



## **AMG ADVANCED METALLURGICAL GROUP N.V. REPORTS FIRST QUARTER 2017 RESULTS**

### **Key Highlights**

- Revenue increased by 9% to \$258.0 million in the first quarter 2017 from \$237.4 million in the first quarter 2016
- EBITDA<sup>(2)</sup> was \$33.0 million in the first quarter 2017, a 56% increase over the same period in 2016
- AMG ended the first quarter 2017 net debt free, with net cash of \$0.5 million
- Net income attributable to shareholders increased by 30% to \$15.6 million in the first quarter 2017 from \$12.0 million in the first quarter 2016
- Operating cash flow was \$17.8 million in the first quarter 2017, an increase of \$22.2 million over the same period in 2016
- Annualized return on capital employed increased to 25.5% in the first quarter 2017, as compared to 14.7% in the first quarter 2016

**Amsterdam, 4 May 2017 (Regulated Information)** --- AMG Advanced Metallurgical Group N.V. ("AMG", Euronext Amsterdam: "AMG") reported first quarter 2017 revenue of \$258.0 million, a 9% increase from \$237.4 million in the first quarter 2016. EBITDA for the first quarter 2017 was \$33.0 million, a 56% increase from \$21.2 million in the first quarter 2016. Net income attributable to shareholders increased to \$15.6 million in the first quarter 2017 from \$12.0 million in the first quarter 2016.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, "AMG's focus on operational excellence once again resulted in solid financial results in the first quarter 2017."

AMG Engineering achieved EBITDA of \$7.3 million during the first quarter 2017, a 57% increase from \$4.6 million in the first quarter 2016. AMG Engineering signed \$81.8 million in new orders during the first quarter 2017, representing a 1.29x book to bill ratio. The Engineering segment continues to experience strong demand for turbine blade coating and plasma remelting furnaces for the aerospace market and heat treatment furnaces for the automotive market. Order backlog was \$154.3 million as of March 31, 2017, an increase of 14% compared to December 31, 2016. The strong results in AMG Engineering reflect our efforts to diversify our product offerings in recent years, including the introduction of powder metallurgy and SyncroTherm in-line heat treatment furnaces.

AMG Critical Materials generated EBITDA of \$25.7 million during the first quarter 2017, thanks to strong financial performance in vanadium, titanium alloys, and chrome, as well as the recognition of additional tantalum deferred revenue.

AMG generated cash from operating activities of \$17.8 million during the first quarter 2017, an increase of \$22.2 million compared to the same period in 2016. This strong cash flow generation enabled AMG to end the first quarter net debt free, with net cash of \$0.5 million.”

## Key Figures

*In 000's US Dollar*

|  | <b>Q1 '17</b>    | <b>Q1 '16</b>    | <b>Change</b> |
|--|------------------|------------------|---------------|
| <b>Revenue</b>                                 | <b>\$257,969</b> | <b>\$237,399</b> | <b>9%</b>     |
| Gross profit                                   | 52,503           | 44,223           | 19%           |
| Gross margin                                   | 20.4%            | 18.6%            |               |
| Operating profit                               | 21,028           | 12,933           | 63%           |
| Operating margin                               | 8.2%             | 5.4%             |               |
| <b>Net income attributable to shareholders</b> | <b>15,566</b>    | <b>11,974</b>    | <b>30%</b>    |
| EPS - Fully diluted                            | 0.50             | 0.42             | 19%           |
| <b>EBIT <sup>(1)</sup></b>                     | <b>25,721</b>    | <b>13,815</b>    | <b>86%</b>    |
| <b>EBITDA <sup>(2)</sup></b>                   | <b>32,966</b>    | <b>21,189</b>    | <b>56%</b>    |
| EBITDA margin                                  | 12.8%            | 8.9%             |               |
| Cash from (used in) operating activities       | 17,830           | (4,320)          | N/A           |

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*

|                  | <b>Q1 '17</b> | <b>Q1 '16</b> | <b>Change</b> |
|------------------|---------------|---------------|---------------|
| Revenue          | \$194,506     | \$176,555     | 10%           |
| Gross profit     | 36,268        | 30,479        | 19%           |
| Operating profit | 15,610        | 10,478        | 49%           |
| EBITDA           | 25,668        | 16,545        | 55%           |

AMG Critical Materials revenue in the first quarter increased by \$18.0 million, or 10%, to \$194.5 million, driven by improved vanadium, molybdenum, nickel, aluminum and antimony prices, and higher sales volumes of chrome, antimony and titanium products.

