

AMG Advanced Metallurgical Group N.V.
Interim Financial Statements
(unaudited)
June 30, 2016

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, Strawinskyiaan 1343, 1077 XX Amsterdam.

The semi-annual report for the six months ended June 30, 2016 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 Dunkel
Chief Financial Officer

/s/ Eric E. Jackson
Chief Operating Officer

Management Report

AMG is organized under two reportable segments: AMG Critical Materials and AMG Engineering. AMG Critical Materials produces specialty metals, alloys and chemicals, high purity natural graphite, tantalum, antimony and silicon metal and has major production facilities in the United Kingdom, United States, Germany, Brazil, and France. AMG Engineering provides specialty engineering services through its development and manufacturing of vacuum furnace systems and has major production facilities that are located in Germany, France, Mexico and the United States.

Management's objectives consistently revolve around delivering positive operational results using an efficient asset base as well as effectively generating cash in order to be able to support research and development and vertical integration strategies. These objectives are measured by the Company primarily using 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.

EBITDA for the six months ended June 30, 2016 was \$47.2 million, a 4% increase from \$45.5 million during the same period in 2015. AMG Critical Materials continues to be impacted by weak metal prices which had a significant impact on revenue period over period. AMG Engineering is experiencing strong demand for plasma remelting, induction and turbine blade coating furnaces for the aerospace market and heat treatment furnaces for the automotive market which has positively impacted both revenue and EBITDA. Annualized return on capital employed increased to 17.8% as of June 30, 2016 from 15.7% in the same period in 2015. AMG has continued to improve ROCE through operational improvements and disciplined capital management. AMG Critical Material's focus on operational performance enabled it to increase ROCE over 2015 and maintain strong operating cash flows. AMG Engineering delivered higher ROCE and increased revenues over the prior year driven by improved market conditions and strong order backlog entering the year.

AMG Critical Materials generated EBITDA of \$37.0 during the six months ended June 30, 2016. This is down slightly from the same period in the prior year. The decline in EBITDA was primarily due to lower revenues on year over year double digit declines in the average quarterly market prices for certain critical materials. The total revenue of \$358.2 million for the six months ended June 30, 2016 was down 11%, or \$45.3 million, from \$403.5 million in 2015. Despite this decline the gross profit increased period over period within AMG Critical Materials. The improvements in gross profit were seen in Aluminum, Chrome, Tantalum, and Silicon due to lower costs and higher volumes. The gross profit also benefited from a decrease in cost of sales by \$5.6 million as a result of the reversal of provisions for inventory. These improvements were partially offset by lower gross profit in Antimony.

The gross margins at AMG Engineering increased substantially year over year due to strong order intake in the second half of 2015 and the first half of 2016, specifically as it relates to turbine blade coating furnaces, heat treatment furnaces and induction furnaces. Order intake in the second quarter of 2016 of \$92.8 million was driven by ongoing demand from the aerospace market and increasing demand from the automotive industry for modern vacuum heat treatment process. The order backlog of \$159 million as of June 30, 2016 is an improvement from an order backlog of \$141 million as of December 31, 2015.

AMG's sales were \$486 million for the six months ended June 30, 2016 as compared to \$514 million for the six months ended June 30, 2015. The decline in revenues was driven largely by weak metals prices which significantly impacted the revenue within the AMG Critical Materials segment. AMG recorded an operating profit of \$32 million for the six months ended June 30, 2016, compared to operating profit of \$24 million in the prior period. The increased operating profit was due to the increase in the profitability of AMG Engineering and the increased profit margins within AMG Critical Materials due to lower costs and higher volumes within certain products. There were also significant reversals of previously recorded inventory adjustment expenses in 2016. These reversals were due to the improving prices of vanadium, nickel and molybdenum.

AMG's cash flows from operations were \$20 million during the six months ended June 30, 2016 as compared to \$15 million in the six months ended June 30, 2015. Cash flow increased during the period mainly driven by strong

earnings. This increase in operating cash flows was partially offset by contributions to pension plans of \$22 million during the period. These contributions included additional voluntary contributions made to the plans in response to the historically low discount rates. Capital expenditures during the six months ended June 30, 2016 increased to \$14 million from \$7 million during the six months ended June 30, 2015. The increase in capital expenditures was due to expansion projects in graphite and titanium aluminides.

