AMG Advanced Metallurgical Group N.V.
Interim Financial Statements
(unaudited)

June 30, 2012

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, 2012 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	William J. Levy
Chief Executive Officer	Chief Financial Officer

Management Report

AMG is comprised of three segments which manufacture a variety of products and serve different industries: Advanced Materials, Engineering Systems and Graphit Kropfmühl ("GK"). The Advanced Materials 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 Energy, Aerospace, Infrastructure, Specialty Metals and Chemicals end markets. The Engineering Systems Division is the leading global supplier of processes and services supplying technologically advanced vacuum furnace systems to customers in the aerospace, energy (including solar and nuclear), transportation, electronics, superalloys and specialty steel industries. Graphit Kropfmühl manufactures silicon metal which is used in the Energy and Specialty Metals and Chemicals end markets. It also specializes in the extraction, processing and refining of natural crystalline graphite for a wide range of energy saving industrial applications.

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 using EBITDA and return on capital employed. EBITDA, adjusted for non-recurring items, is a measure used by management as a proxy for operating profit. Return on capital employed 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 2012. Demand and pricing for the Advanced Materials' products have largely remained stable in 2012 but profits were adversely impacted by economic factors and increased costs in the mine-based businesses. The Engineering Systems division has been negatively impacted by the decline of the solar market and by the economic slowdown in Europe which has delayed orders for capital goods. Graphit Kropfmühl delivered solid results in 2012, but was slightly below their record performance in 2011. Although we cannot control the macro-economic factors negatively impacting our businesses, Management is aggressively combating these challenges through global cost savings and integration initiatives. Despite the difficulties encountered during the year, the Company has maintained adequate liquidity.

Demand and pricing has remained stable for a majority of the Advanced Materials' specialty metals during the first half of 2012. The segment did experience growth in titanium master alloys and chrome products, but these gains were offset by declines in antimony and aluminum. Specifically, pricing and volumes for products with significant distribution concentration in Europe have suffered as a result of the economic downturn. Also, Advanced Materials' gross margin has been negatively impacted as a result of higher operating and raw material costs driven by operating disruptions from severe weather in our mine-based businesses. US based operating units have posted strong results for the period and are targeting growth opportunities including the expansion of the spent catalyst recycling facility in Ohio. Management is continuing to implement vertical integration strategies and is enacting new cost savings initiatives throughout the Company to counteract the negative economic factors impacting earnings.

The Engineering Systems division has been negatively impacted by the slowdown in Europe as customers continued to defer investment decisions. Order-backlog decreased to $150.0 million on June 30, 2012, down 5% from $158.5 million on December 31, 2011, with the largest portions of current backlog related to nuclear and heat treatment systems. Despite strong growth in heat treatment services and stability in the aerospace end market, both revenue and gross margin have decreased in the six months ended June 30, 2012. The decline in 2012 has been driven by economic factors creating pricing pressure across product lines and the collapse of the solar market. Engineering Systems continues to experience several barriers to growth, including lower global demand for capital goods and increased competition from China but is responding to these challenges with cost savings initiatives.

Graphit Kropfmühl has maintained strong operating results in 2012. Demand and pricing for silicon metal and natural graphite have generally remained steady in 2012 with revenue and gross margin declining only slightly from last year's record performance. Silicon metal sales volumes remain strong due to demand from the energy sector and the demand for natural graphite is being supported by the infrastructure sector and its slow recovery. The marginal decrease in earnings during 2012 is the result of unfavourable product mix and limited pricing pressure on natural graphite.

As of June 30, 2012, liquidity was $156 million, comprised of $94 million in cash and $62 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 the operations and the current capital expenditures program. Management views working capital in terms of days of sales as this is a more appropriate measure given the price volatility of many of our products. The Company's working capital days have remained consistent with December 31, 2011. 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, 2012, capital expenditures were $23 million and $7 million was utilized to acquire an additional 5.5% of GK common shares. The returns from these expenditures are expected to be realized in 2013 results. AMG intends to complete its acquisition of the remaining 6.4% of non-controlling ownership in GK during 2012.