Gross profit in the first quarter increased by \$5.8 million, or 19%, to \$36.3 million. Strong financial performance in vanadium, titanium alloys and chrome was partially offset by lower gross profit in silicon. In addition, AMG Critical Materials incurred an asset impairment expense of \$2.2 million in the first quarter 2017 as a result of fire damage sustained at the Mibra mine in Brazil. AMG is insured for the damage sustained and the business interruption, and in accordance with IFRS, will recognize the insurance proceeds once recovery amounts are virtually certain.

Following the early cancellation of AMG Mineração's long term tantalum supply contract, deferred revenue recognized in the first quarter 2017 increased by \$6.8 million, compared to the first quarter 2016, resulting in additional tantalum revenue and profitability.

SG&A expenses in the first quarter 2017 increased by \$0.7 million, or 3%, compared to the same period in the prior year, due to an increase in the allowance for doubtful accounts associated with AMG's tantalum business.

First quarter 2017 EBITDA margin increased to 13%, compared to 9% in the first quarter 2016, due primarily to the improvement in gross profit in the quarter.

### *AMG Engineering*

|                  | <b>Q1 '17</b> | <b>Q1 '16</b> | <b>Change</b> |
|------------------|---------------|---------------|---------------|
| Revenue          | \$63,463      | \$60,844      | 4%            |
| Gross profit     | 16,235        | 13,744        | 18%           |
| Operating profit | 5,418         | 2,455         | 121%          |
| EBITDA           | 7,298         | 4,644         | 57%           |

AMG Engineering signed \$81.8 million in new orders during the first quarter 2017, representing a 1.29x book to bill ratio. Order backlog was \$154.3 million as of March 31, 2017, an increase of 14% from December 31, 2016.

AMG Engineering's first quarter 2017 revenue increased \$2.6 million, or 4%, to \$63.5 million, due to strong sales of turbine blade coating and induction furnaces for the aerospace market and heat treatment furnaces for the automotive market.

First quarter 2017 gross profit increased by \$2.5 million, or 18%, to \$16.2 million due to higher revenues and product mix effects. Gross Margin increased slightly to 26% from 23% in the first quarter 2016 due to product mix effects.

SG&A expenses decreased slightly by \$0.4 million, or 4%, compared to the prior year due to lower personnel costs.

EBITDA increased by \$2.7 million to \$7.3 million in the first quarter 2017, driven by higher gross profit and lower SG&A costs.

## Financial Review

### *Tax*

AMG recorded an income tax expense of \$3.5 million in the first quarter 2017 as compared to a tax expense of \$0.3 million in the same period in 2016. AMG paid taxes of \$1.5 million in the first quarter 2017 as compared to tax payments of \$1.9 million in the same period in 2016. For the first quarter 2017, AMG's effective cash tax rate was 8%, compared to 15% in the same period in 2016.

### *Non-Recurring Items*

AMG's first quarter 2017 gross profit of \$52.5 million includes non-recurring items, which are not included in the calculation of EBITDA.

