AMG Advanced Metallurgical Group N.V.
Interim Financial Statements
(unaudited)
June 30, 2013

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, 2013 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” as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the entities included in the consolidation taken as a whole. The half-year management board report gives a true and fair view of the important events of the past six-month period and their impact on the half-year financial statements, as well as the principal risks and uncertainties for the six-month period to come, and the most important related party transactions.

Heinz C. Schimmelbusch	Amy E. Ard
Chief Executive Officer	Chief Financial Officer

Management Report

AMG consists of three segments: AMG Processing, AMG Engineering and AMG Mining. AMG Processing develops and produces specialty metals, alloys and high performance materials. AMG is a significant producer of specialty metals, such as ferrovanadium, ferronickel-molybdenum, aluminum master alloys and additives, chromium metal and ferrotitanium for Energy, Aerospace, Infrastructure and Specialty Metal and Chemicals applications. Other key products include specialty alloys for titanium and superalloys, coating materials and vanadium chemicals. AMG Engineering designs, engineers and produces advanced vacuum furnace systems and operates vacuum heat treatment facilities, primarily for the Aerospace and Energy (including solar and nuclear) industries. Furnace systems produced by AMG include vacuum remelting, vacuum induction melting, vacuum heat treatment and high pressure gas quenching, turbine blade coating and sintering. AMG also provides vacuum case-hardening heat treatment services on a tolling basis. AMG Mining produces critical materials, such as high purity natural graphite, tantalum, antimony and silicon metal, utilizing its secure raw material sources in Africa, Asia, Europe and South America. These materials are of significant importance to the global economy and are available in limited supply. End markets for these materials include electronics, energy efficiency, green energy and infrastructure.

Management's objectives consistently revolve around delivering positive operational results using an efficient asset base as well as effectively generating cash in order to be able to support research and development and vertical integration strategies. These objectives are measured by the Company primarily using EBITDA and operating cash flow. EBITDA, adjusted for non-recurring items, is a measure used by management as a proxy for operating profit. Operating cash flow is measured as the amount of cash generated in order to repay outstanding borrowings. Return on capital employed is a third measure evaluated, but on annual basis rather than monthly. This measure takes the profitability of the Company and measures it against the asset base. Long-term incentive plans require a minimum return on capital employed for vesting purposes.

AMG encountered significant challenges during the first half of 2013. Demand and pricing within the markets that AMG Processing and AMG Mining serve have been adversely affected by the lower growth in China and the continued European stagnation. AMG Engineering has been negatively impacted by the same trends which result in delayed orders for capital goods. Although we cannot control the macro-economic factors negatively impacting our businesses, management is aggressively combating these challenges through global cost savings and cash management initiatives. Despite the difficulties encountered during the year, the Company has maintained adequate liquidity.

AMG Processing has been the segment most affected by the macro economic factors associated with China and Europe. Pricing and volumes have both been negatively impacted, resulting in lower revenues across most businesses. AMG Processing is hardest hit when global metal prices decline as they are required to carry inventory for their manufacturing. This inventory becomes high cost relative to the market when metal prices are declining consistently, as they have been in the first half of 2013. The gross margins have been negatively impacted by this trend but should stabilize as metal prices stabilize. AMG Processing's EBITDA was down year over year, due to the decline in gross profit but partially offset by a decrease in SG&A expense due to cost controlling measures.

AMG Engineering has been negatively impacted by the slowdown in China and Europe as customers continued to defer investment decisions. Order-backlog decreased to $145 million on June 30, 2013, down 12% from $165 million on December 31, 2012. However, despite the downward trend in order intake, revenue and gross margin have improved year over year. Revenue growth is due to increased sales of nuclear and casting and sintering furnaces. Gross margins, recurring operating margins and EBITDA have improved due to cost controls both within production and SG&A. AMG Engineering had several non-recurring charges in the first half of 2013. Restructuring charges recorded in the half year 2013 related to an AMG Engineering management restructuring as well as an overall headcount reduction due to the decline in the solar business. An impairment charge of $14 million related to solar assets was also recorded during the period.

AMG Mining has seen price declines in silicon and antimony which have led to declines in revenue and gross profit from both of these products. However, improved operating performance by the Brazilian mine and improved product mix in graphite have partially offset the declines. SG&A costs have declined year over year but not enough to offset the decline in gross profit, thereby creating a decline in EBITDA. During the six months ended June 30, 2013, the Company's management made a decision to slow down or suspend new mine development based on the economic slowdown in China and Europe which has led to declining metal prices. Given this decision, the Company performed impairment tests on its mining assets. As a result, non-cash impairment charges of $22 million and $13 million were recorded for antimony mining assets and assets of AMG Mining AG, respectively.

During the six months ended June 30, 2013, the Company made personnel changes to its management board. The previous Chief Financial Officer separated from the Company and has been replaced by the former Senior Vice President and Controller. A restructuring charge in the amount of $1 million was recorded with respect to this change in management in the six months ended June 30, 2013.

AMG's sales were $588 million for the six months ended June 30, 2013 as compared to $644 million for the six months ended June 30, 2012, mainly due to declining metal prices which affected AMG Processing. AMG recorded an operating loss of $29 million for the six months ended June 30, 2013 as compared to an operating profit of $19 million for the six months ended June 30, 2012. The negative variance year over year was mainly the result of the asset impairment expenses and restructuring charges recorded for the first six months of 2013.

AMG's cash flows from operations were $33 million during the six months ended June 30, 2013 as compared to $3 million in the six months ended June 30, 2012. 2013 cash flow was improved due to lower working capital levels as well as certain prepayments received during the first six months of the year. Additionally, cash flow used for investing was $4 million lower in the six months ended June 30, 2013 when compared to the same period in 2012 due to capital expenditure restraint.

