AMG ADVANCED METALLURGICAL GROUP N.V. REPORTS SECOND QUARTER 2018 RESULTS

Key Highlights

- **Revenue increased by 26% to $329.3 million in the second quarter 2018 from $262.0 million in the second quarter 2017**
- **Gross profit was $79.2 million in the second quarter 2018, an increase of $24.8 million, or 46%, over the same period in 2017**
- **EBITDA[(2)] was $50.7 million in the second quarter 2018, a 59% increase over the same period in 2017**
- **Profit before income tax increased by 77% to $36.7 million in the second quarter 2018 from $20.8 million in the second quarter 2017**
- **EPS, on a fully diluted basis, increased by 29% to $0.54 in the second quarter 2018 from $0.42 in the second quarter 2017**
- **Annualized return on capital employed increased to 30.6% in the second quarter 2018, as compared to 23.9% in the second quarter 2017**

Amsterdam, 2 August 2018 (Regulated Information) --- AMG Advanced Metallurgical Group N.V. ("AMG", EURONEXT AMSTERDAM: "AMG") reported second quarter 2018 revenue of $329.3 million, a 26% increase from $262.0 million in the second quarter of 2017. EBITDA for the second quarter of 2018 was $50.7 million, a 59% increase from $31.9 million in the second quarter of 2017.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, "AMG achieved a sharp improvement in EBITDA during the quarter, driven primarily by improved pricing and higher sales volumes in AMG Critical Materials. Furthermore, relentless improvements in productivity have resulted in an upward trend, both in terms of profitability and return on capital employed.

AMG Critical Materials generated EBITDA of $45.3 million during the second quarter of 2018, an increase of 89% from $23.9 million in the second quarter of 2017, thanks to strong financial performances in vanadium, chrome metal and aluminum products.

AMG Engineering signed $86.2 million in new orders during the second quarter of 2018, representing a 1.39x book to bill ratio, driven by strong sales of turbine blade coating and heat treatment furnaces. Order backlog was $263.2 million as of June 30, 2018, an increase of 27% compared to December 31, 2017.

AMG Engineering achieved EBITDA of $5.5 million during the second quarter of 2018, a decrease of $2.5 million from $8.0 million in the second quarter of 2017 due to higher SG&A expenses and lower gross profit generated from the heat treatment services

division. On a full year basis, AMG Engineering expects 2018 EBITDA to be in line with prior year."

Key Figures

In 000's US dollar

	Q2 '18	Q2 '17	Change
Revenue	**$329,321**	**$262,042**	**26%**
Gross profit	79,161	54,344	46%
Gross margin	24.0%	20.7%	
Operating profit	42,019	22,577	86%
Operating margin	12.8%	8.6%	
Net income attributable to shareholders	**** 17,309**	**13,115**	**32%**
EPS - Fully diluted	0.54	0.42	29%
EBIT (1)	**42,751**	**24,369**	**75%**
EBITDA (2)	**50,749**	**31,866**	**59%**
EBITDA margin	15.4%	12.2%	
Cash (used in) from operating activities	(1,197)	10,633	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.

*** Net income attributable to shareholders was impacted by an additional, non-cash tax expense of $6.0 million in the quarter, due to the significant movement of the Brazilian real against the US dollar.*

Operational Review

AMG Critical Materials

	Q2 '18	Q2 '17	Change
Revenue	$267,213	$202,625	32%
Gross profit	62,151	37,583	65%
Operating profit	37,869	16,896	124%
EBITDA	45,252	23,883	89%

AMG Critical Materials revenue in the second quarter increased by $64.6 million, or 32%, to $267.2 million, driven by improved vanadium, silicon metal, aluminum, graphite, chrome metal and tantalum prices, and higher sales volumes of vanadium, aluminum, tantalum and titanium products.

