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

June 30, 2018

**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, 2018 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.

/s/ Heinz C. Schimmelbusch
Chief Executive Officer

/s/ Jackson Dunckel
Chief Financial Officer

/s/ Eric E. Jackson
Chief Operating Officer

**Management Report**

AMG is a global critical materials company at the forefront of CO2 reduction trends. AMG produces highly engineered specialty metals and mineral products and provides related vacuum furnace systems and services to the transportation, infrastructure, energy, and specialty metals & chemicals end markets. AMG is organized under two reportable segments: AMG Critical Materials and AMG Engineering. AMG Critical Materials produces specialty metals, alloys and chemicals, including aluminum master alloys and powders, titanium alloys and coatings, ferrovanadium, natural graphite, chromium metal, antimony, lithium, tantalum, niobium and silicon metal and has major production facilities in the United Kingdom, United States, Germany, Brazil, and France. AMG Engineering designs, engineers, and produces advanced vacuum furnace systems and operates vacuum heat treatment facilities, primarily for the transportation and energy industries and has major production facilities that are located in Germany, France, Mexico and the United States.

AMG achieved considerable improvement in profitability during the first half of 2018, driven primarily by improved pricing and higher sales volumes in AMG Critical Materials. In addition, continuing demand for our industry leading vacuum furnace contributed to the robust performance. Revenue for the six months grew by 23%, attributable to a 30% increase in revenue in our Critical Materials segment offset slightly by a 1% decrease in our Engineering segment's revenue. ROCE increased to 30.6% due to strong financial performance in both the Engineering and Critical Materials segments. AMG generated $23.6 million of cash from operating activities in the first half of 2018. The operational cash generation enabled AMG to end June with net debt of $34.8 million, while at the same time funding substantial investment in growth capital expenditures and higher working capital associated with increased profitability. Capital expenditures during the six months ended June 30, 2018 increased to $41.0 million from $29.5 million during the six months ended June 30, 2017. The largest expenditures were for AMG's lithium expansion in Brazil.

AMG Critical Materials' revenue in the first half of the year increased by $118.4 million, or 30%, to $515.6 million, driven by improved vanadium, silicon metal, aluminum, graphite, chrome metal and tantalum prices, and higher sales volumes of vanadium, aluminum, tantalum and titanium products. Gross profit in the first half increased by $40.2 million, or 54%, to $114.1 million. The strong financial performance was driven by higher vanadium sales volumes and prices, improved chrome metal product mix effects and strong sales volumes of aluminum products. The reduction in gross profit in silicon metal was driven by lower volumes as a result of unplanned furnace maintenance during the first half of 2018.

AMG Engineering is experiencing strong demand for furnaces for the aerospace and automotive markets which is evidenced by the significant increase in order backlog and intake from prior year. AMG Engineering signed $191.0 million in new orders during the first half of 2018, representing a 1.56x book to bill ratio. Order backlog was $263.2 million as of June 30, 2018, an increase of 27% from December 31, 2017. This was driven by strong orders of turbine blade coating, powder metallurgy, heat treatment and induction heated quartz tube (IWQ) furnaces for fiber optic applications. These innovative product offerings continue to drive a significant portion of sales and profitability for the division. AMG Engineering delivered lower profitability in the first half of 2018 compared to prior year as results were negatively impacted by early stage engineering work underway on a number of large orders received in recent months. Conversely, higher levels of revenue will be recognized on these projects as they progress into the build stage. Additionally, 2018 revenues and profitability were negatively impacted by lower revenue in the heat treatment services division as automotive customers transition to new engine programs that will be fully ramped up by the beginning of 2019.

AMG's SG&A expenses in the first half 2018 increased by $9.3 million, or 15%, compared to the same period in the prior year, driven by the weakening of the average US dollar rate relative to the euro and higher personnel costs associated with AMG's expanding activities.

AMG's cash flows from operations were $23.6 million during the six months ended June 30, 2018, as compared to $28.5 million in the six months ended June 30, 2017. Cash flows from operations in the period were mainly generated by the strong earnings highlighted above but offset by higher levels of working capital. The increase in working capital versus 2017 was a result of higher metals pricing.

As of June 30, 2018, liquidity was $512.1 million, comprised of $342.5 million in cash and $169.6 million in revolver capacity on the Company's credit facility. The credit facility was executed as of February 1, 2018 and is comprised of a new $350,000, seven-year senior secured term loan B facility, a $200,000 five-year senior secured revolving credit facility and €85,000 of bilateral letter of credit facilities all of which replaced the previous syndicated credit facility. AMG monitors its cash and liquidity positions regularly in order to ensure that liquidity exists to maintain operations and the current capital expenditures program. Prior to making any investing decisions, the effects on liquidity are analyzed both in terms of cash availability as well as debt covenant compliance. The Company is currently in compliance with all of its bank covenants.

Management's objectives consistently focus on delivering positive operational results using an efficient asset base as well as generating cash in order to be able to support expansion, research and development, and vertical integration strategies. These objectives are measured by the Company primarily using return on capital employed ("ROCE") and operating cash flow. ROCE is calculated by dividing operating profit by operating capital employed. EBIT, adjusted for non-recurring items, is a measure used by management as a proxy for operating profit. Operating capital employed is defined as total assets excluding interest-bearing assets less current liabilities excluding interest-bearing liabilities. This measure takes the profitability of the Company and measures it against the asset base. Short term incentive plans have ROCE targets and long term incentive plans require a minimum ROCE for vesting purposes.