As of June 30, 2016, liquidity was \$268 million, comprised of \$125 million in cash and \$143 million in revolver capacity on the Company's 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. The Company is currently in compliance with all of its bank covenants.

Management continued to maintain historically low levels of working capital and continues to work to improve its position with respect to inventory levels. Prior to making any investing decisions, the effects on liquidity are analyzed both in terms of cash availability as well as debt covenant compliance. ROCE is also a decisive factor in allocating the capital budget. The returns from expansion capital expenditures are primarily expected to be realized in 2016, 2017 and 2018 results.

Risks and Uncertainties

In our Annual Report 2015, 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, financing, mining, customer, supply, legal and regulatory, currency, product quality, competition, and business interruption. The Company believes that the risks identified for the second half of 2016 are in line with the risks that AMG presented in its Annual Report 2015. Furthermore, for the remainder of 2016, we see in particular the following principal risks and uncertainties.

AMG's business units, particularly within its Critical Materials segment, face the risk of metal price volatility from its supplier and customer relationships. In the first half of 2016, AMG experienced a decline in certain prices and a further decline could have a material effect on profitability. While the Company attempts to mitigate this risk with contractual agreements and working capital strategies, price volatility remains a risk for AMG.

There remains global economic uncertainty which may have a negative effect on the operations, profitability, and cash flow of AMG as a whole. Despite the positive business operating results in the first half of 2016, there remains global economic uncertainty which may have an adverse effect on operations.

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

In this challenging environment, AMG will continue to improve profitability and generate strong operating cash flows through both cost management efforts and continued execution on selected growth projects. AMG Critical Materials expects to continue to acquire market share in certain Critical Materials business units although metal prices will continue to affect revenues in the division. AMG Engineering expects to continue to generate solid operating results as a result of the strong order intake in the first half of 2016.

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

	Note	2016 Unaudited	2015 Unaudited
Revenue		485,748	514,434
Cost of sales		387,701	426,519
Gross profit		98,047	87,915
Selling, general and administrative expenses		66,060	63,006
Restructuring expense	17	522	3,659
Environmental	17	-	(2,286)
Other income, net		(435)	(139)
Operating profit		31,900	23,675
Finance income		(294)	(472)
Finance expense		4,513	8,996
Foreign exchange loss (gain)		936	(1,117)
Net finance costs		5,155	7,407
Share of profit of associates and joint ventures		1,436	197
Profit before income tax		28,181	16,465
Income tax expense	6	3,085	9,556
Profit for the period		25,096	6,909
Attributable to:			
Shareholders of the Company		25,421	6,484
Non-controlling interests		(325)	425
Profit for the period		25,096	6,909
Earnings per share			
Basic earnings per share		0.91	0.23
Diluted earnings per share		0.90	0.23

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

	Note	2016 Unaudited	2015 Unaudited
Profit for the period		25,096	6,909
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(619)	(3,108)
Gain on cash flow hedges	7	10,762	4,401
Income tax on cash flow hedges	7	(3,348)	(1,038)
Net gain on cash flow hedges	7	7,414	3,363
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		6,795	255
<i>Other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations- non-controlling interest		585	(335)
Actuarial (losses) gains on defined benefit plans	15	(15,364)	8,029
Income tax on actuarial (losses) gains on defined benefit plans	15	1,186	(594)
Net (loss) gain on actuarial (losses) gains on defined benefit plans	15	(14,178)	7,435
Net other comprehensive (loss) income not being reclassified to profit or loss in subsequent periods		(13,593)	7,100
Other comprehensive (loss) income for the period		(6,798)	7,355
Total comprehensive income for the period		18,298	14,264
Attributable to:			
Shareholders of the Company		18,238	13,999
Non-controlling interests		60	265
Total comprehensive income for the period		18,298	14,264

