

AMG Advanced Metallurgical Group N.V.
Interim Financial Statements
(unaudited)
June 30, 2009

Semi-Annual Financial Report

This report contains the semi-annual financial report of AMG Advanced Metallurgical Group N.V. ("AMG" or "the Company"), a Company which was incorporated in the Netherlands as a public limited liability company on November 21, 2006. The address of the Company's registered office is WTC Amsterdam, Toren C, Strawinskylaan 1343, 1077 XX Amsterdam.

The semi-annual report for the six months ended June 30, 2009 consists of the responsibility statement by the Company's Management Board, the semi-annual management report and the condensed consolidated semi-annual financial statements. The information in this semi-annual financial report is unaudited.

The Management Board of the Company hereby declares that to the best of their knowledge, the semi-annual financial statements, which have been prepared in accordance with IAS 34, "Interim Financial Reporting", give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole, and the semi-annual management report gives a fair review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Heinz C. Schimmelbusch
Chief Executive Officer

William J. Levy
Chief Financial Officer

Management Report

The difficult operating environment experienced during late 2008 and early 2009 continued through the second quarter of 2009. During the second quarter 2009, Advanced Materials volumes increased slightly over the first quarter 2009, but both volumes and prices remain significantly affected by the unprecedented slowdown in global industrial activity. Engineering Systems backlog enabled it to deliver solid results during the quarter despite low levels of order intake. AMG's majority owned subsidiary, Timminco Limited, continued to face multiple market and operating challenges during the quarter. Timminco is addressing those issues. Despite the ongoing decline in the transportation market, Graphit Kropfmühl delivered marginally profitable operations through its silicon metal division.

The Advanced Materials division's first half 2009 financial results were impacted by continued weak demand for the majority of its products, most notably in the steel, superalloy and titanium markets. Gross margin percentage decreased from 20% of revenue in the first half of 2008 to 6% in first half of 2009. This was caused by a sharp decline in end product prices and lower volumes. The decrease in revenue and margins was primarily caused by ferrovanadium, with reference prices decreasing and volumes declining. Titanium master alloys, vanadium chemicals, ferronickel-molybdenum, ferrotitanium and antimony products were also impacted by falling end market prices. Even more significant were the decreased volumes as the result of inventory destocking and decreased global demand. The global recession continued to impact industrial production across all markets.

The Engineering Systems division continued to deliver positive results in the first half of 2009. Order-backlog was at \$223 million on June 30, 2009, down from \$332 million on December 31, 2008. The decrease was primarily due to a significant reduction in orders for solar furnace systems. The backlog consists primarily of melting and remelting systems for the titanium and specialty steel industries and solar silicon DSS furnaces. First half 2009 revenue decreased slightly when compared to the same period in 2008. Sales of solar silicon DSS melting furnaces for the photovoltaic industry increased in the six months ended June 30, 2009 compared to the same period a year ago. Offsetting the increase in solar silicon melting furnaces, revenue from remelting systems, primarily for the aerospace and specialty steel industries, decreased during the first half of 2009. Gross margin increased to 33% of revenue in the first half 2009 from 31% of revenue in the same period in 2008. The increase was due to changes in product mix, elimination of reserves related to furnace warranties, raw material price decreases and cost reduction measures in the vacuum furnace production process.

Timminco continued to be significantly impacted by the global slowdown in the solar and industrial silicon markets. First half 2009 revenue decreased by over 50% when compared to the first half of 2008. The decrease is primarily attributable to the sharp decline in sales volumes and prices of UMG Si and silicon metal products. Gross profit decreased to negative \$21.6 million in the first half 2009 due to the increased costs related to solar grade silicon production and decreased volumes of other silicon metal products. The solar grade silicon production costs increased due to a decrease in production yields and lower volumes resulting in higher costs per unit. All three silicon metal production furnaces were temporarily shut down during the second quarter, with one furnace coming back on line in June resulting in lower absorption of fixed costs and lower gross margins.

Graphit Kropfmühl ("GK") was also impacted by the decline in global economic activity during the first half of 2009. The 2009 results represent six months of revenue while the 2008 results only included two months of revenue. GK earned \$50.9 million in revenue in the first half of 2009. Gross margin decreased to 10% of revenue in the six months ended June 30, 2009 from 16% of revenue in the period April 22 through June 30 2008. The decrease was due to a decline in the average selling price for silicon metal as well as significantly reduced volumes for graphite, which is substantially impacted by the transportation industry.