As of June 30, 2013, liquidity was $173 million, comprised of $112 million in cash and $61 million in revolver capacity on the Company's credit facility. The credit facility does not expire until 2016. AMG monitors its cash and liquidity positions regularly in order to ensure that liquidity exists to maintain operations and the current capital expenditures program. As of June 30, 2013, the Company was in breach of its tangible net worth covenant as a result of asset impairments that were recognized in the first half of 2013. On August 7, 2013, the Company received a waiver of this breach. However, as required by IAS 1, all portions outstanding under the Revolving Credit Facility ($259 million) are presented as current in the statement of financial position as the breach occurred as of June 30, 2013. As of August 29, 2013, the Company was finalizing an amendment to change the Tangible Net Worth to Total Assets covenant. Previously, the minimum ratio for this covenant was 20.0% for 2013, 22.5% for the first two quarters of 2014, and 25% thereafter. The amendment is expected to decrease the minimum ratio to 16.0% for the remainder of 2013 and to 17.5% for the first two quarters of 2014. All other covenants will remain unchanged. The amendment is expected to be signed and executed before the next covenant measurement date, September 30, 2013, and will most likely include incremental term loan repayments, an amendment fee and additional interest margin. Management made progress on working capital reduction in 2013, including the receipt of certain prepayments, and continues to work to improve its position with respect to inventory levels. Given the current economic markets, AMG management is limiting its investments to projects that are contractually required, projects that will have an immediate impact on profitability, safety and environmental projects and normal maintenance capital. Prior to making any investing decisions, the effects on liquidity are analyzed both in terms of cash availability as well as debt covenant compliance. During the six months ended June 30, 2013, capital expenditures were $16 million and $4 million was spent to acquire the option for certain Brazilian mineral rights. The returns from the capital expenditures are expected to be realized in 2013 and 2014 results. The $4 million option is expected to have a return over a longer time horizon, not to exceed 5 years.

Risks and Uncertainties

In our Annual Report 2012, we have described certain risk categories and risk factors which could have a material adverse effect on our financial position and results. These risks include customer, currency, entrepreneurial, financing, information technology, legal and regulatory, metal price volatility, mining, and supply. The Company believes that the risks identified for the second half of 2013 are in line with the risks that AMG presented in its Annual Report 2012. Furthermore, for the remainder of 2013, we see in particular the following principal risks and uncertainties.

There remains global economic uncertainty which may have a continuing negative effect on the operations, profitability, and cash flow of Engineering, Mining, Processing, and AMG as a whole. The Company is subject to certain debt covenants within its credit facility that are negatively impacted by declining financial results and asset impairments. AMG is in the process of completing an amendment which will adjust the Tangible Net Worth minimum requirement for twelve months. There is a risk that the debt covenants may require another amendment in the future. Even if the Company maintains the ability to service the interest payments on a timely basis, breaches of the debt covenants could trigger a bank demand for repayment of the loan. While the Company believes that this circumstance is unlikely, it is a material uncertainty for the current financing.

AMG's business units, particularly within its Processing segment, face the risk of metal price volatility from its supplier and customer relationships. While the Company attempts to mitigate this risk with contractual agreements and working capital strategies, price volatility remains a significant risk for AMG.

The significant contraction of the solar industry led to an asset impairment during 2Q 2013. AMG does not anticipate any further solar write-downs in the near term because the remaining solar assets are predominantly associated with one large Engineering customer who has recently agreed to a delivery schedule. Since the Company does have solar related assets remaining on its balance sheet, this risk has been mitigated but still exists.

AMG Mining faces continued operational and financial risks. The Company booked a significant asset impairment related to its Turkish antimony mine during 2Q 2013, and the intentional delay of capital expenditure related to a developmental graphite mine contributed to an asset impairment for AMG Mining AG during 2Q 2013. AMG Mining's tantalum business must successfully execute its new tantalum supply agreement with Global Advanced Metals. Failure to execute on the long-term supply agreement or to further develop these mining businesses in the medium term or to could lead to future asset impairments or lower financial results.

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

Operational Outlook

The specialty metals markets continue to struggle due to the decline in the growth of the Asian market and continued European economic weakness. This is affecting both prices and volumes for many of AMG's products. These markets are not expected to improve significantly in the near term. AMG is aggressively addressing this environment by rationalizing production and capital investments, and implementing cost reduction programs. These activities are producing results. AMG achieved a 10% reduction in SG&A in the second quarter 2013, improved cash flows from operating activities and reduced net debt. Despite the challenging market environment, AMG believes that it will generate significant cash flows, consistent EBITDA and further reduce net debt in 2013.

AMG Advanced Metallurgical Group N.V.
Condensed interim consolidated income statement
For the six months ended June 30

In thousands of US Dollars		2013	2012
		Unaudited	Unaudited
			(restated)
Continuing operations			
Revenue		588,006	643,575
Cost of sales		491,130	536,241
Gross profit		**96,876**	**107,334**
Selling, general and administrative expenses		70,011	76,774
Asset impairment expense	4	49,703	6,333
Restructuring expense	17	6,735	4,331
Environmental expense	17	77	1,288
Other income, net		(468)	(702)
Operating (loss) profit		**(29,182)**	**19,310**
Finance expense		11,037	12,941
Finance income		(316)	(612)
Foreign exchange loss		45	509
Net finance costs		**10,766**	**12,838**
Share of (loss) profit of associates		(556)	249
(Loss) profit before income tax		**(40,504)**	**6,721**
Income tax expense	6	1,924	6,681
(Loss) profit for the period		**(42,428)**	**40**
Attributable to:			
Shareholders of the Company		(39,770)	1,120
Non-controlling interests		(2,658)	(1,080)
(Loss) profit for the period		**(42,428)**	**40**
(Loss) earnings per share			
Basic (loss) earnings per share		(1.44)	0.04
Diluted (loss) earnings per share		(1.44)	0.04

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

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		2013 Unaudited	2012 Unaudited (restated)
(Loss) profit for the period		**(42,428)**	**40**
Other comprehensive loss			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(1,634)	(3,165)
Loss on cash flow hedges	7	(2,353)	(1,833)
Income tax on cash flow hedges	7	1,008	3
Net loss on cash flow hedges	**7**	**(1,345)**	**(1,830)**
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(2,979)**	**(4,995)**
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains (losses) on defined benefit plans, net	15	3,038	(10,758)
Net other comprehensive income (loss) not being reclassified to profit or loss in subsequent periods		**3,038**	**(10,758)**
Other comprehensive income (loss) for the period		**59**	**(15,753)**
Total comprehensive loss for the period		**(42,369)**	**(15,713)**
Attributable to:			
Shareholders of the Company		(39,612)	(13,884)
Non-controlling interests		(2,757)	(1,829)