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, 2016 Unaudited	December 31, 2015
Assets			
Property, plant and equipment	8	211,897	215,833
Goodwill		23,141	18,676
Intangible assets	9	10,522	10,246
Investments in associates and joint ventures		-	2,230
Other investments	19	15,000	14,000
Deferred tax assets	6	32,037	31,551
Restricted cash		2,548	2,527
Other assets		21,429	19,883
Total non-current assets		316,574	314,946
Inventories	10	131,422	126,389
Trade and other receivables		143,174	124,270
Derivative financial instruments	19	3,099	978
Other assets		31,660	27,648
Assets held for sale	5	2,431	673
Cash and cash equivalents	11	125,075	127,778
Total current assets		436,861	407,736
Total assets		753,435	722,682
Equity			
Issued capital		760	745
Share premium		389,387	382,978
Treasury shares	12	(1,716)	-
Other reserves		(64,166)	(49,500)
Retained earnings (deficit)		(182,660)	(205,662)
Equity attributable to shareholders of the Company	12	141,605	128,561
Non-controlling interests	13	24,758	25,006
Total equity		166,363	153,567
Liabilities			
Loans and borrowings	14	118,262	112,217
Employee benefits	15	136,704	137,853
Provisions	17	29,807	29,617
Deferred revenue	18	6,131	13,539
Government grants		460	536
Other liabilities		14,171	8,821
Derivative financial instruments	19	1,895	5,642
Deferred tax liabilities	6	11,286	11,691
Total non-current liabilities		318,716	319,916
Loans and borrowings	14	2,945	3,222
Short term bank debt	14	10,044	11,304
Government grants		101	99
Liabilities associated with assets held for sale	5	1,087	423
Other liabilities		43,927	42,872
Trade and other payables		129,441	108,019
Derivative financial instruments	19	4,288	8,379
Advance payments		41,454	44,184
Deferred revenue	18	14,294	16,124
Current taxes payable		6,031	3,093
Provisions	17	14,744	11,480
Total current liabilities		268,356	249,199
Total liabilities		587,072	569,115
Total equity and liabilities		753,435	722,682

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
In thousands of US Dollars

	Equity attributable to shareholders of the parent (Unaudited)							
	Issued capital	Share premium	Treasury shares	Other reserves (note 12)	Retained earnings (deficit)	Total	Non- controlling interests	Total equity
Balance at January 1, 2016	745	382,978	-	(49,500)	(205,662)	128,561	25,006	153,567
Foreign currency translation	-	-	-	(619)	-	(619)	585	(34)
Net gain (loss) on cash flow hedges	-	-	-	7,429	-	7,429	(15)	7,414
Actuarial losses, net of tax	-	-	-	(13,993)	-	(13,993)	(185)	(14,178)
Net (loss) profit recognized through other comprehensive income	-	-	-	(7,183)	-	(7,183)	385	(6,798)
Profit (loss) for the period	-	-	-	-	25,421	25,421	(325)	25,096
Total comprehensive (loss) income for the period	-	-	-	(7,183)	25,421	18,238	60	18,298
Transfer to retained deficit	-	-	-	(1,901)	1,901	-	-	-
Issuance of shares	15	6,088	-	-	-	6,103	-	6,103
Repurchase of shares	-	321	(2,479)	-	-	(2,158)	-	(2,158)
Equity-settled share-based payments	-	-	-	914	-	914	-	914
Settlement of stock based awards	-	-	763	(6,496)	-	(5,733)	-	(5,733)
Dividends	-	-	-	-	(4,210)	(4,210)	(418)	(4,628)
Other	-	-	-	-	(110)	(110)	110	-
Balance at June 30, 2016	760	389,387	(1,716)	(64,166)	(182,660)	141,605	24,758	166,363
Balance at January 1, 2015	745	382,978	-	(59,728)	(225,843)	98,152	2,825	100,977
Foreign currency translation	-	-	-	(3,108)	-	(3,108)	(335)	(3,443)
Net gain on cash flow hedges	-	-	-	3,331	-	3,331	32	3,363
Actuarial gains, net of tax	-	-	-	7,292	-	7,292	143	7,435
Net profit (loss) recognized through other comprehensive income	-	-	-	7,515	-	7,515	(160)	7,355
Profit for the period	-	-	-	-	6,484	6,484	425	6,909
Total comprehensive income for the period	-	-	-	7,515	6,484	13,999	265	14,264
Transfer to retained deficit	-	-	-	175	(175)	-	-	-
Equity-settled share-based payments	-	-	-	4,237	-	4,237	32	4,269
Sale of non-controlling interest in AMG Graphite Kropfmühl GmbH	-	-	-	380	15,196	15,576	21,954	37,530
Dividends paid to non-controlling interest	-	-	-	-	-	-	(25)	(25)
Balance at June 30, 2015	745	382,978	-	(47,421)	(204,338)	131,964	25,051	157,015