Risks and Uncertainties

In our Annual Report 2011, we have extensively described certain risk categories and risk factors which could have a material adverse effect on our financial position and results. These risks include customer, metal price volatility, supply, financing, entrepreneurial, currency, legal and regulatory, mining and information technology. The Company believes that the risks identified for the second half of 2012 are in line with the risks that AMG presented in its Annual Report 2011. Furthermore, for the remainder of 2012, we see in particular the following principal risks and uncertainties.

There remains global economic uncertainty which may have a continuing effect on operations. The uncertainty could manifest itself in the form of a continued decrease in order intake in our Engineering Systems Division or lower demand and pricing in the Advanced Materials Division. Any of these outcomes could produce an adverse effect on the Company's profitability.

While AMG monitors foreign exchange risk and hedges exposures where appropriate, the decline of the Euro has had a negative impact on the operating results in 2012. AMG's global presence creates the potential for adverse impact in operating results due to changes in currency exchange rates. These changes can result in transaction, translation and economic foreign exchange risk. The continued decline in the comparative value of the Euro could have an adverse impact on the Company.

Supply risk remains a risk that the Company is actively managing in 2012. As demand has seen improvement and China has implemented export controls, certain raw materials have become more difficult and more expensive to source. AMG is working to vertically integrate the raw materials which are most sensitive to supply risk. However, if the vertical integration is not successful and as raw materials become more limited, this could lead to higher per unit costs which could negatively impact results if those costs cannot be passed on to customers.

AMG has historically had material transactions within the solar industry. The solar industry has experienced a significant slow-down and the Company's ability to have meaningful profitability within this end market has become limited. The Company has inventory and assets which are solar-related, which could become impaired if the solar industry does not rebound in the medium term.

The Company is subject to certain debt covenants within its credit facility. The European debt crisis has had a negative effect on some of these covenants. If the European crisis continues and the capital good market continues to be weak, there is a risk that the debt covenants may require amendment. If the Company's lenders do not agree to such amendments, there is a risk of non-compliance with the covenants. Despite the Company's ability to service the interest payments on a timely basis, violations of the debt covenants could trigger a demand for repayment of the loan. While the Company believes that this circumstance is unlikely, it is a material uncertainty.

Legal and regulatory risk is being addressed in 2012 with respect to environmental compliance. No new environmental issues have been identified in 2012.

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 slowdown in Europe is impacting AMG. In the Advanced Materials Division, its European centric businesses, particularly antimony and other non-aerospace businesses, are being affected. The Engineering Systems Division is responding to the deterioration in demand for capital goods across most end markets through operational improvements. Higher input prices and moderating demand are affecting Graphit Kropfmühl's ability to maintain current profitability levels. While AMG cannot affect the direction of the markets, it is addressing profitability issues through companywide improvement initiatives, specifically focused on AMG Mining and the Engineering Systems Division to reduce costs. AMG is also working to improve cash flow and reduce indebtedness through working capital and capital expenditure reductions. Despite these changes, achieving the prior year's revenue and earnings levels will be difficult, as the growth previously anticipated in the second half of 2012 is not expected to materialize.

AMG Advanced Metallurgical Group N.V.

Condensed interim consolidated income statement

For the six months ended June 30

In thousands of US Dollars	Note	2012 Unaudited	2011 Unaudited
Continuing operations			
Revenue		643,575	686,317
Cost of sales		536,168	557,544
Gross profit		**107,407**	**128,773**
Selling, general and administrative expenses		77,096	87,702
Restructuring and asset impairment expense	7,11,15	10,664	2,459
Environmental expense	15	1,288	246
Other income, net		(702)	(1,827)
Operating profit		**19,061**	**40,193**
Finance expense		12,941	10,920
Finance income		(612)	(2,658)
Foreign exchange loss		509	1,285
Net finance costs		**12,838**	**9,547**
Share of profit (loss) of associates		249	(6,071)
Profit before income tax		**6,472**	**24,575**
Income tax expense	5	6,696	12,792
(Loss) profit for the period		**(224)**	**11,783**
Attributable to:			
Shareholders of the Company		856	10,323
Non-controlling interests		(1,080)	1,460
(Loss) profit for the period		**(224)**	**11,783**
Earnings per share			
Basic earnings per share		0.03	0.37
Diluted earnings per share		0.03	0.37