Gross profit in the second quarter increased by $24.6 million, or 65%, to $62.2 million. Strong financial performances in vanadium, chrome metal and aluminum were partially offset by lower gross profit in silicon metal. The strong financial performance was driven by higher vanadium sales volumes and prices, improved chrome metal product mix effects and strong sales volumes of aluminum products. The reduction in gross profit in silicon metal was driven by lower volumes, as a result of unplanned furnace maintenance during the quarter, as well as an accrual for the repayment of a subsidy granted by the German government in 2012-13.

SG&A expenses in the second quarter of 2018 increased by $3.4 million, or 16%, compared to the same period in the prior year, primarily due to foreign exchange effects related to the strengthening of the euro relative to the US dollar as well as higher personnel costs.

Second quarter 2018 EBITDA margin increased to 17%, compared to 12% in the second quarter of 2017, due to the improvement in gross profit as noted above.

AMG Engineering

	Q2 '18	Q2 '17	Change
Revenue	$62,108	$59,417	5%
Gross profit	17,010	16,761	1%
Operating profit	4,150	5,681	(27%)
EBITDA	5,497	7,983	(31%)

AMG Engineering signed $86.2 million in new orders during the second quarter 2018, representing a 1.39x book to bill ratio. Order backlog was $263.2 million as of June 30, 2018, an increase of 3% from March 31, 2018. This was driven by strong sales of turbine blade coating and heat treatment furnaces.

AMG Engineering's second quarter 2018 revenue increased $2.7 million, or 5%, to $62.1 million. Higher revenue generated from the sale of vacuum furnaces was partially offset by lower revenue in the heat treatment services division, as automotive customers transition to new engine programs. Following the completion of this transition process, heat treatment service revenues are expected to return to normal levels in early 2019.

Second quarter 2018 gross profit increased by $0.2 million, or 1%, to $17.0 million and gross margin decreased slightly to 27% from 28% in the second quarter of 2017. The reduction in gross margin was driven by lower gross profit in the heat treatment services division due to lower sales volumes and consequently lower utilization rates.

SG&A expenses increased by $1.8 million, or 16%, compared to the prior year primarily due to foreign exchange effects related to the strengthening of the euro relative to the US dollar and higher personnel costs.

AMG Engineering is in the process of expanding its workforce in response to the increased level of order backlog, driven primarily by strong demand from the aerospace market.

EBITDA decreased by $2.5 million to $5.5 million in the second quarter of 2018 due to higher SG&A expenses, increased currency impacts, and lower gross profit generated from the heat treatment services division.

Financial Review

Tax

AMG recorded an income tax expense of $19.5 million in the second quarter of 2018 as compared to a tax expense of $7.7 million in the same period in 2017, driven by higher levels of profitability, the full recognition of AMG's US operating loss carryforwards in 2017, and the revaluation of AMG's Brazilian tax balances. Due to the significant movement of the Brazilian real against the US dollar, AMG incurred an additional non-cash tax expense of $6.0 million in the quarter.

AMG continues to benefit from net operating loss carry forward balances, primarily in the United States, to offset taxes payable. As a result, despite very high pre-tax profitability, AMG paid taxes of $7.0 million in the second quarter of 2018 as compared to tax payments of $3.4 million in the same period in 2017. For the second quarter of 2018, AMG's effective cash tax rate rose to 19% in comparison to 16% for the same period in the prior year.

Due to the volatile nature of the company's Brazilian deferred tax balances, AMG believes that the cash tax rate is a more meaningful metric.

Non-Recurring Items

AMG's second quarter 2018 gross profit of $79.2 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 2018 and 2017 are below:

Non-recurring items included in gross profit

	Q2 '18	Q2 '17	Change
Gross profit	$79,161	$54,344	46%
Restructuring expense	950	956	(1%)
Asset impairment recovery	(1,032)	(1,305)	(21%)
Gross profit before non-recurring items	**79,079**	**53,995**	**46%**

Gross profit before non-recurring items by reporting segment

	Q2 '18	Q2 '17	Change
AMG Critical Materials	$62,099	$36,954	68%
AMG Engineering	16,980	17,041	–
Gross profit before non-recurring items	**79,079**	**53,995**	**46%**

Liquidity

	June 30, 2018	December 31, 2017	Change
Total debt	$377,302	$189,108	100%
Cash and cash equivalents	342,537	178,800	92%
Net debt	**34,765**	**10,308**	**237%**

AMG had a net debt position of $34.8 million as of June 30, 2018. Net debt increased by $24.5 million and total debt increased by $188.2 million from December 31, 2017.