The Company maintains adequate liquidity to continue to weather the economic downturn. As of June 30, 2009, liquidity was \$190.1 million, comprised of \$110.1 million in cash and \$80 million in revolver capacity on the Company's credit facility. This credit facility does not expire until 2012. Despite some signs of a bottoming of economic activity, it is still early to declare that the markets are turning around, and AMG continues to limit capital investment and is reducing costs to preserve free cash flow.

Risks and Uncertainties

In our Annual Report 2008, we have extensively described certain risk categories and risk factors which could have a material adverse effect on our financial position and results. The Company believes that the risks identified for the second half of 2009 are in line with the risks that AMG presented in its Annual Report 2008. Furthermore, for the remainder of 2009, we see in particular the following principal risks and uncertainties.

Our revenue development, order backlog and profitability could be adversely affected by the global recession as customers could respond to the ongoing economic crisis by continuing to delay or cancel orders until a clearer picture of the economy develops.

Global economic conditions have negatively impacted financial and industrial markets in North America, Europe and Asia during the first six months of 2009. These developments have had a substantial adverse effect on Timminco's operations. In particular, many of Timminco's customers are experiencing financial constraints and have reduced or deferred their purchases. The resulting reduction in revenue, combined with unabsorbed overheads and significant capital expenditures led Timminco to raise additional common equity capital in February and April 2009. In addition, Timminco has implemented certain initiatives to reduce expenditures and accelerate reduction of working capital. Timminco believes that difficult economic and market conditions will continue to impact its operations and financial results in the foreseeable future. This creates uncertainty as to the ability of Timminco to continue as a going concern.

Additional risks currently not known to us, or currently believed not to be material, could later turn out to have a material impact on our business, objectives, revenues, income, assets, liquidity or capital resources.

Operational Outlook

The Company will continue to align its cost structure to current market realities by means of its restructuring plans. During the second half of 2009, the Company expects to achieve further headcount reductions at certain operations and will continue to implement cost reductions and limit capital spending as a major corporate priority.

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

For the six months ended June 30
In thousands of US Dollars

		2009 Unaudited	2008 Unaudited
Continuing operations			
Revenue		479,466	739,153
Cost of sales		421,791	579,941
Gross profit		57,675	159,212
Selling, general and administrative expenses		77,083	72,601
Restructuring and asset impairment expenses	13	4,090	13,245
Environmental expense	13	307	94
Other income, net		(3,083)	(3,016)
Operating (loss) / profit		(20,722)	76,288
Interest expense		11,739	9,763
Interest income		(2,000)	(3,416)
Foreign exchange (gain) loss		(2,817)	1,538
Net finance costs		6,922	7,885
Share of (loss) / profit of associates		(1,400)	718
(Loss) / Profit before income tax		(29,044)	69,121
Income tax expense	4	13,434	22,793
(Loss) / Profit for the year		(42,478)	46,328
Attributable to:			
Shareholders of the Company		(25,112)	47,782
Minority interests		(17,366)	(1,454)
(Loss) / Profit for the year		(42,478)	46,328
Other comprehensive (loss) / income			
Exchange differences on translation of foreign operations		3,827	(4,493)
Net gain on cash flow hedges, net of tax		8,719	6,299
Other comprehensive income for the period, net of income tax		12,546	1,806
Other comprehensive (loss) / income for the period		(29,932)	48,134
(Losses) / Earnings per share			
Basic (losses) / earnings per share		(0.93)	1.78
Diluted (losses) / earnings per share		(0.93)	1.74

The notes are an integral part of these interim consolidated financial statements.

AMG Advanced Metallurgical Group N.V.

Condensed interim consolidated statements of financial position

In thousands of US Dollars

		June 30, 2009	December 31, 2008
		Unaudited	Audited
Assets			
Property, plant and equipment	5	337,770	313,470
Intangible assets	6	51,193	47,060
Investments in associates		14,359	15,700
Deferred tax assets		26,607	29,181
Restricted cash		13,357	15,889
Notes receivable		2,149	2,132
Derivative financial instruments	15	278	-
Other assets		12,901	11,612
Total non-current assets		458,614	435,044
Inventories	7	273,491	318,793
Trade and other receivables		150,251	173,422
Derivative financial instruments	15	3,837	6,393
Other assets		50,378	52,804
Short term investments		101	95
Cash and cash equivalents	8	110,080	143,473
Total current assets		588,138	694,980
Total assets		1,046,752	1,130,024

AMG Advanced Metallurgical Group N.V.