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		2012	2011
		Unaudited	Unaudited
(Loss) profit for the period		**(224)**	**11,783**
Exchange differences on translation of foreign operations		(3,165)	5,196
(Loss) gain on cash flow hedges		(1,833)	1,108
Income tax		3	(480)
Net (loss) gain on cash flow hedges	6	(1,830)	628
Other comprehensive (loss) income for the period		**(4,995)**	**5,824**
Total comprehensive (loss) income for the period		**(5,219)**	**17,607**
Attributable to:			
Shareholders of the Company		(3,390)	15,592
Non-controlling interests		(1,829)	2,015

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

	Note	June 30, 2012 Unaudited	December 31, 2011 Audited
Assets			
Property, plant and equipment	7	261,427	263,586
Goodwill		22,750	23,535
Intangible assets	8	14,666	14,557
Investments in associates and joint ventures		5,188	5,085
Derivative financial instruments	16	-	1
Deferred tax assets	5	22,781	29,142
Restricted cash		10,692	11,074
Notes receivable		264	250
Other assets		18,250	17,866
Total non-current assets		**356,018**	**365,096**
Inventories	9	223,665	228,887
Trade and other receivables		201,092	188,103
Derivative financial instruments	16	3,573	3,956
Other assets		43,286	35,184
Cash and cash equivalents	10	93,624	79,571
Total current assets		**565,240**	**535,701**
Total assets		**921,258**	**900,797**
Equity			
Issued capital		742	742
Share premium		377,245	381,921
Other reserves		10,311	14,157
Retained earnings (deficit)		(190,506)	(191,362)
Equity attributable to shareholders of the Company		**197,792**	**205,458**
Non-controlling interests		11,411	15,160
Total equity	11	**209,203**	**220,618**
Liabilities			
Loans and borrowings	12	259,462	210,448
Employee benefits	13	88,360	90,078
Provisions	15	27,304	27,019
Government grants		479	732
Other liabilities		8,545	9,276
Derivative financial instruments	16	9,821	8,122
Deferred tax liabilities	5	27,424	26,434
Total non-current liabilities		**421,395**	**372,109**
Loans and borrowings	12	14,144	17,436
Short term bank debt	12	32,300	40,737
Government grants		53	34
Other liabilities		48,873	51,673
Trade and other payables		136,084	128,493
Derivative financial instruments	16	8,208	10,661
Advance payments		32,110	30,204
Current taxes payable		5,443	14,468
Provisions	15	13,445	14,364
Total current liabilities		**290,660**	**308,070**
Total liabilities		**712,055**	**680,179**
Total equity and liabilities		**921,258**	**900,797**

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						
	Issued capital	Share premium (Note 11)	Other reserves (Note 11)	Retained earnings (deficit)	Total	Non-controlling interests	Total equity
Balance at January 1, 2012	**742**	**381,921**	**14,157**	**(191,362)**	**205,458**	**15,160**	**220,618**
Foreign currency translation	-	-	(2,416)	-	(2,416)	(749)	(3,165)
Loss on cash flow hedges, net of tax (Note 6)	-	-	(1,830)	-	(1,830)	-	(1,830)
Other comprehensive income	-	-	(4,246)	-	(4,246)	(749)	(4,995)
Profit (loss) for the period	-	-	-	856	856	(1,080)	(224)
Total comprehensive income for the period	-	-	(4,246)	856	(3,390)	(1,829)	(5,219)
Equity-settled share-based payments	-	-	400	-	400	-	400
Acquisition of non-controlling interests	-	(4,673)	-	-	(4,673)	(1,920)	(6,593)
Other	-	(3)	-	-	(3)	-	(3)
Balance at June 30, 2012	**742**	**377,245**	**10,311**	**(190,506)**	**197,792**	**11,411**	**209,203**