**Risks and Uncertainties**

In our 2017 Annual Report, 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 metal price volatility, mining, customer, supply, legal and regulatory, currency, competition, product quality, safety and liability, financing, and business interruption. The Company believes that the risks identified for the second half of 2018 are in line with the risks that AMG presented in its 2017 Annual Report.

Despite the positive business operating results in the first half of 2018, there remains global economic uncertainty which may have a negative effect on the operations, profitability, and cash flow of AMG as a whole.

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**

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

AMG Advanced Metallurgical Group N.V.
Condensed interim consolidated income statement
For the six months ended June 30,
*In thousands of US dollars*

| | Note | 2018 Unaudited | 2017 Unaudited |
|---|---|---|---|
| Revenue | 6 | 637,769 | 520,011 |
| Cost of sales | 11 | 488,490 | 413,164 |
| **Gross profit** | | **149,279** | **106,847** |
| **Selling, general and administrative expenses** | | **72,805** | **63,552** |
| **Net other operating income** | | **(124)** | **(310)** |
| **Operating profit** | | **76,598** | **43,605** |
| Finance income | | (1,382) | (504) |
| Finance cost | | 13,261 | 4,304 |
| **Net finance cost** | | **11,879** | **3,800** |
| **Profit before income tax** | | **64,719** | **39,805** |
| **Income tax expense** | **8** | **29,161** | **11,194** |
| **Profit for the period** | | **35,558** | **28,611** |
| Profit attributable to: | | | |
| Shareholders of the Company | | 35,698 | 28,681 |
| Non-controlling interests | | (140) | (70) |
| **Profit for the period** | | **35,558** | **28,611** |
| **Earnings per share** | | | |
| Basic earnings per share | | 1.19 | 1.00 |
| Diluted earnings per share | | 1.12 | 0.91 |

*The notes are an integral part of these condensed 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*

| | Note | 2018 Unaudited | 2017 Unaudited |
|---|---|---|---|
| **Profit for the period** | | **35,558** | **28,611** |
| **Other comprehensive income** | | | |
| *Items of other comprehensive income (loss) to be reclassified to income in subsequent periods:* | | | |
| **Exchange differences on translation of foreign operations** | | **(5,084)** | **9,005** |
| Cash flow hedges, effective portion of changes in fair value | | (22,297) | 8,706 |
| Cash flow hedges reclassified to profit or loss | | (1,930) | (1,885) |
| Income tax on cash flow hedges | | 6,771 | (1,795) |
| **Net (decrease) increase on cash flow hedges** | | **(17,456)** | **5,026** |
| **Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods** | | **(22,540)** | **14,031** |
| *Items of other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods:* | | | |
| **Exchange difference on translation of foreign operations-non-controlling interest** | | **7** | **649** |
| Actuarial gains (losses) on defined benefit plans | 12 | 3,929 | (834) |
| Income tax on actuarial gains (losses) | 12 | (1,003) | (984) |
| **Net gains (losses) on defined benefit plans** | **12** | **2,926** | **(1,818)** |
| **Change in fair value of equity investments classified as fair value through other comprehensive income** | | **28** | **268** |
| **Net other comprehensive income (loss) not being reclassified to profit or loss in subsequent periods** | | **2,961** | **(901)** |
| **Other comprehensive (loss) income for the period, net of tax** | | **(19,579)** | **13,130** |
| **Total comprehensive income for the period, net of tax** | | **15,979** | **41,741** |
| **Total comprehensive income (loss) attributable to:** | | | |
| Shareholders of the Company | | 16,067 | 41,171 |
| Non-controlling interest | | (88) | 570 |

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

*In thousands of US dollars*

| | Note | June 30, 2018 | December 31, 2017 |
|---|---|---|---|
| | | Unaudited | |
| **Assets** | | | |
| Property, plant and equipment | 9 | 315,252 | 298,540 |
| Goodwill and other intangible assets | | 36,916 | 38,110 |
| Derivative financial instruments | 17 | 4,242 | 636 |
| Other investments | 17 | 30,291 | 30,562 |
| Deferred tax assets | 8 | 33,236 | 40,108 |
| Restricted cash | | 806 | 829 |
| Non-current tax asset | 8 | - | 2,488 |
| Other assets | | 15,684 | 17,729 |
| **Total non-current assets** | | **436,427** | **429,002** |
| Inventories | 11 | 232,242 | 162,505 |
| Derivative financial instruments | 17 | 2,403 | 6,372 |
| Trade and other receivables | | 174,274 | 137,174 |
| Other assets | | 39,548 | 37,547 |
| Current tax assets | 8 | 6,977 | 3,147 |
| Cash and cash equivalents | | 342,537 | 178,800 |
| Assets held for sale | 7 | 403 | 2,056 |
| **Total current assets** | | **798,384** | **527,601** |
| **Total assets** | | **1,234,811** | **956,603** |
| **Equity** | | | |
| Issued capital | | 812 | 796 |
| Share premium | | 462,891 | 432,844 |
| Treasury shares | | (931) | (3,461) |
| Other reserves | 12 | (92,682) | (72,880) |
| Retained earnings (deficit) | | (96,207) | (99,343) |
| **Equity attributable to shareholders of the Company** | | **273,883** | **257,956** |
| Non-controlling interest | | 24,432 | 24,633 |
| **Total equity** | | **298,315** | **282,589** |
| **Liabilities** | | | |
| Loans and borrowings | 13 | 360,027 | 164,788 |
| Employee benefits | 14 | 152,759 | 156,193 |
| Provisions | 16 | 32,203 | 35,887 |
| Other liabilities | | 4,201 | 4,011 |
| Derivative financial instruments | 17 | 6,741 | - |
| Deferred tax liabilities | 8 | 7,035 | 7,888 |
| **Total non-current liabilities** | | **562,966** | **368,767** |
| Loans and borrowings | 13 | 1,775 | 8,820 |
| Short term bank debt | 13 | 15,500 | 15,500 |
| Other liabilities | | 62,326 | 61,836 |
| Trade and other payables | | 186,311 | 155,115 |
| Derivative financial instruments | 17 | 11,760 | 1,415 |
| Advance payments from customers | | 51,456 | 33,025 |
| Current tax liability | 8 | 17,221 | 9,155 |
| Provisions | 16 | 27,181 | 20,381 |
| **Total current liabilities** | | **373,530** | **305,247** |
| **Total liabilities** | | **936,496** | **674,014** |
| **Total equity and liabilities** | | **1,234,811** | **956,603** |