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

AMG Advanced Metallurgical Group N.V.
Condensed interim consolidated statement of financial position
In thousands of US Dollars

		June 30, 2013 Unaudited	December 31, 2012 (restated)
Assets			
Property, plant and equipment	8	253,467	288,269
Goodwill		24,216	24,751
Intangible assets	9	12,112	13,971
Investments in associates and joint ventures		6,058	7,351
Derivative financial instruments	19	109	527
Deferred tax assets	6	32,894	35,455
Restricted cash		11,382	11,888
Notes receivable		253	227
Other assets	11	24,787	22,262
Total non-current assets		**365,278**	**404,701**
Inventories	10	194,798	211,531
Trade and other receivables		171,203	177,232
Derivative financial instruments	19	1,848	3,229
Other assets	11	31,880	30,438
Cash and cash equivalents	12	112,230	121,639
Total current assets		**511,959**	**544,069**
Total assets		**877,237**	**948,770**
Equity			
Issued capital		743	743
Share premium		382,176	382,176
Other reserves		(11,528)	(10,190)
Retained earnings (deficit)		(242,425)	(204,284)
Equity attributable to shareholders of the Company		**128,966**	**168,445**
Non-controlling interests		4,112	6,818
Total equity	13	**133,078**	**175,263**
Liabilities			
Loans and borrowings	14	5,927	265,553
Employee benefits	15	131,875	137,957
Provisions	17	31,917	31,852
Deferred revenue	18	14,565	2,724
Government grants		440	472
Other liabilities		6,285	6,690
Derivative financial instruments	19	8,252	11,082
Deferred tax liabilities	6	20,951	26,120
Total non-current liabilities		**220,212**	**482,450**
Loans and borrowings	14	266,609	20,333
Short term bank debt	14	19,686	29,958
Government grants		54	55
Other liabilities		47,248	58,934
Trade and other payables		132,255	125,342
Derivative financial instruments	19	6,655	3,900
Advance payments		27,423	26,989
Deferred revenue	18	5,250	2,533
Current taxes payable		2,059	8,623
Provisions	17	16,708	14,390
Total current liabilities		**523,947**	**291,057**
Total liabilities		**744,159**	**773,507**
Total equity and liabilities		**877,237**	**948,770**

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

Equity attributable to shareholders of the parent
(Unaudited)

	Issued capital	**Share premium** (note 13)	**Other reserves** (note 13)	**Retained earnings (deficit)**	**Total**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2013	**743**	**382,176**	**(10,190)**	**(204,284)**	**168,445**	**6,818**	**175,263**
Foreign currency translation	-	-	(1,535)	-	(1,535)	(99)	(1,634)
Loss on cash flow hedges, net of tax (note 7)	-	-	(1,345)	-	(1,345)	-	(1,345)
Net defined benefit obligation reserve	-	-	3,038	-	3,038	-	3,038
Other comprehensive income (loss)	-	-	158	-	158	(99)	59
Loss for the period	-	-	-	(39,770)	(39,770)	(2,658)	(42,428)
Total comprehensive income (loss) for the period	-	-	158	(39,770)	(39,612)	(2,757)	(42,369)
Equity-settled share-based payments	-	-	253	-	253	-	253
Change in non-controlling interests	-	-	-	(120)	(120)	51	(69)
Transfer to retained deficit	-	-	(1,749)	1,749	-	-	-
Balance at June 30, 2013	**743**	**382,176**	**(11,528)**	**(242,425)**	**128,966**	**4,112**	**133,078**

Balance at January 1, 2012	**742**	**381,921**	**5,741**	**(203,976)**	**184,428**	**15,160**	**199,588**
Foreign currency translation	-	-	(2,416)	-	(2,416)	(749)	(3,165)
Loss on cash flow hedges, net of tax (note 7)	-	-	(1,830)	-	(1,830)	-	(1,830)
Net defined benefit obligation reserve	-	-	(10,758)	-	(10,758)	-	(10,758)
Other comprehensive loss	-	-	(15,004)	-	(15,004)	(749)	(15,753)
Profit (loss) for the period	-	-	-	1,120	1,120	(1,080)	40
Total comprehensive (loss) income for the period	-	-	(15,004)	1,120	(13,884)	(1,829)	(15,713)
Equity-settled share-based payments	-	-	400	-	400	-	400
Acquisition of non-controlling interests	-	(4,673)	-	-	(4,673)	(1,920)	(6,593)
Transfer to retained deficit	-	-	(7,662)	7,662	-	-	-
Other	-	(3)	-	-	(3)	-	(3)
Balance at June 30, 2012	**742**	**377,245**	**(16,525)**	**(195,194)**	**166,268**	**11,411**	**177,679**

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 period ended June 30

In thousands of US Dollars		**2013**	**2012**
		Unaudited	**Unaudited**
			(restated)
Cash flows from operating activities			
(Loss) profit for the period		(42,428)	40
Adjustments to reconcile net (loss) profit to net cash flows:			
Non-cash:			
Income tax expense	6	1,924	6,681
Depreciation and amortization		16,744	14,152
Asset impairment expense	4	49,703	6,333
Net finance costs		10,766	12,838
Share of loss (profit) of associates and joint ventures		556	(249)
Loss on sale or disposal of property, plant and equipment	8	30	164
Equity-settled share-based payment transactions	16	428	856
Movement in provisions, pensions and government grants	17	2,473	4,197
Change in working capital and deferred revenue	18	11,360	(23,517)
Cash flows from operating activities		**51,556**	**21,495**
Finance costs paid, net		(9,296)	(9,017)
Income tax paid, net		(9,629)	(9,344)
Net cash flows from operating activities		**32,631**	**3,134**
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment	8	356	147
Proceeds from sale of investment in associate	5	650	-
Acquisition of property, plant and equipment and intangibles		(16,219)	(23,443)
Change in restricted cash		523	388
Acquisition of other non-current asset investments	11	(4,000)	(1)
Net cash flows used in investing activities		**(18,690)**	**(22,909)**
Cash flows (used in) from financing activities			
Proceeds from issuance of debt		41	59,981
Repayment of borrowings		(22,471)	(19,248)
Change in non-controlling interests		(69)	(6,593)
Other		5	31
Net cash flows (used in) from financing activities		**(22,494)**	**34,171**
Net (decrease) increase in cash and cash equivalents		**(8,553)**	**14,396**
Cash and cash equivalents at January 1		121,639	79,571
Effect of exchange rate fluctuations on cash held		(856)	(343)
Cash and cash equivalents at June 30		**112,230**	**93,624**

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, 2013 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. In July 2007, the Company completed an initial public offering (“IPO”) of 9,333,409 shares, which are listed on Euronext, Amsterdam, the Netherlands. The principal activities of the Company and its subsidiaries are described in note 3.