Balance at January 1, 2011	**741**	**381,636**	**36,158**	**(196,481)**	**222,054**	**11,911**	**233,965**
Foreign currency translation	-	-	4,641	-	4,641	555	5,196
Gain on cash flow hedges, net of tax (Note 6)	-	-	628	-	628	-	628
Other comprehensive income	-	-	5,269	-	5,269	555	5,824
Profit for the period	-	-	-	10,323	10,323	1,460	11,783
Total comprehensive income for the period	-	-	5,269	10,323	15,592	2,015	17,607
Equity-settled share-based payments	-	-	2,864	-	2,864	-	2,864
Acquisition of non-controlling interests	-	-	-	-	-	(38)	(38)
Other	-	-	-	(47)	(47)	-	(47)
Balance at June 30, 2011	**741**	**381,636**	**44,291**	**(186,205)**	**240,463**	**13,888**	**254,351**

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 30

In thousands of US Dollars		2012	2011
		Unaudited	Unaudited
Cash flows from (used in) operating activities			
(Loss) profit for the period		(224)	11,783
Adjustments to reconcile (loss) profit to net cash flows:			
Non-cash:			
Depreciation and amortization		14,152	14,169
Restructuring expense	11,15	4,331	2,459
Asset impairment expense	7	6,333	-
Environmental expense	15	1,288	246
Net finance costs		12,838	9,547
Share of (profit) loss of associates		(249)	6,071
Equity-settled share-based payment transactions		856	1,833
Income tax expense	5	6,696	12,792
Change in working capital and provisions		(22,413)	(46,736)
Other		(2,113)	2,528
Finance costs paid, net		(9,017)	(5,136)
Income tax paid, net		(9,344)	(21,636)
Net cash flows from (used in) operating activities		**3,134**	**(12,080)**
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment	7	147	49
Acquisition of property, plant and equipment and intangibles	7, 8	(23,443)	(19,913)
Acquisition of subsidiaries (net of $690 cash acquired)	4	-	(26,778)
Change in restricted cash		388	1,839
Other		(1)	956
Net cash flows used in investing activities		**(22,909)**	**(43,847)**
Cash flows from financing activities			
Proceeds from issuance of debt	12	59,981	221,626
Payment of transaction costs related to debt issuance	12	-	(10,457)
Repayment of borrowings	12	(19,248)	(187,276)
Acquisition of non-controlling interests	4,11	(6,593)	(38)
Other		31	6
Net cash flows from financing activities		**34,171**	**23,861**
Net increase (decrease) in cash and cash equivalents		**14,396**	**(32,066)**
Cash and cash equivalents at January 1		79,571	89,311
Effect of exchange rate fluctuations on cash		(343)	3,891
Cash and cash equivalents at June 30		**93,624**	**61,136**

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, 2012 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, 2012 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, 2011.

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 financial statements for the year ended December 31, 2011.

The following amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 7 *Disclosures - Transfers of financial assets* (Amendment): The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after July 1, 2011 with no comparative requirements.
- IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (Amendment): When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after July 1, 2011 with early adoption permitted.

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, the Company is organized under three separate reportable segments: Advanced Materials, Engineering Systems and Graphit Kropfmühl ("GK"). Advanced Materials produces specialty metals, alloys and chemicals and has major production facilities in the United Kingdom, United States, Germany, Brazil, Turkey and France. The Engineering Systems Division 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. GK produces specialty graphite and silicon metal and is located mainly in Germany, Czech Republic, China, Zimbabwe and Sri Lanka.

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.

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 Energy, Aerospace, Infrastructure, Specialty Metals and Chemicals end markets. Within Advanced Materials, seven entities are aggregated to create the one operating segment.

Engineering Systems – This division is the leading global supplier of processes and services supplying technologically advanced vacuum furnace systems to customers in the aerospace, energy (including solar and nuclear), transportation, electronics, superalloys and specialty steel industries. 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. Engineering Systems has three entities which are aggregated to create one operating segment.

Graphit Kropfmühl – This division's operations are mainly in Germany with its own secured and controlled raw material resources for graphite in Asia, Africa and Europe. Graphit Kropfmühl manufactures silicon metal which is used in the Energy and Specialty Metals and Chemicals end markets. It also specializes in the extraction, processing and refining of natural crystalline graphite for a wide range of energy saving industrial applications. Graphit Kropfmühl AG is a majority controlled, publicly listed subsidiary in Germany. GK has two entities which are aggregated to create one operating segment.