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

*In thousands of US dollars*

| | Equity attributable to shareholders of the Company (Unaudited) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Issued capital** | **Share premium** | **Treasury shares (note 12)** | **Other reserves (note 12)** | **Retained earnings (deficit)** | **Total** | **Non-controlling interests** | **Total equity** |
| **Ending balance at December 31, 2017** | **796** | **432,844** | **(3,461)** | **(72,880)** | **(99,343)** | **257,956** | **24,633** | **282,589** |
| Adjustment on initial application of IFRS 15 (net of tax) | - | - | - | - | (771) | (771) | - | (771) |
| **Adjusted balance at January 1, 2018** | 796 | 432,844 | (3,461) | (72,880) | (100,114) | 257,185 | 24,633 | 281,818 |
| Foreign currency translation | - | - | - | (5,084) | - | (5,084) | 7 | (5,077) |
| Change in fair value of equity investments classified as fair value through other comprehensive income | - | - | - | 28 | - | 28 | - | 28 |
| Gains (losses) on cash flow hedges, net of tax | - | - | - | (17,501) | - | (17,501) | 45 | (17,456) |
| Actuarial gains, net of tax | - | - | - | 2,926 | - | 2,926 | - | 2,926 |
| Net profit recognized through other comprehensive income | - | - | - | (19,631) | - | (19,631) | 52 | (19,579) |
| Profit (loss) for the period | - | - | - | - | 35,698 | 35,698 | (140) | 35,558 |
| Total comprehensive income for the period | - | - | - | (19,631) | 35,698 | 16,067 | (88) | 15,979 |
| Issuance of common shares | 16 | 30,047 | - | - | - | 30,063 | - | 30,063 |
| Re-issuance of treasury shares | - | - | 12,019 | - | - | 12,019 | - | 12,019 |
| Purchase of common shares | - | - | (12,388) | - | - | (12,388) | - | (12,388) |
| Equity-settled share-based payments | - | - | 2,899 | - | (27,099) | (24,200) | - | (24,200) |
| Transfer to retained deficit | - | - | - | (171) | 171 | - | - | - |
| Change in non-controlling interest | - | - | - | - | 162 | 162 | 619 | 781 |
| Dividend | - | - | - | - | (5,025) | (5,025) | (732) | (5,757) |
| **Balance at June 30, 2018** | **812** | **462,891** | **(931)** | **(92,682)** | **(96,207)** | **273,883** | **24,432** | **298,315** |
| | | | | | | | | |
| **Balance at January 1, 2017** | **760** | **389,066** | **(570)** | **(97,085)** | **(116,457)** | **175,714** | **22,073** | **197,787** |
| Foreign currency translation | - | - | - | 8,197 | 808 | 9,005 | 649 | 9,654 |
| Change in fair value of equity investments classified as fair value through other comprehensive income | - | - | - | 268 | - | 268 | - | 268 |
| Gains (losses) on cash flow hedges, net of tax | - | - | - | 5,035 | - | 5,035 | (9) | 5,026 |
| Actuarial losses, net of tax | - | - | - | (1,818) | - | (1,818) | - | (1,818) |
| Net profit recognized through other comprehensive income | - | - | - | 11,682 | 808 | 12,490 | 640 | 13,130 |
| Profit (loss) for the period | - | - | - | - | 28,681 | 28,681 | (70) | 28,611 |
| Total comprehensive income for the period | - | - | - | 11,682 | 29,489 | 41,171 | 570 | 41,741 |
| Issuance of common shares | 36 | 43,778 | - | - | - | 43,814 | - | 43,814 |
| Purchase of common shares | - | - | (12,190) | - | - | (12,190) | - | (12,190) |
| Equity-settled share-based payments | - | - | 8,122 | - | (34,254) | (26,132) | - | (26,132) |
| Change in non-controlling interest | - | - | - | - | (578) | (578) | 1,084 | 506 |
| Dividend | - | - | - | - | (4,400) | (4,400) | - | (4,400) |
| **Balance at June 30, 2017** | **796** | **432,844** | **(4,638)** | **(85,403)** | **(126,200)** | **217,399** | **23,727** | **241,126** |