2. Basis of preparation and accounting policies

Basis of preparation

The condensed interim consolidated financial statements for the six months ended June 30, 2013 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

The interim condensed consolidated financial statements do not include all of 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, 2012.

Certain amounts in the condensed interim consolidated financial statements have been restated to reflect the adoption of amendments to IAS 19 and also to reflect the adoption of IFRIC 20. The impacts of the amendments to IAS 19 are discussed in more detail in note 15. The retroactive restatement of IFRIC 20 had the impact of reclassifying $9,479 from current assets to non-current assets.

Going Concern

The condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet the mandatory repayment terms of the Revolving Credit Facility disclosed in note 14.

The Company recognized a loss for the period ended June 30, 2013 of $42,428, the result of asset impairments of $49,703 recorded in the period. The Company was in breach of its tangible net worth covenant under the Revolving Credit Facility as a result of these asset impairments. On August 7, 2013, the Company received a waiver of this breach for the period ended June 30, 2013, but expects to be in breach of this covenant in certain future periods without an amendment to the Revolving Credit Facility. As required by IAS 1, all portions outstanding under the Revolving Credit Facility ($258,574) are presented as current in the statement of financial position as the breach occurred as of June 30, 2013.

As of August 29, 2013, the filing date of these condensed interim consolidated financial statements, the Company was in the process of finalizing an amendment to change the tangible net worth covenant. Management is confident that this amendment will be finalized and signed before the next covenant measurement date, September 30, 2013. Previously, the minimum ratio for this covenant was 20.0% for 2013, 22.5% for the first two quarters of 2014, and 25.0% thereafter. The amendment the Company is seeking would decrease the minimum ratio to 16.0% for the remainder of 2013 and to 17.5% for the first two quarters of 2014.

In addition to the tangible net worth covenant, the Revolving Credit Facility has a leverage covenant (net debt/EBITDA) and an interest coverage covenant (EBITDA/net finance charges). The Company’s leverage is not to exceed 3.00x and interest coverage must be a minimum of 4.00x in all periods under the Revolving Credit Facility. The Company met the leverage and interest coverage covenants at June 30, 2013 and expects to continue to meet these covenants for at least the next twelve months from this date.

The Company believes that the scheduled Revolving Credit Facility repayments, including repayments that may be required as part of the amendment, will occur as required and will be met through operating cash flows. The Company had operating cash flows of $32,631 for the period ended June 30, 2013 and expects to have positive operating cash flows for at least the next twelve months from this date, including the next covenant measurement period. The Company is also evaluating other options to reduce current debt outstanding.

Although Management acknowledges that uncertainty remains over the tangible net worth covenant breach, the Company has a reasonable expectation that an amendment to the Revolving Credit Facility will be reached before the next covenant measurement date of September 30, 2013, which is expected to cure the tangible net worth covenant breach for the next twelve months. If for some reason the Company is unable to finalize the amendment, this could have an impact on the Company's ability to continue as a going concern as all portions outstanding under the Revolving Credit Facility, which are currently classified as current on the statement of financial position, could become due at the demand of the lenders.

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, 2012, except for the adoption of new standards and interpretations effective as of January 1, 2013.

The Company applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IAS 19 (Revised 2011) Employee Benefits, IFRS 13 Fair Value Measurement, amendments to IAS 1 Presentation of Financial Statements and IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. As required by IAS 34, the nature and the effect of these changes are disclosed below.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Company or the interim condensed consolidated financial statements of the Company.

The nature and the impact of each new standard/amendment is described below:

- **IAS 1** ***Presentation of Items of Other Comprehensive Income – Amendments to IAS 1***: The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Company's financial position or performance.
- **IAS 1** ***Clarification of the requirement for comparative information*** **(Amendment)**: The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements. An opening statement of financial position (known as the "third balance sheet") must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.
- **IAS 32** ***Tax effects of distributions to holders of equity instruments*** **(Amendment)**: The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Company, as the Company has made no distributions to equity holders.
- **IAS 34** ***Interim financial reporting and segment information for total assets and liabilities*** **(Amendment)**: The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Company provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result of this amendment, the Company now also includes disclosure of total segment liabilities as these are reported to the CODM. See note 3.
- **IAS 19** ***Employee Benefits*** **(Revised 2011) (IAS 19R)**: IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognized in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognized in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. In case of the Company, the transition to IAS 19R had an impact on the net defined benefit plan obligations due to the elimination of corridor accounting and the difference in accounting for interest on plan assets and unvested past service costs. The effect of the adoption of IAS 19R is explained in note 15.

- **IFRS 7** ***Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities*** **(Amendments to IFRS 7)**: The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Company is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Company.
- **IFRS 13** ***Fair Value Measurement***: IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Company provides these disclosures in note 19.
- **IFRIC 20** ***Stripping Costs in the Production Phase of a Surface Mine****:* IFRIC 20 applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013. The new interpretation resulted in a reclassification of stripping costs from current other assets to non-current other assets. Stripping costs included in non-current other assets as of June 30, 2013 are $8,771. The Company has retroactively applied this guidance to 2012 reclassifying $9,479 to non-current other assets from current other assets.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Segment information

For management purposes, effective January 1, 2013, the Company is organized under three separate reportable segments: AMG Processing, AMG Engineering and AMG Mining. AMG Processing produces specialty metals, alloys and chemicals and has major production facilities in the United Kingdom, United States, Germany, and Brazil. AMG Engineering provides specialty engineering services through its development and manufacturing of vacuum furnace systems and has production facilities that are located in Germany, France, Singapore, Mexico and the United States. AMG Mining produces high purity natural graphite, tantalum, antimony and silicon metal and is located mainly in France, Brazil, Germany, Turkey, Czech Republic, China, Zimbabwe and Sri Lanka.