Condensed interim consolidated statements of financial position (continued)

In thousands of US Dollars

Equity

Issued capital		724	724
Share premium		379,297	379,297
Other reserves		18,843	(2,215)
Retained earnings (deficit)		(148,143)	(123,110)
Equity attributable to shareholders of the Company		250,721	254,696
Minority interests		60,915	57,115
Total equity	9	311,636	311,811

Liabilities

Loans and borrowings	10	162,631	138,990
Employee benefits	11	107,423	103,176
Provisions	13	13,007	12,841
Government grants	14	205	291
Other liabilities		10,297	9,245
Derivative financial instruments	15	5,741	3,530
Deferred tax liabilities		51,682	56,013
Total non-current liabilities		350,986	324,086
Loans and borrowings	10	6,547	3,021
Short term bank debt	10	73,314	83,566
Related party debt		6,822	6,456
Government grants	14	4,307	8,360
Other liabilities		44,389	53,882
Trade and other payables		117,739	156,697
Derivative financial instruments	15	7,261	15,419
Advance payments		46,912	94,049
Unearned revenue	15	21,120	35,624
Current taxes payable		27,682	14,708
Provisions	13	28,037	22,345
Total current liabilities		384,130	494,127
Total liabilities		735,116	818,213
Total equity and liabilities		1,046,752	1,130,024

The notes are an integral part of these interim consolidated financial statements.

AMG Advanced Metallurgical Group N.V.
Condensed interim consolidated statement of changes in equity

For the six months ended June 30

In thousands of US Dollars

	Equity attributable to shareholders of the parent						
	Issued capital	Share premium	Other reserves (Note 9)	Retained earnings	Total	Minority interests	Total equity
Balance at January 1, 2009	724	379,297	(2,215)	(123,110)	254,696	57,115	311,811
Foreign currency translation	-	-	2,038	-	2,038	1,789	3,827
Gain on cash flow hedges, net of tax	-	-	8,719	-	8,719	-	8,719
Net income recognised directly in equity	-	-	10,757	-	10,757	1,789	12,546
Profit for the period	-	-	-	(25,112)	(25,112)	(17,366)	(42,478)
Total recognised income and expense for the period	-	-	10,757	(25,112)	(14,355)	(15,577)	(29,932)
Issuance of shares at subsidiary	-	-	-	-	-	16,818	16,818
Share-based payment activity at subsidiary	-	-	2,875	-	2,875	2,559	5,434
Equity-settled share-based payments	-	-	7,426	-	7,426	-	7,426
Other	-	-	-	79	79	-	79
Balance at June 30, 2009	724	379,297	18,843	(148,143)	250,721	60,915	311,636
Balance at January 1, 2008	722	392,304	(9,923)	(137,439)	245,664	64,133	309,797
Foreign currency translation	-	-	(3,566)	-	(3,566)	(927)	(4,493)
Gain on cash flow hedges, net of tax	-	-	6,299	-	6,299	-	6,299
Net income recognised directly in equity	-	-	2,733	-	2,733	(927)	1,806
Profit for the period	-	-	-	47,782	47,782	(1,454)	46,328
Total recognised income and expense for the period	-	-	2,733	47,782	50,515	(2,381)	48,134
Accretion of convertible debt	-	(99)	-	-	(99)	(101)	(200)
Share-based payment activity at subsidiary	-	-	230	-	230	225	455
Exercise of share-based payments at subsidiary	-	-	-	-	-	90	90
Equity-settled share-based payments	-	-	5,016	-	5,016	-	5,016
Acquisition of minority interest	-	-	-	-	-	7,783	7,783
Other	-	(15,886)	15,826	(126)	(186)	-	(186)
Balance at June 30, 2008	722	376,319	13,882	(89,783)	301,140	69,749	370,889

The notes are an integral part of these interim consolidated financial statements.

AMG Advanced Metallurgical Group N.V.
Condensed interim consolidated statement of cash flows