A summary of non-recurring items included in gross profit in the first quarters of 2017 and 2016 are below:

#### *Non-recurring items included in gross profit*

|  | Q1 '17        | Q1 '16        | Change     |
|--|---------------|---------------|------------|
| Gross profit                                   | \$52,503      | \$44,223      | 19%        |
| Restructuring expense                          | 467           | 68            | 587%       |
| Asset impairment expense                       | 2,217         | -             | N/A        |
| <b>Gross profit before non-recurring items</b> | <b>55,187</b> | <b>44,291</b> | <b>25%</b> |

*Gross profit before non-recurring items by reporting segment*

|  | <b>Q1 '17</b> | <b>Q1 '16</b> | <b>Change</b> |
|--|---------------|---------------|---------------|
| AMG Critical Materials                         | \$38,885      | \$30,476      | 28%           |
| AMG Engineering                                | 16,302        | 13,815        | 18%           |
| <b>Gross profit before non-recurring items</b> | <b>55,187</b> | <b>44,291</b> | <b>25%</b>    |

AMG Critical Materials gross profit in the first quarter 2017 was negatively impacted by asset impairment expenses of \$2.2 million related to the Mibra mine in Brazil.

The Company decided to modify its income statement presentation in order to take into consideration ESMA's latest recommendations. This new presentation results in the reclassification of restructuring expenses and asset impairment expenses into expenses by function, and consequently gross profit. Accordingly, the comparative figures of the 2017 consolidated financial statements have been restated to comply with IFRS requirements.

*Liquidity*

|                           | <b>March 31,<br/>2017</b> | <b>December 31,<br/>2016</b> | <b>Change</b> |
|---------------------------|---------------------------|------------------------------|---------------|
| Total debt                | \$165,951                 | \$168,080                    | (1%)          |
| Cash and cash equivalents | 166,456                   | 160,744                      | 4%            |
| Net (cash) debt           | (505)                     | 7,336                        | N/A           |

AMG had a net cash position of \$0.5 million as of March 31, 2017. Net debt decreased by \$7.8 million and total debt decreased by \$2.1 million from December 31, 2016.

Cash from operating activities increased by \$22.2 million to \$17.8 million in the first quarter 2017.

Capital expenditures increased to \$10.9 million in the first quarter 2017 compared to \$6.9 million in the same period in 2016. Capital spending in the first quarter 2017 included \$4.8 million of maintenance capital. The largest expansion capital projects were AMG's lithium project in Brazil, and titanium aluminide expansion in Germany.

Including the \$166.5 million of cash, AMG had \$354 million of total liquidity as of March 31, 2017.

*Net Finance Costs*

AMG's first quarter 2017 net finance costs slightly increased to \$2.0 million compared to \$1.8 million in the first quarter 2016.

## SG&A

AMG's first quarter 2017 SG&A expenses were \$31.6 million compared to \$31.3 million in the first quarter 2016, primarily due to an increase in the allowance for doubtful accounts during the period.

## *Outlook*

AMG expects full year 2017 profitability to be in-line with 2016 levels, assuming that the business interruption insurance claim related to the fire in Brazil is received in the current financial year.

AMG's management team is focused on delivering our highly accretive lithium project and executing our long-term lithium strategy. In addition, we will continue to pursue other acquisition opportunities and organic growth projects in order to generate long term value for our shareholders.

AMG Advanced Metallurgical Group N.V.  
Condensed Interim Consolidated Income Statement

