



AMG ADVANCED METALLURGICAL GROUP N.V. REPORTS SECOND QUARTER 2017 RESULTS

Key Highlights

- Revenue increased by 6% to \$262.0 million in the second quarter 2017 from \$248.3 million in the second quarter 2016
- EBITDA⁽²⁾ was \$31.9 million in the second quarter 2017, a 22% increase over the same period in 2016
- Operating profit increased by 19% to \$22.6 million in the second quarter 2017 from \$19.0 million in the second quarter 2016
- Cash from operating activities on a year to date basis was \$28.5 million, an increase of \$8.5 million over the same period in 2016
- Annualized return on capital employed increased to 23.9% in the second quarter 2017, as compared to 17.8% in the second quarter 2016

Amsterdam, 3 August 2017 (Regulated Information) --- AMG Advanced Metallurgical Group N.V. ("AMG", EURONEXT AMSTERDAM: "AMG") reported second quarter 2017 revenue of \$262.0 million, a 6% increase from \$248.3 million in the second quarter 2016. EBITDA for the second quarter 2017 was \$31.9 million, a 22% increase from \$26.0 million in the second quarter 2016. Net income attributable to shareholders slightly decreased to \$13.1 million in the second quarter 2017 from \$13.4 million in the second quarter 2016.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, "We are very pleased that AMG's strong cash flow generation for the first six months of 2017 enabled the Company to end the quarter with net debt in line with the prior year end, despite substantial capital investments in the first half of 2017 in AMG's lithium project in Brazil, and titanium aluminide expansion in Germany.

AMG's lithium project continues to progress in line with our expectations and we intend to make a formal investment decision regarding our targeted expansion to 180,000 tons of lithium concentrate production capacity before the end of the year.

AMG Engineering achieved EBITDA of \$8.0 million during the second quarter 2017, a 43% increase from \$5.6 million in the second quarter 2016. AMG Engineering signed \$76.9 million in new orders during the second quarter 2017, representing a 1.29x book to bill ratio. The Engineering segment continues to experience strong demand for turbine

blade coating, powder metallurgy and plasma remelting furnaces for the aerospace market and heat treatment furnaces for the automotive market. Order backlog was \$183.3 million as of June 30, 2017, an increase of 35% 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 \$23.9 million during the second quarter 2017, thanks to strong financial performance in vanadium and titanium alloys, and the recognition of \$3.0 million in business interruption insurance, following the fire at the Mibra mine in Brazil.

In the second quarter of 2017, AMG generated cash from operating activities of \$10.6 million, a decrease of \$13.7 million over the same period in 2016. On a year to date basis, AMG generated cash from operating activities of \$28.5 million in 2017, an increase of \$8.5 million compared to the same period in 2016.”

Key Figures

In 000's US Dollar

	Q2 '17	Q2 '16	Change
Revenue	\$262,042	\$248,349	6%
Gross profit	54,344	53,302	2%
Gross margin	20.7%	21.5%	
Operating profit	22,577	18,967	19%
Operating margin	8.6%	7.6%	
Net income attributable to shareholders	13,115	13,447	(2%)
EPS - Fully diluted	0.42	0.48	(13%)
EBIT ⁽¹⁾	24,369	18,585	31%
EBITDA ⁽²⁾	31,866	26,049	22%
EBITDA margin	12.2%	10.5%	
Cash from operating activities	10,633	24,315	(56%)

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 '17	Q2 '16	Change
Revenue	\$202,625	\$181,619	12%
Gross profit	37,583	* 37,953	(1%)
Operating profit	16,896	15,016	13%
EBITDA	23,883	20,485	17%

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

AMG Critical Materials' revenue in the second quarter increased by \$21.0 million, or 12%, to \$202.6 million, driven by improved vanadium, molybdenum, nickel, aluminum, titanium and antimony prices, and higher sales volumes of chrome, antimony, silicon, niobium and titanium products.