For the six months ended June 2009

In thousands of US Dollars

		2009	2008
		Unaudited	Unaudited
Cash flows (used in) / from operating activities			
(Loss) / Profit for the period		(42,478)	46,328
Adjustments to reconcile profit to net cash flows:			
Non-cash:			
Depreciation and amortization		17,367	12,570
Restructuring expense	13	4,090	13,245
Environmental expense	13	307	94
Net finance costs		6,922	7,885
Share of loss / (profit) of associates		1,400	(718)
Equity-settled share-based payment transactions	12	12,406	5,365
Income tax expense	4	13,434	22,793
Change in working capital and provisions	13	(11,798)	(79,749)
Other		7,064	(6,435)
Interest (paid) / received		(6,256)	(3,468)
Income tax paid		(3,596)	(9,660)
Net cash flows (used in) / from operating activities		(1,138)	8,250
Cash flows used in investing activities			
Proceeds from asset sales	5	3	24
Acquisition of associates, net of cash		-	(62,854)
Acquisition of property, plant and equipment and intangibles	5	(33,318)	(56,504)
Change in short-term investments		(1)	14,958
Related party loans		931	(3,668)
Change in restricted cash		1,133	(7,716)
Change in accounts payable included in capital expenditures		(11,315)	(468)
Other		21	(52)
Net cash flows used in investing activities		(42,546)	(116,280)
Cash flows from financing activities			
Proceeds from issuance of debt	10	12,674	22,402
Repayment of borrowings	10	(12,682)	20,897
Capital infusion		7,908	(39)
Other		272	184
Net cash flows from financing activities		8,172	43,444
Net (decrease) in cash and cash equivalents		(35,512)	(64,586)
Cash and cash equivalents at January 1		143,473	172,558
Effect of exchange rate fluctuations on cash held		2,119	5,390
Cash and cash equivalents at June 30		110,080	113,362

The notes are an integral part of these interim consolidated financial statements.

1. Reporting Entity

AMG Advanced Metallurgical Group N.V. (hereafter referred to as 'AMG' or 'the Company') is domiciled in the Netherlands. The address of the Company's registered office is WTC Amsterdam, Toren C, Strawinskylaan 1343, 1077 XX Amsterdam. The condensed interim consolidated financial statements of the Company as at and for the period ended June 30, 2009 comprise the Company and the companies that comprise its subsidiaries (together referred to as the "Group") and the Company's interest in associates and jointly controlled entities.

AMG was incorporated in the Netherlands as a public limited liability company on November 21, 2006 by Safeguard International Fund ("Safeguard") and did not have ownership interest in any company at that time. It is comprised of a group of companies that were contributed to the Company by Safeguard in March 2007 or were acquired after that date. The principal activities of the Company and its subsidiaries are described in note 3. In July 2007, the Company completed an initial public offering ("IPO") of 9,333,409 shares, which are listed on NYSE Euronext, Amsterdam the Netherlands.

2. Basis of preparation and accounting policies

Basis of preparation

The condensed interim consolidated financial statements for the six months ended June 30, 2009 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2008.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2008, except for the adoption of relevant new Standards and Interpretations as of January 1, 2009, noted below:

- IAS 1 *Revised Presentation of Financial Statements* separates owner and non-owner changes in equity and is effective on or after January 1, 2009. The statement of changes in equity includes details of transactions with owners, with non-owner changes in equity presented as a single line. The revision also introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. AMG has chosen to present one single statement.
- IAS 23 *Borrowing Costs* requires capitalization of borrowing costs on qualifying assets. In accordance with the transitional requirements of the Standard this has been adopted as a prospective change. No changes have been made for borrowing costs incurred prior to this date that have been expensed. For the six months ended June 30, 2009, the above revision has not impacted the Company's financial statements.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Company has not entered into any hedges on net investments in a foreign operation.

3. Segment information

For management purposes, the Company is organized under four separate operating segments: Advanced Materials, Engineering Systems, Timminco and Graphit Kropfmühl. Advanced Materials produces specialty metals, alloys and chemicals and has major production facilities in the UK, US, Germany, Brazil, and France. The Engineering Systems division provides specialty engineering services and has major production facilities located in Germany, France and North America. Timminco is primarily a silicon manufacturing company with its major operating plant in Canada. In April 2008, the Company acquired 79.52% of the outstanding shares of Graphit Kropfmühl ('GK'). The remainder of GK's shares are publicly traded in Germany. Due to the management reporting structure and its product offerings, GK is treated as a separate segment, the fourth operating segment within AMG. GK produces specialty graphite and silicon metal and is located mainly in Germany and Africa.

The management reporting format is determined by operating segments as the operating results for each segment are organized and managed separately according to the nature of the products and services provided. Each segment represents a strategic business division that offers different products and serves different markets.

Advanced Materials – This division manufactures and sells high-quality specialty metals, alloys and metallic chemicals which are essential to the production of high-performance aluminum and titanium alloys, superalloys, steel and certain non-metallic materials for various applications in the construction, medical, aerospace, energy, transportation, petrochemical processing and telecommunications industries.

Engineering Systems – This division is the leading global supplier of processes and services in the field of vacuum process technology. Core specialties of the Engineering Systems division are the development of processes and the design of plants, which are made to concept by partners in the supplier industry. This division, primarily located in Germany, serves a demanding group of international customers with its branches in North America, Japan and Britain, and more than 70 representative offices around the world.