**For the quarter ended March 31**

*In thousands of US Dollars*

|   | 2017<br>Unaudited | 2016<br>Unaudited |
|---|-------------------|-------------------|
| <b>Continuing operations</b>  |                   |                   |
| Revenue   | 257,969           | 237,399           |
| Cost of sales   | 205,466           | 193,176           |
| <b>Gross profit</b>   | <b>52,503</b>     | <b>44,223</b>     |
| <br><b>Selling, general and administrative expenses</b>               | <br><b>31,580</b> | <br><b>31,298</b> |
| <br>Other income, net   | <br>(105)         | <br>(8)           |
| <b>Net other operating income</b>                                     | <b>(105)</b>      | <b>(8)</b>        |
| <br><b>Operating profit</b>   | <br><b>21,028</b> | <br><b>12,933</b> |
| <br>Finance income  | <br>(176)         | <br>(115)         |
| Finance expense   | 1,994             | 2,090             |
| Foreign exchange loss (gain)  | 167               | (146)             |
| <b>Net finance costs</b>  | <b>1,985</b>      | <b>1,829</b>      |
| <br><b>Share of gain of associates and joint ventures, net of tax</b> | <br><b>-</b>      | <br><b>1,450</b>  |
| <br><b>Profit before income tax</b>                                   | <br><b>19,043</b> | <br><b>12,554</b> |
| <br><b>Income tax expense</b>   | <br><b>3,477</b>  | <br><b>283</b>    |
| <br><b>Profit for the period</b>                                      | <br><b>15,566</b> | <br><b>12,271</b> |
| Attributable to:  |                   |                   |
| Shareholders of the Company   | 15,566            | 11,974            |
| Non-controlling interests   | -                 | 297               |
| <b>Profit for the period</b>  | <b>15,566</b>     | <b>12,271</b>     |
| <br><b>Earnings per share</b>   |                   |                   |
| Basic earnings per share  | 0.55              | 0.43              |
| Diluted earnings per share  | 0.50              | 0.42              |

AMG Advanced Metallurgical Group N.V.  
Condensed Interim Consolidated Statement of Financial  
Position

| <i>In thousands of US Dollars</i> | March 31,<br>2017<br>Unaudited | December 31,<br>2016 |
|-----------------------------------|--------------------------------|----------------------|
| <b>Assets</b>                     |                                |                      |
| Property, plant and equipment     | 228,468                        | 226,098              |
| Goodwill                          | 22,962                         | 22,729               |
| Intangible assets                 | 11,190                         | 10,486               |
| Derivative financial instruments  | 884                            | 740                  |
| Other investments                 | 30,182                         | 29,930               |
| Deferred tax assets               | 41,352                         | 41,285               |
| Restricted cash                   | 2,342                          | 2,526                |
| Other assets                      | 14,518                         | 17,207               |
| <b>Total non-current assets</b>   | <b>351,898</b>                 | <b>351,001</b>       |
| Inventories                       | 144,071                        | 143,593              |
| Derivative financial instruments  | 5,863                          | 4,007                |
| Trade and other receivables       | 128,641                        | 129,220              |
| Other assets                      | 28,046                         | 31,598               |
| Cash and cash equivalents         | 166,456                        | 160,744              |
| Assets held for sale              | 155                            | 149                  |
| <b>Total current assets</b>       | <b>473,232</b>                 | <b>469,311</b>       |
| <b>Total assets</b>               | <b>825,130</b>                 | <b>820,312</b>       |



AMG Advanced Metallurgical Group N.V.  
Condensed Interim Consolidated Statement of Financial  
Position  
(continued)

| <i>In thousands of US Dollars</i>                         | March 31, 2017<br>Unaudited | December 31,<br>2016 |
|---|-----------------------------|----------------------|
| <b>Equity</b>   |                             |                      |
| Issued capital  | 760                         | 760                  |
| Share premium   | 389,066                     | 389,066              |
| Treasury shares   | (277)                       | (570)                |
| Other reserves  | (28,700)                    | (35,950)             |
| Retained earnings (deficit)                               | (162,206)                   | (177,592)            |
| <b>Equity attributable to shareholders of the Company</b> | <b>198,643</b>              | <b>175,714</b>       |
| Non-controlling interests                                 | 22,322                      | 22,073               |
| <b>Total equity</b>                                       | <b>220,965</b>              | <b>197,787</b>       |
| <b>Liabilities</b>  |                             |                      |
| Loans and borrowings                                      | 148,454                     | 150,959              |
| Employee benefits   | 143,500                     | 141,588              |
| Provisions  | 30,232                      | 30,854               |
| Deferred revenue  | -                           | 2,822                |
| Government grants   | 369                         | 390                  |
| Other liabilities   | 7,591                       | 6,484                |
| Derivative financial instruments                          | 472                         | 887                  |
| Deferred tax liabilities                                  | 8,587                       | 8,435                |
| <b>Total non-current liabilities</b>                      | <b>339,205</b>              | <b>342,419</b>       |
| Loans and borrowings                                      | 9,997                       | 9,621                |
| Short term bank debt                                      | 7,500                       | 7,500                |
| Government grants   | 98                          | 97                   |
| Other liabilities   | 55,335                      | 57,431               |
| Trade and other payables                                  | 133,179                     | 133,328              |
| Derivative financial instruments                          | 2,258                       | 4,661                |
| Advance payments  | 25,781                      | 29,404               |
| Deferred revenue  | 1,514                       | 10,198               |
| Current taxes payable                                     | 8,860                       | 7,065                |
| Provisions  | 20,438                      | 20,801               |
| <b>Total current liabilities</b>                          | <b>264,960</b>              | <b>280,106</b>       |
| <b>Total liabilities</b>                                  | <b>604,165</b>              | <b>622,525</b>       |
| <b>Total equity and liabilities</b>                       | <b>825,130</b>              | <b>820,312</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*