In prior years the Company was organized under the following separate reportable segments: Advanced Materials, Engineering Services and Graphit Kropfmuhl (GK). AMG Processing now contains the Company's conversion activities that were in prior years considered in Advanced Materials. The Engineering Systems division is now referred to as AMG Engineering. AMG Mining includes all of our mine-based rare metal and material value chains and the graphite and silicon businesses of GK.

The management reporting format is determined by reportable 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 unit that offers different products and serves different markets.

AMG Processing develops and produces specialty metals, alloys and high performance materials. AMG is a significant producer of specialty metals, such as ferrovanadium, ferronickel-molybdenum, aluminum master alloys and additives, chromium metal and ferrotitanium for Energy, Aerospace, Infrastructure and Specialty Metal and Chemicals applications. Other key products include specialty alloys for titanium and superalloys, coating materials and vanadium chemicals.

AMG Engineering designs, engineers and produces advanced vacuum furnace systems and operates vacuum heat treatment facilities, primarily for the Aerospace and Energy (including solar and nuclear) industries. Furnace systems produced by AMG include vacuum remelting, solar silicon melting and crystallization, vacuum induction melting, vacuum heat treatment and high pressure gas quenching, turbine blade coating and sintering. AMG also provides vacuum case-hardening heat treatment services on a tolling basis.

AMG Mining produces critical materials, such as high purity natural graphite, tantalum, antimony and silicon metal, utilizing its secure raw material sources in Africa, Asia, Europe and South America. These materials are of significant importance to the global economy and are available in limited supply. End markets for these materials include electronics, energy efficiency, green energy and infrastructure.

AMG headquarters costs and assets are allocated forty-five percent to AMG Processing, thirty percent to AMG Engineering and twenty-five percent to AMG Mining in 2013 and 2012 based on an estimation of services provided to the segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. The Company's headquarters costs, financing (including finance costs and finance income) and assets are managed on a group basis and are allocated to operating segments. Transfer prices between reportable segments are on an arm's length basis in a manner similar to transactions with third parties.

Segment information:

Six month period ended June 30, 2013	**AMG Processing**	**AMG Engineering**	**AMG Mining**	**Eliminations**	**Total**
Revenue					
Revenue from external customers	297,679	127,129	163,198	-	588,006
Intersegment revenue	874	205	30	(1,109)[1]	-
Total revenue	298,553	127,334	163,228	(1,109)[1]	588,006
Segment results					
Asset impairment	-	14,218	35,485	-	49,703
Restructuring	650	5,718	367	-	6,735
Operating profit (loss)	9,554	(10,823)	(27,913)	-	(29,182)

Six month period ended June 30, 2012	**AMG Processing**	**AMG Engineering**	**AMG Mining**	**Eliminations**	**Total**
Revenue					
Revenue from external customers	334,698	133,435	175,442	-	643,575
Intersegment revenue	5,958	161	110	(6,229) [1]	-
Total revenue	340,656	133,596	175,552	(6,229) [1]	643,575
Segment results					
Asset impairment	-	5,979	354	-	6,333
Restructuring	-	4,331	-	-	4,331
Operating profit (loss)	16,395	(4,020)	6,935	-	19,310

Segment assets	**AMG Processing**	**AMG Engineering**	**AMG Mining**	**Eliminations**	**Total**
At June 30, 2013	395,377	256,712	274,426	(49,278) [1]	877,237
At December 31, 2012	390,693	294,779	319,957	(56,659) [1]	948,770

Segment liabilities	**AMG Processing**	**AMG Engineering**	**AMG Mining**	**Eliminations**	**Total**
At June 30, 2013	316,174	315,017	160,728	(47,760)	744,159
At December 31, 2012	322,830	348,127	157,170	(54,620)	773,507

[1] Intersegment revenues are eliminated on consolidation. Intersegment assets are also eliminated on consolidation. Segment assets do not include inter-group financing as these loans are part of the Company's overall financing strategy.

4. Asset Impairment

IAS 36 requires that assets be carried at a value no greater than their recoverable amount. To meet this standard, the Company is required to test tangible and intangible assets for impairment when indicators of impairment exist, or at least annually, for goodwill and intangible assets with indefinite useful lives.

Given the current market environment which is not expected to change in the near-term, the Company has made a decision to suspend further investments in its non-developed mine properties until market pricing makes these investments more attractive. This strategic decision created indicators of impairment in the period ended June 30, 2013 for the long lived assets of Suda Maden in Turkey and AMG Mining AG in Germany. Therefore, the Company performed impairment tests for these assets.

A fair value less costs to sell methodology using discounted cash flows was used for Suda Maden AS based on the following key assumptions:

- Cash flows were projected based on a long-term model for mining for this location which was based on current mine exploration reports and management's best estimates of pricing and costs for antimony metal. New price and cost estimates impacted the June 30, 2013 calculation.
- The growth rate of 2% was used to extrapolate cash flow projections beyond the period covered by the most recent business plans. Management believes that this growth rate does not exceed the long term average growth rate for antimony as it is a scarce resource.
- Revenue projections are based on an internal 3-year business plan
- After-tax discount rate of 13.1% was applied in determining the recoverable amount of the unit for the period ended June 30, 2013

An impairment in the amount of $22,144 was required based on the excess of carrying value over fair value less costs to sell.

Sensitivities related to the fair value less costs to sell calculation would imply the following:

- A 1% increase in discount rate would increase the impairment by $2,226
- Assuming a 1% growth rate would have increased the impairment by $5,544

A value in use methodology using discounted future cash flows was used for AMG Mining AG. The cash flows were based on the following key assumptions for AMG Mining AG:

- Cash flows were projected based on a 3-year plan
- The growth rate of 1% was used to extrapolate cash flow projections beyond the period covered by the most recent business plans. Management believes that this growth rate does not exceed the long-term average growth rate for the silicon or graphite industries.
- Revenue projections are based on an internal 3-year business plan.
- After-tax discount rate of 8.6% was applied in determining the recoverable amount of the unit for the period ended June 30, 2013

An impairment in the amount of $13,341 was required based on the excess of carrying value over value in use.