Gross profit in the second quarter decreased by \$0.4 million, or 1%, to \$37.6 million. Strong financial performance in vanadium and titanium alloys in the quarter was offset by lower gross profit in tantalum. The reduction in tantalum gross profit was driven by lower sales volumes, due to the temporary shutdown in one of AMG's two tantalum production lines, and lower sales prices, following the termination of AMG's long term supply agreement.

AMG is insured for the interruption to the tantalum business as a result of the fire, and has recorded insurance proceeds of \$3.0 million during the second quarter 2017, which is included within gross profit and EBITDA.

In addition, AMG Critical Materials' gross profit was positively impacted by the partial recovery of asset impairment expenses recorded in the first quarter 2017. AMG recorded 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, and subsequently recorded a \$1.4 million partial recovery in the second quarter 2017, following the receipt of insurance proceeds.

Additional insurance proceeds, in respect of both business interruption and property damage, are expected to be recorded in the second half of 2017. In accordance with IFRS, AMG is recognizing the insurance proceeds as recovery amounts are finalized.

SG&A expenses in the second quarter 2017 decreased by \$2.4 million, or 10%, compared to the same period in the prior year, primarily due to a reduction in share-based compensation expenses.

Second quarter 2017 EBITDA margin increased slightly to 12%, compared to 11% in the second quarter 2016.

AMG Engineering

	Q2 '17	Q2 '16	Change
Revenue	\$59,417	\$66,730	(11%)
Gross profit	16,761	15,349	9%
Operating profit	5,681	3,951	44%
EBITDA	7,983	5,564	43%

AMG Engineering signed \$76.9 million in new orders during the second quarter 2017, representing a 1.29x book to bill ratio. Order backlog was \$183.3 million as of June 30, 2017, an increase of 35% from December 31, 2016.

AMG Engineering's second quarter 2017 revenue decreased \$7.3 million, or 11%, to \$59.4 million, due to lower revenue from plasma remelting furnaces for the aerospace market and heat treatment services for the automotive market.

Second quarter 2017 gross profit increased by \$1.4 million, or 9%, to \$16.8 million and gross margin increased to 28% from 23%, due to a greater proportion of revenue being generated from high margin, aerospace market facing products in the quarter.

SG&A expenses decreased by \$0.4 million, or 3%, compared to the prior year, primarily due to lower share-based compensation expenses.

EBITDA increased by \$2.4 million to \$8.0 million in the second quarter 2017, driven largely by higher gross profit and lower SG&A costs.

Financial Review

Tax

AMG recorded an income tax expense of \$7.7 million in the second quarter 2017 as compared to a tax expense of \$2.8 million in the same period in 2016. The lower tax expense in second quarter 2016 was primarily due to a drop in the Brazilian Real, which reduced income tax expense.

Due to the volatile nature of the Company's deferred tax balances caused by items such as the Brazil currency fluctuations, AMG focuses on cash tax payments. AMG paid taxes of \$3.4 million in the second quarter 2017 as compared to tax payments of \$1.8 million in the same period in 2016. For the second quarter 2017, AMG's effective cash tax rate was 16%, compared to 11% in the same period in 2016. The increase is due to higher profitability in countries where the Company does not have tax losses carried forward to reduce tax liabilities.

Non-Recurring Items

AMG's second quarter 2017 gross profit of \$54.3 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 second quarters of 2017 and 2016 are below:

Non-recurring items included in gross profit

	Q2 '17	Q2 '16	Change
Gross profit	\$54,344	\$53,302	2%
Restructuring expense	956	454	111%
Asset impairment (reversal) expense	(1,305)	-	N/A
Gross profit before non-recurring items	53,995	53,756	-

Gross profit before non-recurring items by reporting segment

	Q2 '17	Q2 '16	Change
AMG Critical Materials	\$36,954	\$38,230	(3%)
AMG Engineering	17,041	15,526	10%
Gross profit before non-recurring items	53,995	53,756	-

AMG Critical Materials' gross profit was positively impacted by the partial recovery of asset impairment expenses recorded in the first quarter 2017. AMG recorded 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, and subsequently recorded a \$1.4 million partial recovery in the second quarter 2017, following the receipt of insurance proceeds.