AMG headquarters costs and assets are allocated sixty percent to Advanced Materials and forty percent to Engineering Systems in 2012 and 2011 based on an estimation of services provided to the segments. Other and eliminations includes intersegment eliminations as well as the accounting for the Company's investment in Timminco, since this is not allocable to any segment.

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 months period ended June 30, 2012	**Advanced Materials**	**Engineering Systems**	**GK**	**Other and Eliminations**	**Total**
Revenue					
Revenue from external customers	428,118	133,436	82,021	-	643,575
Intersegment revenue	443	422	-	(865)[1]	-
Total revenue	428,561	133,858	82,021	(865)[1]	643,575
Segment results					
Operating profit	16,508	(5,238)	7,791	-	19,061
Profit (loss) for the period	2,128	(7,214)	4,862	-	(224)

Six months period ended June 30, 2011	Advanced Materials	Engineering Systems	GK	Other and Eliminations	Total
Revenue					
Revenue from external customers	446,425	154,699	85,193	-	686,317
Intersegment revenue	199	315	-	(514) [1]	-
Total revenue	446,624	155,014	85,193	(514) [1]	686,317
Segment results					
Operating profit	22,018	8,017	10,158	-	40,193
Profit (loss) for the period	9,639	2,054	6,412	(6,322)	11,783

Segment assets	Advanced Materials	Engineering Systems	GK	Other and Eliminations	Total
At June 30, 2012	698,928	355,814	134,566	(268,050) [1]	921,258
At December 31, 2011	669,075	375,678	123,340	(267,296) [1]	900,797

[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. Acquisitions

Acquisition of additional shares of Graphit Kropfmühl

During the six months ended June 30, 2012 and 2011, the Company acquired $6,593 and $38 of additional shares in Graphit Kropfmühl ("GK") which was recorded as a acquisition of non-controlling interest, respectively. The acquisition of shares in 2012 was completed at a value which was higher than the book value of shares acquired, which was $1,920. The difference between the fair value of the shares acquired and the book value of the non-controlling interest acquired is provisionally recorded as a reduction in AMG share premium of $4,673.

The Company informed GK on June 1, 2012 of its request to have the general meeting of GK resolve on a transfer of the shares of the minority shareholders against payment of an adequate cash compensation in connection with the intended merger of GK into AMG Mining. AMG Mining and GK have entered into a notarial merger agreement on July 5, 2012. AMG Mining has confirmed and substantiated this request. AMG Mining has requested the GK management board to have GK's general meeting resolve on a transfer of the shares of the minority shareholders to AMG Mining in connection with the merger of GK into AMG Mining against payment of a cash compensation in an amount of €31.92 per share.

5. Income Tax

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

	June 30, 2012	June 30, 2011
Current income tax		
Current income tax charge	3,910	13,775
Deferred income tax		
Relating to origination and reversal of temporary differences	2,786	(983)
Total income tax expense	6,696	12,792

Significant changes are noted in the deferred tax asset balance in the consolidated statement of financial position as at June 30, 2012. The largest change noted in 2012 relates to the derecognition of net operating losses in Mexico, Brazil and Belgium due to the fact that it is more likely than not that they will not be utilized within the planning timeline contemplated in the Company's recognition policy.

6. Components of other comprehensive (loss) income

	June 30, 2012	June 30, 2011
Cash flow hedges:		
(Losses) gains arising during the year	(4,083)	2,649
Tax effect on (losses) gains arising during the year	639	(207)
Less: Reclassification adjustments for gains (losses) included in the income statement	2,250	(1,541)
Less: Tax effect on reclassification adjustments	(636)	(273)
	(1,830)	628

7. Property, plant and equipment

Acquisitions and disposals

During the six months ended June 30, 2012, assets with a cost of $21,435 (2011: $19,730) were acquired.

Assets with a book value of $311 were disposed of during the six months ended June 30, 2012 (2011: $183) resulting in a loss on sale or disposal of $164 (2011: $123).