On a year to date basis, cash from operating activities decreased by $4.9 million, or 17%, compared to the same period in the prior year due to higher working capital balances driven by increased metals prices, partially offset by improved profitability in AMG Critical Materials.

Capital expenditures decreased slightly to $18.4 million in the second quarter of 2018 compared to $18.6 million in the same period in 2017. Capital spending in the second quarter of 2018 included $6.8 million of maintenance capital. The largest expansion capital project was AMG's lithium project in Brazil.

AMG had $512.1 million of total liquidity as of June 30, 2018, following the successful refinancing of AMG's credit facilities during the first quarter of 2018.

Net Finance Costs

AMG's second quarter 2018 net finance costs increased to $5.3 million compared to $1.8 million in the second quarter 2017, due to higher levels of gross debt and higher interest rates associated with AMG's new, long term credit facility.

SG&A

AMG's second quarter 2018 SG&A expenses were $37.2 million compared to $32.0 million in the second quarter of 2017, primarily due to foreign exchange effects related to the strengthening of the euro relative to the US dollar and higher personnel costs.

Outlook

Encouraged by the financial performance in the first 6 months of 2018, AMG expects full year 2018 EBITDA to improve by between 40%-50% compared to the prior year.

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

For the quarter ended June 30

In thousands of US dollars	2018 Unaudited	2017 Unaudited
Continuing operations		
Revenue	329,321	262,042
Cost of sales	250,160	207,698
Gross profit	**79,161**	**54,344**
Selling, general and administrative expenses	**37,179**	**31,972**
Net other operating income	**(37)**	**(205)**
Operating profit	**42,019**	**22,577**
Finance income	(864)	(495)
Finance cost	6,202	2,310
Net finance cost	**5,338**	**1,815**
Profit before income tax	**36,681**	**20,762**
Income tax expense	**19,456**	**7,717**
Profit for the period	**17,225**	**13,045**
Attributable to:		
Shareholders of the Company	17,309	13,115
Non-controlling interests	(84)	(70)
Profit for the period	**17,225**	**13,045**
Earnings per share		
Basic earnings per share	0.57	0.45
Diluted earnings per share	0.54	0.42

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

For the six months ended June 30

In thousands of US dollars	2018 Unaudited	2017 Unaudited
Continuing operations		
Revenue	637,769	520,011
Cost of sales	488,490	413,164
Gross profit	**149,279**	**106,847**
Selling, general and administrative expenses	**72,805**	**63,552**
Net other operating income	**(124)**	**(310)**
Operating profit	**76,598**	**43,605**
Finance income	(1,382)	(504)
Finance cost	13,261	4,304
Net finance cost	**11,879**	**3,800**
Profit before income tax	**64,719**	**39,805**
Income tax expense	**29,161**	**11,194**
Profit for the period	**35,558**	**28,611**
Attributable to:		
Shareholders of the Company	35,698	28,681
Non-controlling interests	(140)	(70)
Profit for the period	**35,558**	**28,611**
Earnings per share		
Basic earnings per share	1.19	1.00
Diluted earnings per share	1.12	0.91

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

In thousands of US dollars	June 30, 2018 Unaudited	December 31, 2017
Assets		
Property, plant and equipment	315,252	298,540
Goodwill and other intangible assets	36,916	38,110
Derivative financial instruments	4,242	636
Other investments	30,291	30,562
Deferred tax assets	33,236	40,108
Restricted cash	806	829
Non-current tax asset	-	2,488
Other assets	15,684	17,729
Total non-current assets	**436,427**	**429,002**
Inventories	232,242	162,505
Derivative financial instruments	2,403	6,372
Trade and other receivables	174,274	137,174
Other assets	39,548	37,547
Current tax assets	6,977	3,147
Cash and cash equivalents	342,537	178,800
Assets held for sale	403	2,056
Total current assets	**798,384**	**527,601**
Total assets	**1,234,811**	**956,603**