Timminco Limited (“Timminco”) – This division’s operations are primarily in Bécancour, Quebec. Its production consists of two major items: silicon metal including solar grade silicon which improves conductivity, provides corrosion resistance and increases harness for the electronic, solar-photovoltaic, chemical and aluminum industries; and magnesium alloys that provide corrosion protection and weight reduction to durable and leisure goods and to construction. The sale of its magnesium alloys business in July 2009 will create a single product line business. Timminco is a publicly traded company on the Toronto Stock Exchange.

Graphit Kropfmühl (“GK”) – This division’s operations are mainly in Germany with its own secured and controlled raw material resources for graphite in Africa and Europe. Graphit Kropfmühl is a specialist in the production of silicon metal and the extraction, processing and refining of natural crystalline graphite for a wide range of energy saving industrial applications. GK manufactures metallurgical silicon, which is used either in the chemical industry as a basic element for silicone chemistry, microelectronics, and solar energy, or as an alloying metal in aluminum foundries. GK’s graphite products are most noted for their electric and thermal conductivity, lubrication properties, high resistance to temperature and oxidation. Graphit Kropfmühl AG is a majority controlled, publicly listed subsidiary in Germany.

Within Advanced Materials, five operating units are aggregated to create the reportable segment. Engineering Systems, Timminco and GK each have two operating units and within each group, those two operating units are aggregated to create one reportable segment. AMG Headquarters’ costs and assets are allocated sixty percent to Advanced Materials and forty percent to Engineering Systems in 2009 and 2008 based on an estimation of services provided to the segments.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

**Six months ended
June 30, 2009**

	Advanced Materials	Engineering Systems	Timminco	GK	Other and Eliminations	Total
Revenue						
Revenue from external customers	192,347	187,408	48,814	50,897		479,466
Intersegment revenue	1,657	4,870	1,464	-	(7,991)	-
Total revenue	194,004	192,278	50,278	50,897	(7,991)	479,466
Segment Results						
Operating Profit	(21,006)	39,341	(39,553)	496	-	(20,722)
(Loss) / profit for period	(23,137)	23,267	(40,340)	(2,268)	-	(42,478)

**Six months ended
June 30, 2008**

	Advanced Materials	Engineering Systems	Timminco	GK	Other and Eliminations	Total
Revenue						
Revenue from external customers	410,862	193,576	110,091	24,624	-	739,153
Intersegment revenue	-	895	-	-	(895)	-
Total revenue	410,862	194,471	110,091	24,624	(895)	739,153
Segment Results						
Operating Profit	41,306	40,706	(8,066)	2,342	-	76,288
Profit / (loss) for period	31,128	24,243	(9,401)	358	-	46,328
Segment assets						
At June 30, 2009	508,369	385,655	254,003	101,929	(203,204)	1,046,752
At December 31, 2008	551,104	430,567	247,943	99,060	(198,650)	1,130,024

4. Income Tax

The major components of income tax expense in the condensed consolidated statement of comprehensive income are:

	June 30, 2009	June 30, 2008
Current income tax		
Current income tax charge	15,414	22,554
Deferred income tax		
Relating to origination and reversal of temporary differences	(1,980)	239
Total income tax expense	13,434	22,793

5. Property, plant and equipment

Acquisitions and disposals

During the six months ended June 30, 2009, assets with a cost of \$28,738 (2008: \$56,230) were acquired.

Assets with a book value of \$819 were disposed of during the six months ended June 30, 2009 (2008: \$11) resulting in a loss on disposal of \$816 (2008: gain of \$13).

6. Intangible assets

Intangible assets are tested for impairment annually and when circumstances indicate the carrying value may be impaired. Impairment tests were performed on certain subsidiaries at June 30, 2009 due to declining economic conditions. No impairment was necessary as a result of these tests.

During the six months ended June 30, 2009, intangible assets with a cost of \$4,580 (2008: \$274) were acquired. These included deferred development costs of \$4,398 which were capitalized as intangible assets at one subsidiary. In addition to these expenditures, other intangible assets with a cost of \$182 were acquired in the first half of 2009 (2008: \$274).

7. Inventories

During the six months ended June 30, 2009, the provision for inventory valuation increased by \$8,392 (2008: \$150). The related expense is included in cost of sales in the condensed consolidated statement of comprehensive income.

8. Cash and Cash equivalents

Cash and cash equivalents are comprised of the following:

	June 30, 2009	December 31, 2008
Bank balances	86,478	125,401
Time deposits	23,602	18,072
	110,080	143,473

Bank balances earn interest at floating rates based on daily bank deposit rates while cash equivalents are time deposits with maturities of three months or less which earn interest based on the maturities.

9. Capital and reserves

There have been no significant changes to the Company's capital and reserves as of June 30, 2009.