*The notes are an integral part of these condensed 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*

| | Note | 2018 Unaudited | 2017 Unaudited |
|---|---|---|---|
| **Cash from operating activities** | | | |
| Profit for the period | | 35,558 | 28,611 |
| Adjustments to reconcile net profit to net cash flows: | | | |
| **Non-cash:** | | | |
| Income tax expense | 8 | 29,161 | 11,194 |
| Depreciation and amortization | | 16,222 | 14,742 |
| Asset impairment | 9 | (1,032) | 912 |
| Net finance cost | | 11,879 | 3,800 |
| Gain on sale or disposal of property, plant and equipment | 9 | (42) | (68) |
| Equity-settled share-based payment transactions | 15 | 3,005 | 4,418 |
| Movement in provisions, pensions and government grants | 16 | 4,675 | (3,023) |
| Working capital and deferred revenue adjustments | | (58,607) | (22,930) |
| **Cash generated from operating activities** | | **40,819** | **37,656** |
| Finance costs paid, net | | (7,992) | (4,249) |
| Income tax paid, net | | (9,216) | (4,944) |
| **Net cash from operating activities** | | **23,611** | **28,463** |
| **Cash used in investing activities** | | | |
| Proceeds from sale of property, plant and equipment | 9 | 122 | 96 |
| Insurance proceeds on property, plant and equipment | | 1,300 | 1,415 |
| Acquisition of property, plant and equipment and intangibles | 9, 10 | (41,017) | (29,452) |
| Change in restricted cash | | - | 210 |
| Other | | (37) | 17 |
| **Net cash used in investing activities** | | **(39,632)** | **(27,714)** |
| **Cash from (used in) financing activities** | | | |
| Proceeds from issuance of debt | | 346,336 | 8,000 |
| Payment of transaction costs related to the issuance of debt | | (9,238) | - |
| Repayment of borrowings | 13 | (155,082) | (5,111) |
| Proceeds from issuance of shares | | 15,923 | 14,370 |
| Net repurchase of common shares | | (9,853) | (13,386) |
| Dividends paid | | (5,013) | (4,417) |
| **Net cash from (used in) financing activities** | | **183,073** | **(544)** |
| **Net increase in cash and cash equivalents** | | **167,052** | **205** |
| Cash and cash equivalents at January 1 | | 178,800 | 160,744 |
| Effect of exchange rate fluctuations on cash held | | (3,315) | 7,904 |
| **Cash and cash equivalents at June 30** | | **342,537** | **168,853** |

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

## 1. Reporting Entity

AMG Advanced Metallurgical Group N.V. (herein referred to as "the Company", "AMG NV" or "AMG") is domiciled in the Netherlands. These condensed consolidated interim financial statements ('interim financial statements') as of and for the six months ended June 30, 2018 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group is primarily involved in the supply of critical materials, producing highly engineered specialty metals and mineral products and providing related vacuum furnace systems and services (see notes 5 and 6).

## 2. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group's last annual consolidated financial statements as of and for the year ended December 31, 2017 ('last annual financial statements'). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in note 4.

## 3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in note 4.

## 4. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as of and for the year ended December 31, 2017 (the policy for recognizing and measuring income taxes in the interim period is described in note 8).

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as of and for the year ending December 31, 2018.

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* (see a) and IFRS 9 *Financial Instruments* (see b) on January 1, 2018. A number of other new standards are effective from January 1, 2018 but they do not have a material effect on the Group's financial statements.

### (a) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 *Revenue,* IAS 11 *Construction Contracts* and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. January 1, 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The following table summarizes the impact, net of tax, of transition to IFRS 15 on retained earnings at January 1, 2018.

| *In thousands of dollars* | Impact of adopting IFRS 15 At January 1, 2018 |
|---|---|
| **Retained earnings** | |
| Furnace construction contracts | (1,191) |
| Consignment inventory sales | 85 |
| Related tax | 335 |
| Impact at January 1, 2018 | (771) |

The following table summarizes the impacts of adopting IFRS 15 on the Group's condensed interim consolidated statement of financial position as of June 30, 2018 and its condensed interim consolidated statement of income and other comprehensive income for the six months then ended for each of the line items affected. There was no material impact on the Group's interim statement of cash flows for the six-month period ended June 30, 2018.

| Impact on the condensed interim consolidated statement of financial position as of June 30, 2018 | As reported | Adjustments | Amounts without Adoption of IFRS 15 |
|---|---|---|---|
| Assets | | | |
| Inventories | 232,242 | (12,610) | 219,632 |
| Trade and other receivables | 174,274 | 14,838 | 189,112 |
| Total current assets | 798,384 | 2,228 | 800,612 |
| Total assets | 1,234,811 | 2,228 | 1,237,039 |
| Equity | | | |
| Other reserves | (92,682) | (57) | (92,739) |
| Retained earnings (deficit) | (96,207) | 1,709 | (94,498) |
| Equity attributable to shareholders of the Company | 273,883 | 1,652 | 275,535 |
| Total equity | 298,315 | 1,652 | 299,967 |
| Liabilities | | | |
| Deferred tax liabilities | 7,035 | 770 | 7,805 |
| Total non-current liabilities | 562,966 | 770 | 563,736 |
| Trade and other payables | 186,311 | 186 | 186,497 |
| Advanced payments from customers | 51,456 | (337) | 51,119 |
| Current tax liability | 17,221 | (43) | 17,178 |
| Total current liabilities | 373,530 | (194) | 373,336 |
| Total liabilities | 936,496 | 576 | 937,072 |
| Total equity and liabilities | 1,234,811 | 2,228 | 1,237,039 |