As noted in AMG's 2016 financial statements, the Company modified its income statement presentation in order to take into consideration ESMA's latest recommendations. This resulted in the reclassification of restructuring expenses and asset impairment expenses into expenses by function, and consequently gross profit.

Liquidity

	June 30, 2017	December 31, 2016	Change
Total debt	\$176,164	\$168,080	5%
Cash and cash equivalents	168,853	160,744	5%
Net debt	7,311	7,336	-

AMG had a net debt position of \$7.3 million as of June 30, 2017. Total debt increased by \$8.1 million and net debt was unchanged from December 31, 2016.

Cash from operating activities decreased by \$13.7 million to \$10.6 million in the second quarter 2017, due to an \$11.0 million increase in working capital during the quarter which was largely driven by an increase in accounts receivable.

Capital expenditures increased to \$18.6 million in the second quarter 2017 compared to \$7.5 million in the same period in 2016. Capital spending in the second quarter 2017 included \$5.6 million of maintenance capital. The largest expansion capital projects were AMG's lithium project in Brazil, and titanium aluminide expansion in Germany.

Including the \$168.9 million of cash, AMG had \$350 million of total liquidity as of June 30, 2017.

Net Finance Costs

AMG's second quarter 2017 net finance costs decreased to \$1.8 million from \$3.3 million in the second quarter 2016, due to lower foreign exchange impacts.

SG&A

AMG's second quarter 2017 SG&A expenses were \$32.0 million compared to \$34.8 million in the second quarter 2016, primarily due to a decrease in share-based compensation expenses of \$1.6 million and lower pension expenses of \$0.3 million, as a result of pension contributions made during 2016.

Interim Dividend

AMG has announced an interim dividend of €0.14 per ordinary share in respect of the period from January 1, 2017, to June 30, 2017.

Outlook

AMG expects full year 2017 profitability to improve relative to 2016.

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

For the quarter ended June 30

In thousands of US Dollars

	2017 Unaudited	2016 Unaudited
Continuing operations		
Revenue	262,042	248,349
Cost of sales	207,698	195,047
Gross profit	54,344	53,302
Selling, general and administrative expenses	31,972	34,762
Net other operating income	(205)	(427)
Operating profit	22,577	18,967
Finance income	(245)	(179)
Finance expense	2,310	2,423
Foreign exchange (gain) loss	(250)	1,082
Net finance costs	1,815	3,326
Share of loss of associates and joint ventures, net of tax	-	(14)
Profit before income tax	20,762	15,627
Income tax expense	7,717	2,802
Profit for the period	13,045	12,825
Attributable to:		
Shareholders of the Company	13,115	13,447
Non-controlling interests	(70)	(622)
Profit for the period	13,045	12,825
Earnings per share		
Basic earnings per share	0.45	0.48
Diluted earnings per share	0.42	0.48

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

For the six months ended June 30

In thousands of US Dollars

	2017 Unaudited	2016 Unaudited
Continuing operations		
Revenue	520,011	485,748
Cost of sales	413,164	388,223
Gross profit	106,847	97,525
 Selling, general and administrative expenses	 63,552	 66,060
 Net other operating income	 (310)	 (435)
 Operating profit	 43,605	 31,900
 Finance income	 (421)	 (294)
Finance expense	4,304	4,513
Foreign exchange (gain) loss	(83)	936
Net finance costs	3,800	5,155
 Share of gain of associates and joint ventures, net of tax	 -	 1,436
 Profit before income tax	 39,805	 28,181
 Income tax expense	 11,194	 3,085
 Profit for the period	 28,611	 25,096
Attributable to:		
Shareholders of the Company	28,681	25,421
Non-controlling interests	(70)	(325)
Profit for the period	28,611	25,096
 Earnings per share		
Basic earnings per share	1.00	0.91
Diluted earnings per share	0.91	0.90