Timminco Capital

On February 3, 2009 Timminco issued 7,042,000 common shares in a private placement at C\$3.55 per share. AMG subscribed for 3,938,200 of the shares and the remainder were issued to public shareholders. After the private placement, AMG controlled 50.7% of the total issued and outstanding share capital.

On April 30, 2009 Timminco issued 7,425,743 common shares in a private placement at C\$2.02 per share. The Company acquired all of the common shares issued and as a result owned 53.8% of Timminco's total issued and outstanding shares.

On May 27, 2009 Timminco agreed to issue 3,620,258 common shares as full and final settlement of the outstanding deposit of approximately C\$5.6 million due to a customer under a terminated supply agreement. AMG owned 52.2% of the total issued and outstanding shares, after this transaction. (see note 15: unearned revenue)

Dividends

No dividends have been paid or proposed in the six months ended June 30, 2009 (2008: nil).

10. Interest-bearing loans and borrowings

Credit Facility

As discussed in the Company's 2008 consolidated financial statements, the Company entered into a Revolving Credit Facility on August 30, 2007 to finance its general operations. This facility provides the Company with up to \$175,000 in borrowings, and is subject to certain affirmative and negative covenants. As of June 30, 2009, available revolver capacity was approximately \$80 million.

AMG borrowed \$12,000 against the Revolving Credit Facility during the six months ended June 30, 2009.

Timminco Credit Facilities

The Company's majority-owned subsidiary Timminco originally entered into a Credit Facility with Bank of America, NA on April, 15 2005 and exercised an option to extend the maturity date of the loan until March 31, 2010.

On May 12, 2009, Timminco amended its Credit Agreement to adjust the financial covenants to the following: (i) maintain a minimum EBITDA level on a cumulative year-to-date basis in 2009 as at each month end, and a minimum EBITDA level for the first quarter of 2010; and (ii) to restrict capital expenditures to certain maximum levels, also on a cumulative year-to-date basis as at each month end, and at a maximum level for the first quarter of 2010. Timminco was in compliance with the revised covenants as of June 30, 2009. The Credit Agreement was also amended on May 12, 2009 to (i) expressly provide that any obligation of Timminco to repay in cash the outstanding deposits from solar grade silicon customers would not trigger any default in respect of the negative debt covenants and cross default covenant in respect of indebtedness under the Credit Agreement, and (ii) to extend the termination date of the bank agreement from March 31, 2010 to July 2, 2010.

Subsequent to the amendment, the bank margin has increased by 1.25% to 2.5% effective May 21, 2009. Effective July 22, 2009, the bank margin has further increased to 2.75%.

Timminco customers have paid deposits for solar grade silicon, which at December 31, 2008 were non-interest bearing pre-payments to be credited against future deliveries of solar grade silicon under the contracts. Due to the challenging economic environment and market conditions affecting the solar industry, Timminco has sought alternatives with solar grade silicon customers as to their existing contractual commitments. On May 25, 2009, one of Timminco's customers replaced their original five-year agreement. The new agreement updated the delivery requirements for 2009 and will continue to be negotiated for the years 2010 to 2013. Timminco was also required to pay the outstanding deposit of €8.9 million following an agreed upon repayment schedule commencing in the first quarter 2010 and finishing at the end of 2010. Timminco will pay 12% interest on the outstanding balance. As a result of the revised agreement, Timminco reclassified \$8,792 and \$3,523 of unearned revenue into long-term and short-term debt respectively as of June 30, 2009.

Timminco has repaid approximately \$8,164 of debt during the six months ended June 30, 2009.

11. Pension plans

The subsidiaries of the Company have several defined benefit pension plans in North America and Europe. Some of these plans require that contributions be made to separately administered funds. As of June 30, 2009, the employee benefits liability has increased to \$107,423 from the December 31, 2008 balance of \$103,176. There have been no significant changes to the pension plans since December 31, 2008.

12. Share-based payments

During the six months ended June 30, 2009, 587,000 share options were granted to the AMG management board in lieu of salary, as approved at the Company's Annual General Meeting. The exercise price of €8.00 was higher than the share price on the date of grant and all options vest on January 1, 2010. This vesting is not subject to any performance conditions. The options expire on the tenth anniversary of their grant date. All options under the Plan are equity settled, in accordance with IFRS 2, by award of options to acquire ordinary shares or award of ordinary shares. The fair value of the options granted during the six months ended June 30, 2009 was calculated using a binomial expected life model. The assumptions used in the calculation are set out below.