|  | 2017<br>Unaudited | 2016<br>Unaudited |
|--|-------------------|-------------------|
| <b>Cash from (used in) operating activities</b>                    |                   |                   |
| Profit for the year  | 15,566            | 12,271            |
| Adjustments to reconcile net profit to net cash flows:             |                   |                   |
| <b>Non-cash:</b>   |                   |                   |
| Income tax expense   | 3,477             | 283               |
| Depreciation and amortization                                      | 7,245             | 7,374             |
| Asset impairment expense   | 2,217             | -                 |
| Net finance costs  | 1,985             | 1,829             |
| Share of gain of associates and joint ventures                     | -                 | (1,450)           |
| (Gain) loss on sale or disposal of property, plant and equipment   | (61)              | 171               |
| Equity-settled share-based payment transactions                    | 2,176             | 668               |
| Movement in provisions, pensions and government grants             | 293               | (23)              |
| Working capital and deferred revenue adjustments                   | (11,124)          | (22,222)          |
| <b>Cash generated from (used in) operating activities</b>          | <b>21,774</b>     | <b>(1,099)</b>    |
| Finance costs paid, net  | (2,400)           | (1,301)           |
| Income tax paid, net   | (1,544)           | (1,920)           |
| <b>Net cash from (used in) operating activities</b>                | <b>17,830</b>     | <b>(4,320)</b>    |
| <b>Cash used in investing activities</b>                           |                   |                   |
| Proceeds from sale of property, plant and equipment                | 66                | 254               |
| Acquisition of property, plant and equipment and intangibles       | (10,859)          | (6,917)           |
| Acquisition of subsidiaries (net of cash acquired of \$35 in 2016) | -                 | (4,961)           |
| Change in restricted cash  | 217               | 110               |
| Other  | 16                | 12                |
| <b>Net cash used in investing activities</b>                       | <b>(10,560)</b>   | <b>(11,502)</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*

|   | 2017<br>Unaudited | 2016<br>Unaudited |
|---|-------------------|-------------------|
| <b>Cash used in financing activities</b>                        |                   |                   |
| Repayment of borrowings   | (3,050)           | (1,414)           |
| Issuance of treasury shares                                     | 151               | -                 |
| <b>Net cash used in financing activities</b>                    | <b>(2,899)</b>    | <b>(1,414)</b>    |
| <br><b>Net increase (decrease) in cash and cash equivalents</b> | <br>4,371         | <br>(17,236)      |
| <br>Cash and cash equivalents at January 1                      | <br>160,744       | <br>127,778       |
| Effect of exchange rate fluctuations on cash held               | 1,341             | 1,076             |
| <b>Cash and cash equivalents at March 31</b>                    | <b>166,456</b>    | <b>111,618</b>    |

*This press release contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.*

*This press release contains regulated information as defined in the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).*

## **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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