| Impact on the condensed interim consolidated income statement and comprehensive income for the six months ended June 30, 2018 | As reported | Adjustments | Amounts without Adoption of IFRS 15 |
|---|---|---|---|
| Continuing operations | | | |
| Revenue | 637,769 | 10,357 | 648,126 |
| Cost of sales | 488,490 | 9,002 | 497,492 |
| Gross profit | 149,279 | 1,355 | 150,634 |
| Operating profit | 76,598 | 1,355 | 77,953 |
| Profit before income tax | 64,719 | 1,355 | 66,074 |
| Income tax expense | 29,161 | 417 | 29,578 |
| Profit for the period | 35,558 | 938 | 36,496 |
| Total comprehensive income for the period, net of tax | 15,979 | 881 | 16,860 |

### (b) IFRS 9 *Financial Instruments*

On January 1, 2018, the Group adopted IFRS 9 'Financial Instruments', which replaced IAS 39 'Financial Instruments – Recognition and Measurement'. The Group has not restated comparative information for prior periods.

- Classification and Measurement: On January 1, 2018, we assessed the new classification requirements prescribed under IFRS 9 related to the Group's reason for holding the assets and the nature of the cash flows from the assets. On January 1, 2018, we reclassified our financial assets to the new categories based on these new requirements. Additionally, there were no changes to the carrying values of the Group's financial assets and liabilities from adopting the new classification model. See note 17 for further information.
- Impairment: From January 1, 2018 the Group implemented an expected credit loss impairment model for financial assets. For trade receivables, our calculation methodology has been updated to consider expected losses based on aging profile. The adoption of the expected loss approach has not resulted in any material change in impairment provision for any financial asset.
- Hedge accounting: The Group applied the hedge accounting requirements of IFRS 9 prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedge relationships.

In addition, IFRS 16 "Leases" has been issued by the IASB and endorsed by the EU but is not yet adopted by the Company. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17 with recognition exemptions for leases of 'low-value' assets and short term leases. Lessees recognize a liability to pay rentals with a corresponding asset, and recognize interest expense and depreciation separately. Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events. Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The new standard is effective for financial years beginning on or after January 1, 2019, with certain transition reliefs permitted. Entities that are lessees are allowed to choose either a full retrospective or a modified retrospective transition approach. The Company has compiled a listing of all operational leases throughout the Company and is currently analyzing this list as part of the conversion project. The Company expects that there will be a limited impact on the Consolidated Financial Statements but has not calculated the impact in totality. The Company will provide an update upon issuing the December 31, 2018 Annual Financial Statements.

## 5. Segment information

The following tables present revenue and profit information for the Company's operating segments for the six months ended June 30, 2018 and 2017, respectively. AMG headquarters costs and assets are allocated seventy percent to AMG Critical Materials and thirty percent to AMG Engineering in 2018 and 2017 based on an estimation of services provided to the operating segments.

**Segment information:**

| **Six month period ended June 30, 2018** | **AMG Critical Materials** | **AMG Engineering** | **Eliminations**[1] | **Total** |
|---|---|---|---|---|
| **Revenue** | | | | |
| Revenue from external customers | 515,564 | 122,205 | - | 637,769 |
| Intersegment revenue | - | 2,035 | (2,035) | - |
| Total revenue | 515,564 | 124,240 | (2,035) | 637,769 |
| | | | | |
| **Segment results** | | | | |
| Operating profit | 66,848 | 9,750 | - | 76,598 |

| Six month period ended June 30, 2017 | AMG Critical Materials | AMG Engineering | Eliminations[1] | Total |
|---|---|---|---|---|
| **Revenue** | | | | |
| Revenue from external customers | 397,131 | 122,880 | - | 520,011 |
| Intersegment revenue | - | 2,118 | (2,118) | - |
| Total revenue | 397,131 | 124,998 | (2,118) | 520,011 |
| **Segment results** | | | | |
| Operating profit | 32,506 | 11,099 | - | 43,605 |

| | AMG Critical Materials | AMG Engineering | Eliminations[1] | Total |
|---|---|---|---|---|
| **Segment assets** | | | | |
| At June 30, 2018 | 1,021,144 | 213,667 | - | 1,234,811 |
| At December 31, 2017 | 783,906 | 172,697 | - | 956,603 |
| **Segment liabilities** | | | | |
| At June 30, 2018 | 669,468 | 267,028 | - | 936,496 |
| At December 31, 2017 | 455,973 | 218,041 | - | 674,014 |

[1] Eliminations column includes intersegment trade eliminations. The intersegment revenue eliminates against the intersegment cost of sales.

## 6. Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers, except for immaterial amounts related to hedge accounting.

The nature and effect of initially applying IFRS 15 on the Group's interim financial statements are disclosed in note 4.

**Disaggregation of revenue**

In the following table, revenue is disaggregated by primary geographical market and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 5).