Exercise Price	€8.00
Share price at date of grant	€4.24
Contractual life (years)	10
Dividend Yield (%)	Nil
Expected Volatility (%)	79.12%
Risk-free interest rate (%)	1.33%
Expected life of option (years)	1
Expected departures (%)	4.0%

During the six months ended June 30, 2009, options to purchase 295,900 common shares of Timminco were granted to employees under the 2004 Plan. The fair value of the options granted during the six months ended June 30, 2009 was calculated using a Black-Scholes option-pricing model at the time of grant. The assumptions used in the calculation are set out below

Number of options granted	75,000	220,900
Exercise Price	C\$1.73	C\$2.28
Share price at date of grant	C\$1.73	C\$2.28
Contractual life (years)	4	4
Dividend Yield (%)	Nil	Nil
Expected Volatility (%)	122.9%	116.9%
Risk-free interest rate (%)	2.4%	2.1%
Expected life of option (years)	7 years	7 years
Weighted average share price	C\$2.40	C\$2.40

13. Provisions

Restructuring

During the six months ended June 30, 2009, payments of \$2,184 (2008: \$349) were made from the restructuring provision. The majority of these payments were related to the restructuring provisions recorded in the year ended December 31, 2008 due to the global economic downturn.

Additional restructuring provisions of \$4,090 (2008: \$13,245), were recognized in the six months ended June 30, 2009. On February 18, 2009, Timminco announced the closure of its Aurora, Colorado manufacturing facility. The closure of the Aurora facility resulted in a charge to earnings of approximately \$3,117. The charge includes an inventory write-down of \$405 and a severance expense of \$2,712. In addition to the Aurora closure, Timminco recognized a deferred foreign exchange loss on its Fundo investment in the amount of \$580, which was the remaining balance related to the investment. This recognition was booked as a result of the bankruptcy filing of Fundo in the first quarter of 2009. Other restructuring provisions of \$393 were recorded at certain Advanced Materials businesses for further headcount reductions.

2008 provisions included the closure of the Timminco Haley facility.

Environmental

During the six months ended June 30, 2009, payments of \$1,104 (2008: \$1,857) were made from the environmental provision and additional provisions of \$307 (2008: \$94) were accrued.

Other

During the six months ended June 30, 2009, warranty payments of \$3,375 (2008: \$132) and additional provisions of \$8,694 (2008: \$967) were made. Warranty provisions are made during the normal course of business based on historical warranty information.

14. Government grants

During the six months ended June 30, 2009, government grant payments of \$84 (2008: \$32) and a government grant release of \$3,921 (2008: \$3,813) were recognized. Of the release, \$1,800 (2008: \$2,185) was recognized in other income and \$2,121 (2008: \$1,628) was offset against salary expense in cost of sales. There were no additional provisions made as of June 30, 2009 (2008: \$734).

15. Financial instruments

During the six months ended June 30, 2009, there were no significant changes in policies with respect to financial instruments. The following represents a summary of the financial instruments as of June 30, 2009 as compared to December 31, 2008.

Unearned revenue

In 2008, Timminco customers paid deposits for solar grade silicon, which at December 31, 2008 were non-interest bearing pre-payments to be credited against future deliveries of solar grade silicon under the contracts. Due to the challenging economic environment and market conditions affecting the solar industry, Timminco has sought alternatives with solar grade silicon customers as to their existing contractual commitments. As at June 30, 2009, \$21,120 (2008: \$35,624) remain outstanding. For the six months ended June 30, 2009, \$172 has been drawn down through shipments of finished products to customers (2008: \$435).

On May 27, 2009, one customer terminated a supply agreement which called for shipments of 4,400 metric tons over a five year period. Timminco issued 3,620,258 common shares as final settlement of the terminated C\$5.6 million supply contract. On May 25, 2009 another customer replaced their original five-year agreement. Timminco will return the outstanding deposit of €8.9 million during the year ended December 31, 2010. Timminco will pay interest on the outstanding balance at an annual rate of 12%. As of June 30, 2009 \$8,792 and \$3,523 has been reclassified from unearned revenue into long-term and short-term debt, respectively.

Some of Timminco's other solar grade silicon customers have asserted that their contracts are no longer valid due to non-compliance. Timminco has exchanged proposals with these customers to resolve claims regarding contract termination, to mutually agree on repayment terms of the deposits, and to set forth the basis for continued product development activities and potential new or future supply agreements. In the event that such customers are successful in asserting their contract termination claims, or Timminco is unable to renegotiate the terms of repayment of outstanding deposits, whether through amended or new supply contracts with such customers, Timminco may be required to repay such outstanding deposits in cash, plus default interest at the prescribed rate in the contract, if applicable, to such customers.

