,029	(8%)
Net debt	86,788	87,849	(1%)

AMG had a net debt position of \$86.8 million as of March 31, 2015. Net debt and gross debt decreased \$1.1 million and \$9.8 million, respectively, from December 31, 2014.

Cash flows from operating activities were \$3.8 million in the first three months of 2015 compared to \$5.7 million in the same period in 2014.

Capital expenditures declined \$2.1 million in the first three months of 2015 compared to the same period in 2014. The \$3.8 million of capital spending in the first three months of 2015 included \$2.1 million of maintenance capital. The largest expansion capital project was for AMG's titanium aluminides business.

Including the \$99.3 million of cash, AMG had \$173.1 million of total liquidity as of March 31, 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 March 31, 2015 compared to December 31, 2014, resulted in a decrease of \$58.5 and \$46.4 million in assets and liabilities on the balance sheet, respectively. The appreciation of the US Dollar compared to the Euro in the first quarter of 2015 in relation to the first quarter of 2014, resulted in a reduction in revenue and EBITDA of \$27.3 million and \$2.3 million, respectively.

#### *Outlook*

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

Despite weakening metals prices and the unfavorable translation impact of foreign currency on reported earnings, AMG expects to generate EBITDA in-line with prior year and improve its return on capital employed.

AMG Advanced Metallurgical Group N.V.

Condensed interim consolidated income statement

#### **For the quarter ended March 31**

*In thousands of US Dollars*

	2015	2014
	Unaudited	Unaudited
Revenue	266,991	274,852
Cost of sales	213,689	228,500
<b>Gross profit</b>	<b>43,302</b>	<b>46,352</b>
Selling, general and administrative expenses	30,143	35,036
Restructuring expense	1,694	758
Other income, net	(88)	(253)
<b>Operating profit</b>	<b>11,553</b>	<b>10,811</b>
Finance income	(338)	(203)
Finance expense	3,672	4,675
Foreign exchange loss (gain)	172	(185)
<b>Net finance costs</b>	<b>3,506</b>	<b>4,287</b>
Share of profit of associates and joint ventures	75	105
<b>Profit before income tax</b>	<b>8,122</b>	<b>6,629</b>
Income tax expense	5,465	3,274
<b>Profit for the period</b>	<b>2,657</b>	<b>3,355</b>
Attributable to:		
Shareholders of the Company	2,676	3,919
Non-controlling interests	(19)	(564)
<b>Profit for the period</b>	<b>2,657</b>	<b>3,355</b>
<b>Earnings per share</b>		
Basic earnings per share	0.10	0.14
Diluted earnings per share	0.10	0.14

AMG Advanced Metallurgical Group N.V.

Condensed interim consolidated statement of financial position

<i>in thousands of US Dollars</i>	March 31, December 31,	
	2015	2014
	Unaudited	
<b>Assets</b>		
Property, plant and equipment	220,925	237,418
Goodwill	18,638	20,818
Intangible assets	10,145	11,116
Investments in associates and joint ventures	1,367	1,450
Deferred tax assets	36,357	37,903
Restricted cash	8,644	7,582
Other assets	21,714	21,987
<b>Total non-current assets</b>	<b>317,790</b>	<b>338,074</b>
Inventories	135,651	145,418
Trade and other receivables	139,444	135,293
Derivative financial instruments	4,297	1,997
Other assets	75,980	47,055
Assets held for sale	561	2,553
Cash and cash equivalents	99,315	108,029
<b>Total current assets</b>	<b>455,228</b>	<b>440,345</b>
<b>Total assets</b>	<b>773,018</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>	March 31, December 31,	
	2015	2014
	Unaudited	
<b>Equity</b>		
Issued capital	745	745
Share premium	382,978	382,978
Other reserves	(69,078)	(59,728)
Retained earnings (deficit)	(207,973)	(225,843)
<b>Equity attributable to shareholders of the Company</b>	<b>106,672</b>	<b>98,152</b>
Non-controlling interests	24,278	2,825
<b>Total equity</b>	<b>130,950</b>	<b>100,977</b>
<b>Liabilities</b>		
Loans and borrowings	160,300	167,990
Employee benefits	147,833	159,672
Provisions	36,285	37,056
Deferred revenue	8,958	8,950
Government grants	572	666
Other liabilities	7,776	8,885

Derivative financial instruments	4,950	5,056
Deferred tax liabilities	7,777	8,261
<b>Total non-current liabilities</b>	<b>374,431</b>	<b>396,536</b>
Loans and borrowings	5,869	6,562
Short term bank debt	19,934	21,326
Government grants	99	88
Liabilities associated with assets held for sale	-	248
Other liabilities	58,451	53,257
Trade and other payables	119,841	134,373
Derivative financial instruments	15,449	9,104
Advance payments	28,410	31,689
Deferred revenue	6,516	8,414
Current taxes payable	1,362	671
Provisions	13,706	15,174
<b>Total current liabilities</b>	<b>267,637</b>	<b>280,906</b>
<b>Total liabilities</b>	<b>642,068</b>	<b>677,442</b>
<b>Total equity and liabilities</b>	<b>773,018</b>	<b>778,419</b>

AMG Advanced Metallurgical Group N.V.

Condensed interim consolidated statement of cash flows

For the quarter ended March 31

In thousands of US Dollars

	2015	2014
	Unaudited	Unaudited
<b>Cash flows from operating activities</b>		
Profit for the period	2,657	3,355
Adjustments to reconcile net profit to net cash flows		
<b>Non-cash:</b>		
Income tax expense	5,465	3,274
Depreciation and amortization	7,181	8,149
Net finance costs	3,506	4,267
Share of gain of associates and joint ventures	(75)	(105)
Gain on sale or disposal of property, plant and equipment	(45)	(36)
Equity-settled share-based payment transactions	132	165
Movement in provisions, pensions and government grants	312	(4,003)
Working capital and deferred revenue adjustments	(14,422)	(7,198)
<b>Cash flows from operating activities</b>	<b>4,711</b>	<b>7,888</b>
Finance costs paid, net	(353)	(868)
Income tax paid, net	(561)	(1,341)
<b>Net cash flows from operating activities</b>	<b>3,797</b>	<b>5,659</b>
<b>Cash flows used in investing activities</b>		
Proceeds from sale of property, plant and equipment	151	118
Proceeds from sale of subsidiaries (net of cash divested of \$1,347)	(550)	-
Acquisition of property, plant and equipment and intangibles	(3,788)	(5,651)
Change in restricted cash	(1,304)	(15)
Other	11	15
<b>Net cash flows used in investing activities</b>	<b>(5,480)</b>	<b>(5,733)</b>

AMG Advanced Metallurgical Group N.V.

## Condensed interim consolidated statement of cash flows

(continued)

## For the quarter ended March 31

In thousands of US Dollars

	2015	2014
	Unaudited	Unaudited
<b>Cash flows used in financing activities</b>		
Repayment of borrowings	(1,724)	(5,166)
Contributions by non-controlling interests	1,167	28
<b>Net cash flows used in financing activities</b>	<b>(557)</b>	<b>(5,138)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,240)</b>	<b>(5,212)</b>
Cash and cash equivalents at January 1	108,029	103,067
Effect of exchange rate fluctuations on cash held	(6,474)	11
<b>Cash and cash equivalents at March 31</b>	<b>99,315</b>	<b>97,866</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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1. EBITDA is defined as earnings before interest, tax, depreciation and amortization and excludes non-recurring items

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