**Geographical information:**

| | AMG Critical Materials | AMG Engineering | Total |
|---|---|---|---|
| **Six month period ended June 30, 2018** | | | |
| Europe | 236,950 | 46,945 | 283,895 |
| North America | 176,717 | 41,953 | 218,670 |
| Asia | 70,974 | 33,024 | 103,998 |
| South America | 23,021 | 180 | 23,201 |
| Other | 7,902 | 103 | 8,005 |
| Total Revenue | 515,564 | 122,205 | 637,769 |
| **Timing of revenue recognition** | | | |
| Products transferred at a point in time | 515,564 | 43,439 | 559,003 |
| Products and services transferred over time | - | 78,766 | 78,766 |
| Total Revenue | 515,564 | 122,205 | 637,769 |

## 7. Assets held for sale

As of June 30, 2018, the Company has recorded assets held for sale in the amount of $403 (December 31, 2017: $2,056). This consists of a building in Germany and furnaces currently used in operations within AMG Engineering. The completion of the sale of these assets is expected to occur in the second half of 2018.

## 8. Income tax expense

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

| | **June 30, 2018** | June 30, 2017 |
|---|---|---|
| **Current income tax** | | |
| Current income tax charge | **17,176** | 8,456 |
| | | |
| **Deferred income tax** | | |
| Origination and reversal of temporary differences | **3,461** | 2,765 |
| Changes in previously recognized tax losses, tax credits and recognized temporary difference for changes in enacted tax rates and currency effects | **8,524** | (27) |
| Total income tax expense | **29,161** | 11,194 |

The June 30, 2018 effective tax rate was impacted by pre-tax losses of $15,004 for which tax benefits could not be recorded due to the ongoing loss positions in the respective jurisdictions where the losses have occurred. Also, during the period ended June 30, 2018, the net recognized deferred tax assets (liabilities) were adjusted to reflect changes in currency rates in Brazil. The impact of the currency rates was an increase to income tax expense of $8,599.

The June 30, 2017 effective tax rate was impacted by pre-tax losses of $6,086 for which tax benefits could not be recorded due to the ongoing loss positions in the respective jurisdictions where the losses have occurred. There was also an effective tax rate benefit from strong earnings in the United States which were offset by unrecognized net operating losses.

## 9. Property, plant and equipment

**Acquisitions and disposals**

During the six months ended June 30, 2018, assets with a cost of $31,847 (2017: $29,804) were acquired. Additionally, the property, plant and equipment in accounts payable decreased by $8,429 (2017: increased by $1,244) during the six months ended June 30, 2018.

Assets with a book value of $80 were disposed of during the six months ended June 30, 2018 (2017: $28) resulting in a gain on sale or disposal of $42 (2017: $68).

During the six months ended June 30, 2018, an asset impairment recovery of $1,032 was recorded of which $1,300 was related to insurance proceeds for equipment damaged as a result of the fire at the Mibra mine in Brazil in 2017. There were asset impairments of $268 during the six months ended June 30, 2018. The Company recorded asset impairment expense on property, plant and equipment of $912 in the period ended June 30, 2017 related to a fire at the Mibra mine in Brazil during the first quarter of 2017.

## 10. 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 indicators of impairment at June 30, 2018 or 2017.

During the six months ended June 30, 2018, intangible assets with a cost of $741 (2017: $892) were capitalized.

## 11. Inventory and cost of sales

As of June 30, 2018, inventory increased to $232,242 (2017: $162,505) driven by increasing metal prices. During the six months ended June 30, 2018 and 2017, the provision for inventory valuation did not have a material impact on cost of sales.

Cost of sales during the six months ended June 30, 2018, included $1,375 (2017: $2,921) of business interruption proceeds related to a fire at the Company's Mibra mine in Brazil as an offset to costs. AMG is insured for the damage sustained, and in accordance with IFRS, is recognizing estimated insurance proceeds once recovery amounts are confirmed.

## 12. Capital and reserves

Actuarial gains on defined benefit plans for the period ended June 30, 2018 increased other reserves by $2,926 net of tax, while actuarial losses on defined benefit plans decreased other reserves by $1,818, net of tax, in the six months ended June 30, 2017.

During the six months ended June 30, 2018, the Company issued 673,338 common shares in connection with a performance share unit compensation arrangement and stock option arrangements with certain employees. See note 15 for additional information. The Company purchased 277,446 common shares which it recorded as treasury shares with a value of $12,388 upon purchase. During the six months ended June 30, 2018, the Company re-issued 380,134 treasury shares with a value of $14,918. The ending balance in treasury shares was $931.

## 13. Loans and borrowings

### Credit facility

As of February 1, 2018, the Company entered a new $350,000, seven-year senior secured term loan B facility and a $200,000 five-year senior secured revolving credit facility. Proceeds from the facility were used to repay AMG's previous credit facility. In addition, AMG Engineering entered into €85,000 of bilateral letter of credit facilities which replaced its letter of credit facilities under the previous syndicated credit facility. AMG will use the excess proceeds of the new term loan to provide capital to fund strategic expansion projects.

As of June 30, 2018, the total balance outstanding on the term loans was $348,250 (December 31, 2017: $151,900). As of June 30, 2018, available revolver capacity was $169,605 (December 31, 2017: $150,591). Interest on the Revolving Credit Facility is based on current LIBOR (or in the case of any loans denominated in Euros, EURIBOR) plus a margin that is dependent on AMG's corporate credit rating. At June 30, 2018 the margin was 2.5%. As part of obtaining the revolving credit facility the Company is responsible for maintaining Net Debt to EBITDA not to exceed 3.50 to 1. Interest on the Term Loan is based on current LIBOR plus a margin of 3.0%.

As of June 30, 2018, the Company was in compliance with all its debt covenants.