Sensitivities related to the value in use calculation would imply the following:

- A 1% increase in discount rate would increase the impairment by $11,591
- Assuming no growth would have increased the impairment by $9,578

In addition to long lived assets, certain solar assets were evaluated for impairment due to the restructuring of a solar operation in Germany and the long-term prospects for these assets. The evaluation was performed in the context of a strategy of short-term cash generation. The write down of solar inventory amounted to $12,800 for the period ended June 30, 2013, while intangible assets written-off in the period amounted to $1,418.

For the period ended June 30, 2012 assets impairments of $5,979 and $354 were recorded for a solar Engineering operation in the United States and certain underutilized fixed assets in Brazil, respectively.

5. Acquisitions and disposals

Acquisition of additional shares of TIV

During the six months ended June 30, 2013, the Company acquired $460 of additional shares in Thermique Industrie Vide ("TIV") which was recorded as an acquisition of non-controlling interests ("NCI"). This increased the Company's ownership in TIV from 56.8% at year end to 76.9% as of June 30, 2013 reducing NCI by $340 and adjusting retained earnings by $120. Upon obtaining additional ownership interests, no additional goodwill was recognized and the transaction was measured as an equity transaction.

Sale of associate - Nanjing Yunhai KB Alloys Co., LTD.

During the six months ended June 30, 2013, the Company sold its 45% ownership in Nanjing Yunhai KB Alloys Co., LTD for $650 which was recorded as the sale of an associate. The sale was completed at a value which was lower than the book value of shares, which was $1,415. The difference between the book value of the shares sold and the sale price of the associate sold of $765 is recorded as a loss and included the share of (loss) profit of associates line on the condensed interim consolidated income statement.

6. Income Tax

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

	June 30, 2013	**June 30, 2012**
Current income tax		
Current income tax charge	3,627	3,910
Deferred income tax		
Relating to origination and reversal of temporary differences	(1,703)	2,771
Total income tax expense	1,924	6,681

The 2013 effective tax rate is impacted by pre-tax losses of $41,600 for which tax benefits cannot be booked due to the ongoing loss positions in the respective jurisdictions where the losses have occurred. This amount includes $30,771 of asset impairment expense for which no tax benefit can be booked. Additional deferred tax expense of $900 was recorded with respect to NOLs in Turkey and the United States which can no longer be utilized.

7. Components of other comprehensive loss

	June 30, 2013	**June 30, 2012**
Cash flow hedges:		
Losses arising during the year	(1,761)	(4,083)
Tax effect on losses arising during the year	1,082	639
Less: Reclassification adjustments for (losses) gains included in the income statement	(592)	2,250
Less: Tax effect on reclassification adjustments	(74)	(636)
Net loss on cash flow hedges	(1,345)	(1,830)

8. Property, plant and equipment

Acquisitions and disposals

During the six months ended June 30, 2013, assets with a cost of $9,961 (2012: $21,435) were acquired. Additionally, the property, plant and equipment in accounts payable decreased $4,637 during the six months ended June 30, 2013.

Assets with a book value of $386 were disposed of during the six months ended June 30, 2013 (2012: $311) resulting in a loss on sale or disposal of $30 (2011: $164).

The Company recorded $35,485 of asset impairment expense on property, plant and equipment in the period ended June 30, 2013 (2012: $6,333). See note 4 for additional information.

9. Intangible assets

Intangible assets are tested for impairment annually and when circumstances indicate the carrying value may be impaired. Solar related intangible assets were impaired in the amount of $1,418 in the six months ended June 30, 2013. See note 4 for additional information.

During the six months ended June 30, 2013, intangible assets with a cost of $1,621 (2012: $2,008) were acquired.

10. Inventories

During the six months ended June 30, 2013, the provision for inventory valuation increased cost of sales by $1,184 (2012: $1,990). Due to an expectation for a prolonged weakness in the solar market and the restructuring of a solar operation in Germany, certain solar inventory in the amount of $12,800 was impaired in the period ended June 30, 2013. This amount was included in asset impairment expense as it was related to the overall restructuring of the solar Engineering business and provides, by not presenting it as part of cost of sales, better insight into the gross margin going forward. See note 4 for further discussion.

11. Other assets

On April 1, 2013, the Company paid $4,000 for an option to acquire all of the mineral rights associated with certain mines in Brazil. Over the course of fifteen months, the Company will perform due diligence to determine whether it wants to move forward with the purchase of the mineral rights. If at the end of the fifteen months, the Company does not want to exercise its rights, the $4,000 can be credited over a period of three years against purchases of raw materials. This option, valued at $4,000, is included in non-current other assets in the statement of financial position. Aside from the option acquired and the reclassification of $9,479 to non-current other assets from current other assets discussed in note 2, the composition of items within other assets remained consistent with the balances at December 31, 2012.

12. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	June 30, 2013	**December 31, 2012**
Bank balances	94,790	104,004
Time deposits	17,440	17,635
	112,230	121,639

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.

13. Capital and reserves

IAS 19R has been applied retrospectively from January 1, 2012. As a result, actuarial gains and losses are now recognized in other comprehensive income. The implementation of the transition to IAS 19R had the impact of restating equity attributable to shareholders, decreasing other reserves by $42,282, as discussed further in note 15. Actuarial gains on defined benefit plans for the period ended June 30, 2013 increased other reserves $3,038 while actuarial losses decreased other reserves $10,758 in the six months ended June 30, 2012. Other than this change for IAS 19, there have been no significant changes to the Company's capital and reserves as of June 30, 2013. The elements of other comprehensive income (loss) and equity-settled share based payments are more fully disclosed in notes 7, 15 and 16, respectively.

14. Interest-bearing loans and borrowings

Credit Facility

As discussed in the Company's 2012 financial statements, the Company entered into a five-year multicurrency term loan and revolving credit facility with Commerzbank AG and Lloyds TSB Bank plc on April 28, 2011. The credit facility is composed of a €64,200 term loan and a $214,200 revolving credit facility ("Revolving Credit Facility"). During the six months ended June 30, 2013, AMG repaid $8,934 of the Revolving Credit Facility and €2,500 of the term loan. As of June 30, 2013, available revolver capacity was $60,506 (December 31, 2012: $50,794).