The Company recorded $6,333 of asset impairment expense in the period ended June 30, 2012. Due to the downturn in the solar market, one solar-based subsidiary was closed which resulted in asset impairment expense of $5,979. In addition, several in-process assets were disposed of in Brazil as it was determined that they were not being used in any part of the operation and they would not be completed. This accounted for $354 of expense.

8. Intangible assets

Intangible assets are tested for impairment annually and when circumstances indicate the carrying value may be impaired. No impairment tests were deemed necessary as there were no indications of impairment at June 30, 2012.

During the six months ended June 30, 2012, intangible assets with a cost of $2,008 (2011: $183) were acquired.

9. Inventories

During the six months ended June 30, 2012, the provision for inventory valuation increased cost of sales by $1,990 (2011: $2,485).

10. Cash and Cash equivalents

Cash and cash equivalents are comprised of the following:

	June 30, 2012	December 31, 2011
Bank balances	83,740	65,463
Time deposits	9,884	14,108
	93,624	79,571

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.

11. Capital and reserves

Acquisition of additional shares of Graphit Kropfmühl

During the course of 2012, the Company obtained additional shares of Graphit Kropfmühl through a tender process in order to bring its ownership of GK to 93.6%. The total cost of these shares was $6,593. The Company chose to measure the non-controlling interest ("NCI") at its proportionate share of the recognized amount of the GK's net identifiable assets at the acquisition date. Upon obtaining additional ownership interests, no additional goodwill was recognized and the transaction was measured as an equity transaction. The acquisition of shares in 2012 was completed at a value which was higher than the book value of shares acquired, which was $1,920. The difference between the fair value of the shares acquired and the book value of the non-controlling interest acquired is provisionally recorded as a reduction in AMG share premium of $4,673.

In 2012, a subsidiary was closed in the United Kingdom. The currency losses which had previously been recorded in equity were recognized through the profit and loss upon closure. An expense of $524 was recorded related to the recognition of currency losses, and was booked in the restructuring and asset impairment expense line of the income statement.

There have been no other significant changes to the Company's capital and reserves as of June 30, 2012, except for with respect to elements of other comprehensive income (loss) and equity-settled share based payments as more fully disclosed in notes 6 and 14, respectively.

12. Interest-bearing loans and borrowings

Credit Facility

As discussed in the Company's 2011 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"). AMG used the proceeds of the credit facility to repay its existing $275,000 term loan and multicurrency revolving credit facility which was due to expire in August 2012. The new credit facility's borrowing costs are generally consistent with those in the existing debt facility. The new facility is structured to be able to increase under certain conditions. The five-year facility extends the term of the Company's primary debt agreements to April 2016. The issuance costs associated with this agreement have been included, in the amount of $8,258, in deriving the debt balance shown in the balance sheet.

During the six months ended June 30, 2012, AMG borrowed $58,231 (2011: $29,951) against the Revolving Credit Facility. As of June 30, 2012, available revolver capacity was $62,608 (December 31, 2011: $59,047).

13. 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, 2012, the employee benefits liability has decreased to $88,360 from the December 31, 2011 balance of $90,078. This change is primarily due to currency changes offset by normal interest and service cost. There have been no significant changes to the pension plans since December 31, 2011.

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company is currently assessing the full impact of the remaining amendments and will provide a complete disclosure of the impact in its 2012 annual financial statements. As of December 31, 2011, the Company had $26,288 of unrecognized actuarial losses which are required to be recognized upon transition to this new standard. The on-going profit and loss impact of this amendment is being reviewed by the Company's actuaries but is not expected to be material. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

14. Share-based payments

During the six months ended June 30, 2012, 279,634 share options were granted under the 2009 AMG Option Plan to the AMG management board as part of their 2012 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, 2012 was calculated using a Black-Scholes model. The assumptions used in the calculation are set out below.