To mitigate interest rate risk the Company has entered into interest rate caps totaling $250,000, and a cross-currency interest rate swap totaling $100,000. See note 17 for additional information on the interest rate hedging activities.

### Debt issuance costs

In connection with the term loan and revolving credit facility that were refinanced in 2018, the Company incurred issuance costs of $9,238, which were deducted from the proceeds of the debt from the term loan. The amounts have been allocated to the term loans and revolving credit facility based on the amount which would have been incurred if the facilities were obtained separately. The amount allocated to the term loans of $7,155 are shown net against the outstanding term loan balance and are amortized using the effective interest method. The amount allocated to the revolving credit facility of $2,083 is included in other assets because there were no borrowings outstanding. This is being amortized on a straight-line basis over the life of the facility.

The balance of unamortized costs net against the book value of this debt was $6,782 as of June 30, 2018 (December 31, 2017: $1,146). The balance of unamortized costs recorded in other assets was $1,866 as of June 30, 2018 (December 31, 2017: $1,740). The Company has recorded amortization expense of $3,476 during the sixth months ended June 30, 2018 (December 31, 2017: $803), inclusive of the unamortized issuance cost from the previous credit facility of $2,886.

### Original issue discount

The new term loan included an original issue discount (OID) of 50 basis points of $1,750 which is amortized using the effective interest method. The balance of unamortized costs recorded in other assets was $1,661 as of June 30, 2018. The Company has recorded amortization expense of $89 during the sixth months ended June 30, 2018.

**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 in the condensed interim consolidated statement of financial position. The Company had $15,500 outstanding on these facilities as of June 30, 2018 (December 31, 2017: $8,000).

## 14. Employee benefits

As of June 30, 2018, the employee benefits liability has decreased to a balance of $152,759 from the December 31, 2017 balance of $156,193. The decrease in the pension liability is primarily due to significant decrease in the Euro to USD exchange rate during the six months ended June 30, 2018 as well as fluctuations in the discount rate used in the actuarial assumptions. Many of the liabilities are held in German entities and are subject to fluctuations in the exchange rate.

## 15. Share-based payments

**Equity-Settled Stock Options**

During the six months ended June 30, 2018, 27,138 (2017: 75,707) share options were granted under the 2009 AMG Option Plan ("The Plan") to the AMG Management Board as part of their 2018 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, 2018 was calculated as €19.90 (2017: €7.13) using a Black-Scholes model.

In the six months ended June 30, 2018, the Company recorded $301 of expense related to stock options. There were 260,234 vested stock options exercised during the six months ended June 30, 2018. These options were granted in the years 2008 through 2015, and the Company re-issued 100,722 treasury shares with respect to settling these option exercises. In the six months ended June 30, 2017, the Company recorded $313 of expense related to stock options. There were 1,528,317 vested stock options exercised during the six months ended June 30, 2017. These options were granted in the years 2007 through 2014 and the Company issued 867,950 common shares and re-issued 362,220 treasury shares with respect to settling these option exercises.

**Performance share units**

During the six months ended June 30, 2018, the Company issued 117,498 (2017: 165,131) performance share units ("PSUs") to certain employees. The Company recorded expense of $2,704 (2017: $4,105) related to the outstanding PSUs in the six months ended June 30, 2018.

During the six months ended June 30, 2018, the 2015 PSU awards vested and based on performance conditions the Company issued 673,338 (2017: 787,678) common shares with respect to the settling of the awards.

## 16. Provisions

**Environmental**

During the six months ended June 30, 2018, payments of $1,058 (2017: $446) were made from the environmental provision and additional provision of $35 (2017: nil) was recorded in 2018.

**Restructuring**

During the six months ended June 30, 2018, the Company recorded a restructuring expense made of an additional provisions of $1,139 (2017: $1,423) and a reversal of ($1,032) (2017: nil) primarily related to insurance proceeds for equipment damaged as a result of the fire at the Mibra mine in Brazil in 2017. The expense includes $864 of provisions related to severance of 3 members of the Company's Management in our European operations, the continued reorganization of our operations in Germany and severances payments in our US operations. The headcount impact on the 2018 restructuring expense was 10 employees at our European and US operations. Restructuring payments of $844 (2017: $3,037) were made during the six months ended June 30, 2018.

**Warranty**

During the six months ended June 30, 2018 the Company made warranty payments of $375 (2017: $279), recorded additional provision expenses of $586 (2017: $61) and reversals of ($1,804) (2017: ($44)) were recorded. 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 for long term contracts that are completed. The provision is developed on a contract by contract basis and is based on contractor estimates. The provision is utilized or derecognized depending on actual performance of the contracts and expected total of project costs. During the six months ended June 30, 2018, project cost payments of $579 (2017: $2,058) were made, additional provision expenses of $7,483 (2017: $2,588) and reversals of ($102) (2017: ($1,011)) were recorded.

**Partial retirement**

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, 2018, there were provisions recorded of $2 (2017: $152), a reversal of ($51) (2017: nil) and payments of $30 (2017: $58).

**Restoration, rehabilitation and decommissioning costs**

The decommissioning 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. During the six months ended June 30, 2018 there were no additional provisions related to the ongoing mine operations in Brazil (2017: $9). A discount rate of 8.0% was used to determine the liability recorded which is consistent with prior year end rate. The liability recorded as of June 30, 2018 was $4,488 (December 31, 2017: $5,036).