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

<i>In thousands of US Dollars</i>	June 30, 2017 Unaudited	December 31, 2016
Assets		
Property, plant and equipment	247,470	226,098
Goodwill	24,148	22,729
Intangible assets	11,974	10,486
Derivative financial instruments	890	740
Other investments	30,200	29,930
Deferred tax assets	37,626	41,285
Restricted cash	2,504	2,526
Other assets	12,108	17,207
Total non-current assets	366,920	351,001
Inventories	146,820	143,593
Derivative financial instruments	4,820	4,007
Trade and other receivables	153,022	129,220
Other assets	36,120	31,598
Cash and cash equivalents	168,853	160,744
Assets held for sale	1,972	149
Total current assets	511,607	469,311
Total assets	878,527	820,312

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

<i>In thousands of US Dollars</i>	June 30, 2017 Unaudited	December 31, 2016*
Equity		
Issued capital	796	760
Share premium	432,844	389,066
Treasury shares	(4,638)	(570)
Other reserves	(85,403)	(97,085)
Retained earnings (deficit)	(126,200)	(116,457)
Equity attributable to shareholders of the Company	217,399	175,714
Non-controlling interests	23,727	22,073
Total equity	241,126	197,787
Liabilities		
Loans and borrowings	149,600	150,959
Employee benefits	150,381	141,588
Provisions	31,336	30,854
Deferred revenue	-	2,822
Other liabilities	6,838	6,874
Derivative financial instruments	-	887
Deferred tax liabilities	8,574	8,435
Total non-current liabilities	346,729	342,419
Loans and borrowings	11,064	9,621
Short term bank debt	15,500	7,500
Other liabilities	52,405	57,528
Trade and other payables	140,899	133,328
Derivative financial instruments	1,835	4,661
Advance payments	38,005	29,404
Deferred revenue	956	10,198
Current taxes payable	10,721	7,065
Provisions	19,287	20,801
Total current liabilities	290,672	280,106
Total liabilities	637,401	622,525
Total equity and liabilities	878,527	820,312

*Reclassified share reserves from other reserves to retained earnings (deficit) for December 31, 2016

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

	2017 Unaudited	2016 Unaudited
Cash from operating activities		
Profit for the year	28,611	25,096
Adjustments to reconcile net profit to net cash flows:		
Non-cash:		
Income tax expense	11,194	3,085
Depreciation and amortization	14,742	14,838
Asset impairment expense	912	-
Net finance costs	3,800	5,155
Share of gain of associates and joint ventures	-	(1,436)
Gain on sale or disposal of property, plant and equipment	(68)	(80)
Equity-settled share-based payment transactions	4,418	914
Movement in provisions, pensions and government grants	(3,023)	(15,735)
Working capital and deferred revenue adjustments	(22,930)	(5,006)
Cash generated from operating activities	37,656	26,831
Finance costs paid, net	(4,249)	(3,162)
Income tax paid, net	(4,944)	(3,674)
Net cash from operating activities	28,463	19,995
Cash used in investing activities		
Proceeds from sale of property, plant and equipment	96	368
Insurance proceeds on property, plant and equipment	1,415	-
Proceeds from sale of subsidiaries (net of cash divested of \$35 in 2016)	-	675
Acquisition of property, plant and equipment and intangibles	(29,452)	(14,389)
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	210	19
Other	17	28
Net cash used in investing activities	(27,714)	(19,260)

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

	2017 Unaudited	2016 Unaudited
Cash used in financing activities		
Net proceeds from issuance of debt	2,889	1,573
Proceeds from issuance of common shares	14,370	-
Net repurchase of common shares	(13,386)	(1,785)
Dividend	(4,417)	(3,503)
Other	-	1
Net cash used in financing activities	(544)	(3,714)
 Net increase (decrease) in cash and cash equivalents	 205	 (2,979)
 Cash and cash equivalents at January 1	 160,744	 127,778
Effect of exchange rate fluctuations on cash held	7,904	276
Cash and cash equivalents at June 30	168,853	125,075

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 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, 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, Sri Lanka and Mozambique, and has sales and customer service offices in Russia and Japan (www.amg-nv.com).

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Disclaimer

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