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

In thousands of US dollars	June 30, 2018 Unaudited	December 31, 2017
Equity		
Issued capital	812	796
Share premium	462,891	432,844
Treasury shares	(931)	(3,461)
Other reserves	(92,682)	(72,880)
Retained earnings (deficit)	(96,207)	(99,343)
Equity attributable to shareholders of the Company	**273,883**	**257,956**
Non-controlling interests	24,432	24,633
Total equity	**298,315**	**282,589**
Liabilities		
Loans and borrowings	360,027	164,788
Employee benefits	152,759	156,193
Provisions	32,203	35,887
Other liabilities	4,201	4,011
Derivative financial instruments	6,741	-
Deferred tax liabilities	7,035	7,888
Total non-current liabilities	**562,966**	**368,767**
Loans and borrowings	1,775	8,820
Short term bank debt	15,500	15,500
Other liabilities	62,326	61,836
Trade and other payables	186,311	155,115
Derivative financial instruments	11,760	1,415
Advance payments	51,456	33,025
Current taxes payable	17,221	9,155
Provisions	27,181	20,381
Total current liabilities	**373,530**	**305,247**
Total liabilities	**936,496**	**674,014**
Total equity and liabilities	**1,234,811**	**956,603**

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	2018 Unaudited	2017 Unaudited
Cash from operating activities		
Profit for the year	35,558	28,611
Adjustments to reconcile net profit to net cash flows:		
Non-cash:		
Income tax expense	29,161	11,194
Depreciation and amortization	16,222	14,742
Asset impairment	(1,032)	912
Net finance costs	11,879	3,800
Gain on sale or disposal of property, plant and equipment	(42)	(68)
Equity-settled share-based payment transactions	3,005	4,418
Movement in provisions, pensions and government grants	4,675	(3,023)
Working capital and deferred revenue adjustments	(58,607)	(22,930)
Cash generated from operating activities	**40,819**	**37,656**
Finance costs paid, net	(7,992)	(4,249)
Income tax paid, net	(9,216)	(4,944)
Net cash from operating activities	**23,611**	**28,463**
Cash used in investing activities		
Proceeds from sale of property, plant and equipment	122	96
Insurance proceeds on property, plant and equipment	1,300	1,415
Acquisition of property, plant and equipment and intangibles	(41,017)	(29,452)
Change in restricted cash	-	210
Other	(37)	17
Net cash used in investing activities	**(39,632)**	**(27,714)**

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	2018 Unaudited	2017 Unaudited
Cash from (used in) financing activities		
Proceeds from issuance of debt	346,336	8,000
Payment of transaction costs related to the issuance of debt	(9,238)	-
Repayment of borrowings	(155,082)	(5,111)
Proceeds from issuance of common shares	15,923	14,370
Net repurchase of common shares	(9,853)	(13,386)
Dividends paid	(5,013)	(4,417)
Net cash from (used in) financing activities	**183,073**	**(544)**
Net increase in cash and cash equivalents	**167,052**	**205**
Cash and cash equivalents at January 1	178,800	160,744
Effect of exchange rate fluctuations on cash held	(3,315)	7,904
Cash and cash equivalents at June 30	**342,537**	**168,853**

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_2 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, lithium, 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 3,300 employees, AMG operates globally with production facilities in Germany, the United Kingdom, France, the Czech Republic, the United States, China, Mexico, Brazil, India, Sri Lanka and Mozambique, and has sales and customer service offices in Russia and Japan (www.amg-nv.com).

For further information, please contact:
AMG Advanced Metallurgical Group N.V. **+1 610 293 5804**
Steve Daniels
Senior Vice President
sdaniels@amg-nv.com

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