## 17. Financial instruments – Fair values and risk management

### (a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy at June 30, 2018. The fair value of the financial assets and liabilities are included at the price that would be received to sell the instrument in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Methods and assumptions used to estimate fair values are consistent with those used in the year ended December 31, 2017.

| | | Fair Value | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Total | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | |
| Carried at fair value: | | | | | |
| Derivative financial instruments | 6,158 | 6,158 | - | 6,158 | - |
| **Financial assets carried at FVTPL** | **6,158** | **6,158** | **-** | **6,158** | **-** |
| Derivative financial instruments | 487 | 487 | - | 487 | - |
| Other investments | 30,291 | 30,291 | 11,844 | - | 18,447 |
| **Financial assets carried at FVTOCI** | **30,778** | **30,778** | **11,844** | **487** | **18,447** |
| **Financial assets carried at fair value** | **36,936** | **36,936** | **11,844** | **6,645** | **18,447** |
| | | | | | |
| **Financial liabilities** | | | | | |
| Carried at fair value: | | | | | |
| Derivative financial instruments | 18,501 | 18,501 | | 18,501 | |
| **Financial liabilities carried at FVTOCI** | **18,501** | **18,501** | **-** | **18,501** | **-** |

(1) For cash and cash equivalents, trade and other receivables, restricted cash, trade payables, and short term bank debt, the carrying amounts approximate fair value because of the short maturity of these instruments, and therefore, fair value information is not included in the table above. Loans and borrowings maintain a floating interest rate and approximate fair value.

**Derivative financial instruments**

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 normal sales of product, the Company enters into commodity forward and foreign exchange forward contracts to manage price and currency risks. No significant new contracts were entered into as of June 30, 2018, other than in the ordinary course of business.

In February of 2018, the Company entered into derivative contracts with two financial institutions in connection with the execution of its new credit facility. The contracts include interest rate caps, interest rate swaps, and a cross currency swap. The interest rate caps related to the prior credit facility were unwound and replaced by these contracts. The interest rate cap and swaps were executed so that the Company could hedge its exposure to changes in the benchmark interest rate on the term loan B facility as well as fluctuations in the exchange rate between the euro and the US dollar.

The following are the fair values of the derivative financial instruments at June 30, 2018 and December 31, 2017 along with the balance of unrealized gains (losses) included within equity through other comprehensive income.

| | Fair Value | | Unrealized gains (losses) included in other comprehensive income | |
|---|---|---|---|---|
| | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 |
| Commodity forward contract assets | 217 | 815 | | |
| Commodity forward contract liabilities | (47) | (5) | | |
| Net commodity forward contracts | 170 | 810 | (316) | 603 |
| Foreign currency forward contract assets | 2,110 | 6,149 | | |
| Foreign currency forward contract liabilities | (18,454) | (1,410) | | |
| Net foreign currency forward contracts | (16,344) | 4,739 | (11,088) | 3,326 |
| Foreign currency element of cross-currency swap[1] | 6,034 | - | | |
| Interest rate swap element of cross-currency swap[1] | (3,069) | - | | |
| Net cross-currency swap contract | 2,965 | - | (3,069) | - |
| Interest rate caps | 407 | 44 | - | - |
| Interest rate swaps | 946 | - | 946 | - |

(1) The cross-currency swap is a single instrument and the balance of the foreign exchange element and the interest rate element are presented on a net basis within the statement of financial position as a non-current asset.

**Other investments**

At June 30, 2018, the balance of other investments is comprised of $15,047 (2017: $15,047) of equity interests in a customer that were received in connection with a contract amendment as well as $15,244 (2017: $15,153) of investment assets that are held to fund a non-qualified pension liability. The fair value of the equity investment in the customer is estimated by management based on limited information due to legal disputes between the Companies. The pension assets consist of debt securities, equity securities and insurance contracts which are held at fair value. The equity interest in the customer and the insurance contracts pension assets are designated as Level 3 financial instruments in the fair value hierarchy due to the utilization of unobservable inputs to derive the estimated fair value of the respective investments. The fair value of the equity investment in a customer has not changed since December 31, 2017. The value of the insurance contracts has increased by $990 (2017: $1,012) to $3,400 (2017: $2,403) based on additional purchases made by the Company during the period ended June 30, 2018.

There were no transfers of financial instruments between Levels 1 and 2 for the periods ended June 30, 2018 and 2017. There were also no transfers of financial instruments out of Level 3 for the periods ended June 30, 2018 and 2017.

## 18. Commitments and contingencies

### Commitments

At June 30, 2018, there were commitments for the manufacture and purchase of property, plant and equipment in the amount of $23,092 (December 31, 2017: $60,504).

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 in the 2017 consolidated financial statements.

### Contingencies

At June 30, 2018, there were business-related bank guarantees for the benefit of third parties in the amount of $72,789 (December 31, 2017: $67,006).

During the first half of 2018, an appeals court in Sicily ruled in favor of AMG in the court case claimed by Aita, concerning a proposed joint venture in 1999 for the purpose of extracting vanadium from the residues of oil refineries in Italy. AMG had contended that the damages claim was completely without merit, which was confirmed by the court. Aita can still appeal to Italy's Supreme Court.

There have been no other material updates to the Company's contingencies as discussed in note 34 in the 2017 consolidated financial statements.

## 19. Related parties

Material related party transactions during the period include the recognition of stock-based compensation for certain employees and the exercise and settlement of certain stock-based compensation arrangements. These transactions are disclosed in more detail in notes 12 and 15.