Exercise Price	€6.44
Share price at date of grant	€6.44
Contractual life (years)	10
Dividend Yield (%)	Nil
Expected Volatility (%)	70.2%
Risk-free interest rate (%)	1.12%
Expected life of option (years)	6-7 years

Cash-settled share-based payments

During the six months ended June 30, 2012, the Company issued 325,627 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, 2012 was €6.62, depending on the vesting term. Fair value of all PSUs outstanding is determined using the following assumptions:

Contractual life (years)	1-3
Dividend yield (%)	Nil
Expected volatility (%)	49.5% - 53.4%
Risk-free interest rate (%)	0.30% – 1.206%
Expected life of option (years)	1-3

Due to changes in the fair value of performance share units, the Company recorded expense of $1,295 in the six months ended June 30, 2012 and has a liability of $1,249 related to all outstanding PSUs at June 30, 2012. During the six months ended June 30, 2012, $3,525 was paid out with respect to the vesting of one-third of the 2009 PSU grant and one-third of the 2010 PSU grant.

On May 11, 2011, the Company amended the PSU agreement so that the payments for future settlements of performance share units could be paid either in cash or in shares, at the Company's discretion. This did not have any impact on the valuation of the PSUs.

15. Provisions

Restructuring

During the six months ended June 30, 2012, payments of $1,550 (2011: $590) were made from the restructuring provision. Additional restructuring provisions of $3,807 (2011: $2,459) were recognized in the six months ended June 30, 2012. A new restructuring provision of $800 was recorded related to the shutdown of the Company's solar facility in the United States. The provision includes closing costs related the shutdown of the facility and severance costs for terminated employees. Additional restructuring provisions of $3,007 have been accrued as a result of the reorganization of senior management associated with the Company's mining entities and aluminum business.

Environmental

During the six months ended June 30, 2012, payments of $330 (2011: $505) were made from the environmental provision and additional provisions of $1,288 (2011: $246) were accrued. Additional environmental provisions relate to an ongoing decommissioning liability in Brazil and incremental environmental costs related to the REACH implementation in Europe.

Warranty

During the six months ended June 30, 2012, warranty payments of $187 (2011: $882) and additional provisions of $387 (2011: $820) 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

Engineering Systems 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, 2012, project cost payments of $986 (2011: $1,419) and additional provisions of $949 (2011: $2,390) 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, 2012, there were additional provisions of $217 (2011: $303) and payments of $496 (2011: $838).

16. Financial instruments

During the six months ended June 30, 2011, there were no significant changes in policies with respect to financial instruments. In addition, the maturity profile of the financial instruments has not changed significantly in the six months ended June 30, 2012. The following represents a summary of the financial instruments as of June 30, 2012 as compared to December 31, 2011.

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 and €6,800 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 and €6,800 of the revolver. Management has designated the interest rate swap as a cash flow hedge of the forecasted interest payments on the debt. The fair value of the term loan interest rate swap is a non-current liability of $5,238. The fair value of the revolver interest rate swap is a non-current liability of $4,554. The fair value of the term loan interest rate swap as at December 31, 2011 was a non-current liability of $3,707. The fair value of the revolver interest rate swap as at December 31, 2011 was a non-current liability of $3,815. An unrealized loss of $8,188, with a deferred tax asset of $1,604 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, 2012.

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, 2012, other than in the ordinary course of business.

The following are the fair values of the contracts that were in place at June 30, 2012 and December 31, 2011.

	June 30, 2012	December 31, 2011
Assets		
Commodity forward contracts	7	8
Liabilities		
Commodity forward contracts	1,167	681

The commodity cash flow hedges that are treated as cash flow hedges were assessed to be highly effective and as at June 30, 2012 an unrealized loss of $1,130 is included in equity.

	June 30, 2012	December 31, 2011
Assets		
Foreign exchange forward contracts	3,566	3,949
Liabilities		
Foreign exchange forward contracts	7,070	9,727

Foreign exchange forward contracts that are treated as cash flow hedges were deemed to be highly effective and as at June 30, 2012, there was an unrealized loss of $8,101, with a deferred tax asset of $1,693 relating to the hedging instruments, included in equity.

17. Commitments and contingencies

Commitments

At June 30, 2012, there were commitments under already purchased orders for the manufacture and purchase of property, plant and equipment in the amount of $9,237.

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 33 and 34 to the 2011 consolidated financial statements.

Contingencies

There have been no material updates to the Company's contingencies as discussed in notes 33 and 34 to the 2011 consolidated financial statements.

18. Related parties

Transactions with associates

There have been no material transactions with related parties in the period ended June 30, 2012.