As of June 30, 2013, the Company was in breach of its tangible net worth covenant as a result of asset impairments that were recognized in the first half of 2013. On August 7, 2013, the Company received a waiver of this breach. However, as required by IAS 1, all portions outstanding under the Revolving Credit Facility ($258,574) are presented as current in the statement of financial position as the breach was as of June 30, 2013. As discussed further in note 2, as of August 29, 2013, the Company was finalizing an amendment to change the Tangible Net Worth to Total Assets covenant. Previously, the minimum ratio for this covenant was 20.0% for 2013, 22.5% for the first two quarters of 2014, and 25% thereafter. The amendment is expected to decrease the minimum ratio to 16.0% for the remainder of 2013 and to 17.5% for the first two quarters of 2014. All other covenants will remain unchanged. The amendment is expected to be signed and executed before the next covenant measurement date, September 30, 2013, and will most likely include incremental term loan repayments, an amendment fee and additional interest margin.

Short term bank debt

The Company's Brazilian subsidiaries maintain short term secured and unsecured borrowing arrangements with various banks. Borrowings under these arrangements are included in short term bank debt on the consolidated statement of financial position. The Company repaid $10,254 on these facilities during 2013. Short term bank debt also includes credit facilities in Germany and India.

15. Pension plans

The subsidiaries of the Company have several defined benefit pension plans in North America and Europe. IAS 19R has been applied retrospectively from January 1, 2012. As a result, expected returns on plan assets of defined benefit plans are not recognized in profit or loss. Instead, interest on net defined benefit obligations is recognized in profit or loss, calculated using the discount rate used to measure the net pension obligation or asset. Also, unvested past service costs can no longer be deferred and recognized over the future vesting period. Instead, all past service costs are recognized at the earlier of when the amendment occurs and when the Company recognizes related restructuring or termination costs. Until 2012, the Company's unvested past service costs were recognized as an expense on a straight-line basis over the average period until the benefits become vested. Upon transition to IAS 19R, past service costs are recognized immediately if the benefits have vested immediately following the introduction of, or changes to, a pension plan.

Impact of transition to IAS 19R

Impact on condensed interim consolidated statement of financial position:

	December 31, 2012
Increase in the defined benefit plan obligations (non-current)	(50,942)
Increase in deferred tax assets	6,678
Decrease in deferred tax liabilities	1,982
Net impact on equity	(42,282)

Impact on condensed interim consolidated income statement:

	For the six months ended June 30, 2012
Increase in cost of sales	(73)
Decrease in selling, general and administrative	322
Decrease in current tax expense	15
Net impact on income statement for the period	264

As of June 30, 2013, the employee benefits liability has decreased to $131,875 from the December 31, 2012 balance of $137,957. This change is primarily due to an actuarial gain recorded for the six month period ended June 30, 2013 related to an increase in discount rates for defined benefit plans in the United States. The net impact on the income statement from the adoption of IAS 19R was the result of the difference in return on assets.

16. Share-based payments

During the six months ended June 30, 2013, 132,334 share options were granted under the 2009 AMG Option Plan to the AMG management board as part of their 2013 compensation package, as approved at the Company's Annual General Meeting. One half of the options granted to each option holder will vest on each of the third and fourth anniversaries of the grant date. The vesting is subject to performance conditions related to return on capital employed and share price appreciation. 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, 2013 was calculated as €4.02 using a Black-Scholes model. The assumptions used in the calculation are set out below.

Exercise Price	€6.80
Share price at date of grant	€6.80
Contractual life (years)	10
Dividend Yield (%)	Nil
Expected Volatility (%)	65.5%
Risk-free interest rate (%)	1.06%
Expected life of option (years)	6 years

In the six months ended June 30, 2013, the Company recorded $428 (2012: $856) of expense related to equity-settled share based payments.

Cash-settled share-based payments

During the six months ended June 30, 2013, the Company issued 642,635 performance share units ("PSUs") to certain employees which can be settled in either cash or shares. The fair value for outstanding PSUs at June 30, 2013 was nil based on performance conditions.

Due to changes in the fair value of performance share units, the Company recorded expense of $16 in the six months ended June 30, 2013 and has a liability of nil related to all outstanding PSUs at June 30, 2013. During the six months ended June 30, 2013, $387 was paid out with respect to the vesting of two-thirds of the 2010 PSU grant.

17. Provisions

Restructuring

During the six months ended June 30, 2013, restructuring provisions of $6,735 (2012: $4,331) were recognized. The majority of the expense related to the reorganization of an operation in Germany, which was primarily devoted to solar furnaces. This reorganization had the impact of reducing headcount by 167. Additional restructuring provisions related to the reorganization of AMG Engineering senior management as well as the separation of one member of the Company's Management Board in the amount of $1,445. Restructuring payments of $2,984 (2012: $1,550) were made during the six months ended June 30, 2013.

Environmental

During the six months ended June 30, 2013, payments of $661 (2012: $330) were made from the environmental provision and additional provisions of $77 (2012: $1,288) were accrued. Additional environmental provisions relate to an ongoing liability in Germany.

Warranty

During the six months ended June 30, 2013, warranty payments of $509 (2012: $187) and additional provisions of $218 (2012: $387) were made. Warranty provisions are provided on certain contracts and the provisions are made on a contract by contract basis or on actual claims made by customers. Each contractual warranty is expected to be utilized or derecognized within 12 months.

Cost estimates

AMG Engineering builds a project cost provision on its percentage of completion contracts. The provision is developed on a contract by contract basis. The amounts are a result of expected project costs and are based on current manager estimates and historical cost percentages. The project cost provision is utilized or derecognized over the life of the project. During the six months ended June 30, 2013, project cost payments of $495 (2012: $986) and additional provisions of $1,653 (2012: $949) were made.

Partial retirement

In an effort to reduce unemployment and create jobs for younger job-seekers, Germany implemented certain regulations in 1996 to enable employees to take early retirement. Although the law is no longer in effect, our German subsidiaries have made provisions for those employees who are eligible per their employment contracts. During the six months ended June 30, 2013, there were additional provisions of $259 (2012: $217) and payments of $649 (2012: $496).

Restoration, Rehabilitation and Decommissioning Costs

Rehabilitation provision represents the accrued cost required to provide adequate restoration and rehabilitation upon the completion of extraction activities. These amounts will be settled when rehabilitation is undertaken, generally at the end of the project's life, which is five years. During the six months ended June 30, 2013 and 2012, there were additional provisions related to the ongoing mine operations in Brazil of $354.