Interest rate hedges

In October 2007, the Company entered into an interest rate hedge agreement for the entire drawdown of the term loan which was €71.5 million. This interest rate swap was executed so that the Company could hedge its exposure to changes in the benchmark interest rate on the term loan. Since the hedge was entered into with the same party as the term loan, Credit Suisse, no payments are received under the contract. Rather, any amounts due to or from the counterparty on the swap are added to or offset against the Company's interest expense on the term loan. The fair value of the interest rate swap as at June 30, 2009 is a non-current liability of \$4,397 (December 31, 2008: \$2,711).

A subsidiary of AMG, GK has interest rate hedges for a variety of floating rate debt instruments to minimize interest rate risk. At June 30, 2009, the fair value of the various interest rate swaps was a non-current liability of \$1,342 (December 31, 2008: \$819) and a current liability of \$35 (December 31, 2008: \$35).

Commodity forward contracts and foreign currency forward contracts

The Company views derivative instruments as risk management tools and does not use them for trading or speculative purposes. During the course of operations, including normal purchases and sales of product, the Company enters into commodity forward and foreign exchange contracts to manage price and currency risks. No significant new contracts were entered into as of June 30, 2009, other than in the ordinary course of business. The following are the fair values of the contracts that were in place at June 30, 2009 and December 31, 2008.

	June 30, 2009	December 31, 2008
Assets		
Commodity forward contracts	264	37
Liabilities		
Commodity forward contracts	915	4,002

Due to the economic recession, there were less purchases and sales of commodities during January 2009 than originally planned resulting in ineffective forward commodity contracts. The amount of ineffectiveness recognized in profit or loss was an expense of \$453 booked to cost of sales. The remainder of the commodity cash flow hedges were assessed to be highly effective and as at June 30, 2009 an unrealized loss of \$651 is included in equity.

	June 30, 2009	December 31, 2008
Assets		
Foreign exchange forward contracts	3,851	6,356
Liabilities		
Foreign exchange forward contracts	6,313	11,382

Foreign exchange forward contracts that are treated as cash flow hedges were deemed to be highly effective and as at June 30, 2009, there was an unrealized gain of \$550, with a deferred tax liability of \$147 relating to the hedging instrument, included in equity.

16. Commitments and contingencies

As at June 30, 2009, the Company had capital commitments of \$1,303 related to the expansion of the solar silicon production facilities (December 31, 2008 - \$14,455).

Contingencies

A class action lawsuit, seeking damages of \$700 million, was filed in the Ontario, Canada Superior Court of Justice on June 11, 2009 against the Company, its 52.2 % owned subsidiary Timminco, and certain of their directors and officers. A second lawsuit was filed against Timminco and its directors and officers on May 14, 2009. These lawsuits, which were brought on behalf of Timminco shareholders who acquired Timminco common shares between December 19, 2007 and April 20, 2009, allege that certain misrepresentations were made about Timminco's solar grade silicon production process. The matters raised in the lawsuits contain unproven allegations, and the plaintiffs will need to seek leave or permission of the court to bring the lawsuits under the Secondary Market Disclosure provisions of the Ontario Securities Act. The lawsuits are at an early stage of proceedings.

There has been no provision made for these matters as of June 30, 2009.

AMG and Timminco each have directors and officers insurance policies which will provide for reimbursement of costs and expenses incurred in connection with these lawsuits, including legal and professional fees, as well as damages awarded, if any, subject to certain policy limits and deductibles. AMG and Timminco intend to vigorously defend these allegations and the plaintiffs' attempts to get court approval to proceed with these lawsuits. However, no assurance can be given with respect to the ultimate outcome of the proceedings, and the amount of any damages awarded in such lawsuits could be substantial.

17. Subsequent events

On July 10, 2009, Timminco received C\$25 million from Investissement Quebec under the terms of a two-year term loan agreement. The loan will be interest-bearing at a variable rate of prime plus 9%, which is currently 11.25% per annum. The loan will be secured by a Timminco guarantee and a charge upon Becancour Silicon's assets, and will be subordinated to the existing revolving credit facilities provided by Timminco's senior secured lender, Bank of America, N.A.

Effective July 22, 2009, Timminco completed the previously announced divestiture of its magnesium business with the completion of a transaction with Winca Tech Limited ("Winca"). This transaction merged the principal components of Timminco's magnesium and specialty metals business, including its manufacturing facility in Nuevo Laredo, Mexico, with all of Winca's operations. Timminco received a 19.5% equity interest in the combined business, which will be known as Applied Magnesium International ("AMI") as well as promissory notes of AMI.