18. Deferred revenue

In 2012, one of the Company's subsidiaries entered into a sales contract with a long-term customer. The sales contract required the customer to pay $5,000 upon signing the contract, with an additional prepayment due upon shipment of the first contractual quantities. The first contractual shipment was made in June 2013 and the customer made an additional prepayment of $15,000 at that time. This is recognized as a cash flow from operating activities. The deferred revenue liability will be reduced using a prescribed formula over the course of the five-year contract based on the tonnage shipped.

19. Financial instruments

Fair Values

Set out below is a comparison by category of the carrying amounts and fair values of all of the Company's financial instruments as at June 30, 2013:

	Note	Carrying amount	Fair value
Current financial assets			
Derivatives in effective hedges	19	1,771	1,771
Financial assets at fair value through profit or loss		77	77
Trade and other receivables		171,203	171,203
Cash and cash equivalents	12	112,230	112,230
Total		285,281	285,281
Non-current financial assets			
Derivatives in effective hedges	19	109	109
Notes receivable		253	253
Restricted cash		11,382	11,382
Total		11,744	11,744
Current financial liabilities			
Derivatives in effective hedges	19	4,867	4,867
Financial current liabilities at fair value through profit or loss	19	1,788	1,788
Fixed rate loans and borrowings	14	8,033	8,033

Floating rate loans and borrowings	14	258,576	258,576
Short term bank debt	14	19,686	19,686
Trade and other payables		132,255	132,255
Total		425,205	425,205

Non-current financial liabilities

Derivatives in effective hedges	19	8,252	8,252
Fixed rate loans and borrowings	14	5,927	5,830
Total		14,179	14,082

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate the fair values.

- Short term assets and liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.
- The calculation of fair value for derivative financial instruments depends on the type of instruments: Derivative interest rate contracts are estimated by discounting expected future cash flows using current market interest rates and yield curves over the remaining term of the instrument; Derivative currency and commodity contracts are based on quoted forward exchange rates and commodity prices respectively.
- Floating rate loans and borrowings and notes receivable maintain a floating interest rate and therefore approximate fair value.
- The fair value of fixed rate loans and borrowings are estimated by discounting future cash flows using rates currently available for debt.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of June 30, 2013, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	June 30, 2013	Level 1	Level 2	Level 3
Financial assets				
Forward contracts - hedged	1,880	-	1,880	-
Forward contracts – non-hedged	77	-	77	-

Liabilities measured at fair value

	June 30, 2013	Level 1	Level 2	Level 3
Financial liabilities				
Forward contracts - hedged	4,883	-	4,883	-
Forward contracts – non-hedged	1,788	-	1,788	-
Interest rate swaps	8,236	-	8,236	-

During the six months ended June 30, 2013, there were no significant changes in policies with respect to financial instruments.

Due to the breach of the tangible net worth covenant, and the subsequent presentation of the portions outstanding under the Revolving Credit Facility as current in the statement of financial position, the maturity profile of the debt changed accordingly. This change in the maturity profile of the debt was subsequently reversed as a result of the Company receiving the waiver on August 7, 2013. The maturity profile of all other financial instruments has not changed significantly in the six months ended June 30, 2013. The following represents a summary of the financial instruments as of June 30, 2013 as compared to December 31, 2012.

Interest rate hedges

In April 2011, the Company entered into two interest rate hedge agreements for the entire drawdown of the term loan of €64,200 as well as $95,000 of the revolver. These interest rate swaps were executed so that the Company could hedge its exposure to changes in the benchmark interest rate on the term loan of €64,200 and $95,000 of the revolver. Management has designated the interest rate swap as a cash flow hedge of the forecasted interest payments on the debt. During 2013, the Company paid down €2,500 of its term loan in line with the loan's maturity schedule and the interest rate swap reduced to €61,700 to align with the term amount outstanding. The fair value of the term loan interest rate swap is a non-current liability of $4,669. The fair value of the revolver interest rate swap is a non-current liability of $3,567. The fair value of the term loan interest rate swap as at December 31, 2012 was a non-current liability of $6,223. The fair value of the revolver interest rate swap as at December 31, 2012 was a non-current liability of $4,845. An unrealized loss of $7,112 (2012: $9,129), with a deferred tax asset of $1,124 (2012: $1,939) relating to the hedging instruments, is included in equity for the interest rate swaps that were assessed to be highly effective as at June 30, 2013.

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, 2013, other than in the ordinary course of business.

The following are the fair values of the contracts that were in place at June 30, 2013 and December 31, 2012.

	June 30, 2013	**December 31, 2012**
Assets		
Commodity forward contracts	-	226
Liabilities		
Commodity forward contracts	1,118	70

The commodity cash flow hedges that are treated as cash flow hedges were assessed to be highly effective and as at June 30, 2013 there was an unrealized loss of $945, with a deferred tax liability of $74, included in equity.

	June 30, 2013	**December 31, 2012**
Assets		
Foreign exchange forward contracts	1,957	3,530
Liabilities		
Foreign exchange forward contracts	5,553	3,844

Foreign exchange forward contracts that are treated as cash flow hedges were deemed to be highly effective and as at June 30, 2013, there was an unrealized loss of $2,272, with a deferred tax asset of $1,034 relating to the hedging instruments, included in equity.

20. Commitments and contingencies

Commitments

At June 30, 2013, there were commitments for the manufacture and purchase of property, plant and equipment in the amount of $3,102 (December 31, 2012: $16,061).

Other than the commitments to purchase property, plant and equipment noted above, there have been no material updates to the Company’s commitments as discussed in notes 34 and 35 to the 2012 consolidated financial statements.

Contingencies

At June 30, 2013, there were business-related guarantees for the benefit of third parties in the amount of $48,732 (December 31, 2012: $57,885).

Other than the business-related guarantees noted above, there have been no material updates to the Company’s contingencies as discussed in notes 34 and 35 to the 2012 consolidated financial statements.

21. Related parties

Transactions with associates

There have been no material transactions with related parties in the six months ended June 30, 2013.

22. Subsequent events

As of August 29, 2013 no material subsequent events have occurred.