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

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

For the period ended June 30

In thousands of US Dollars

	Note	2016 Unaudited	2015 Unaudited
Cash flows from operating activities			
Profit for the period		25,096	6,909
Adjustments to reconcile net profit to net cash flows:			
Non-cash:			
Income tax expense	6	3,085	9,556
Depreciation and amortization		14,838	14,292
Net finance costs		5,155	7,407
Share of profit of associates and joint ventures		(1,436)	(197)
Gain on sale or disposal of property, plant and equipment	8	(80)	(156)
Equity-settled share-based payment transactions	16	914	2,788
Movement in provisions, pensions and government grants	17	(15,735)	(896)
Working capital and deferred revenue	18	(5,006)	(15,524)
Cash flows from operating activities		26,831	24,179
Finance costs paid, net		(3,162)	(6,946)
Income tax paid, net		(3,674)	(2,172)
Net cash flows from operating activities		19,995	15,061
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment	8	368	931
Proceeds from sale of subsidiaries (net of cash divested of \$35 and \$1,347, respectively)		675	(550)
Acquisition of property, plant and equipment and intangibles	8,9	(14,389)	(7,040)
Acquisition of subsidiaries (net of cash acquired of \$35 in 2016)		(4,961)	-
Acquisition of other non-current investments		(1,000)	-
Change in restricted cash		19	437
Other		28	26
Net cash flows used in investing activities		(19,260)	(6,196)
Cash flows (used in) from financing activities			
Proceeds from issuance of debt		1,573	177,272
Payment of transaction costs related to debt issuance		-	(4,371)
Repayment of borrowings	14	-	(184,871)
Change in non-controlling interests		-	37,530
Repurchase of common stock		(1,785)	-
Dividends paid		(3,503)	-
Other		1	(132)
Net cash flows (used in) from financing activities		(3,714)	25,428
Net (decrease) increase in cash and cash equivalents		(2,979)	34,293
Cash and cash equivalents at January 1		127,778	108,029
Effect of exchange rate fluctuations on cash held		276	(5,199)
Cash and cash equivalents at June 30		125,075	137,123

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, 2016 comprise the Company, its subsidiaries, and its interest in associates and joint ventures.

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 the Management Report.

2. Basis of preparation and accounting policies

Basis of preparation

The condensed interim consolidated financial statements for the six months ended June 30, 2016 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 of December 31, 2015.

New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements for the year ended December 31, 2015, except for the adoption of new standards and interpretations effective as of January 1, 2016. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* – Clarification of Acceptable Methods of Depreciation and Amortization

The amendments are applied prospectively and clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments did not have a material impact on the Company’s financial position and performance.

Annual Improvements 2012–2014 Cycle

The IASB issued the 2012-2014 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. These improvements cover the following standards and subjects.

IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* - Changes in methods of disposal: Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. This improvement is applied prospectively and clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 *Financial Instruments*: These improvements are applied retrospectively and clarify that:

- **Disclosures - Servicing contracts:** A servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the financial year in which the entity first applies the amendments.
- **Disclosures - Applicability of the amendments to IFRS 7 to condensed interim financial statements:** The offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 *Employee Benefits* Regional Market Issue: This improvement is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 *Interim Financial Reporting* - Disclosure of information “elsewhere in the interim financial report”: This improvement is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These improvements did not have a material impact on the Company’s financial position and performance.

Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

3. Segment information

For management purposes, the Company is organized under two separate reportable segments: AMG Critical Materials and AMG Engineering. AMG Critical Materials produces specialty metals, alloys and chemicals, high purity natural graphite, tantalum, antimony and silicon metal and has major production facilities in the United Kingdom, United States, Germany, Brazil and France. AMG Engineering provides specialty engineering services through its development and manufacturing of vacuum furnace systems and has major production facilities that are located in Germany, France, Mexico and the United States.

The management reporting format is determined by reportable segments as the operating results for each segment are organized and managed separately according to the nature of the products and services provided. Each segment represents a strategic business unit that offers different products and serves different markets. AMG assessed the criteria provided in IFRS 8 and determined the operating segments aggregated within the reporting segments have similar products, production processes, customers, methods to distribute and regulatory environments.

AMG Critical Materials develops and produces specialty metals, alloys and high performance materials. AMG is a significant producer of specialty metals, such as ferrovanadium, ferronickel-molybdenum, aluminum master alloys and additives, chromium metal, ferrotitanium, high purity natural graphite, tantalum, antimony and silicon metal, utilizing its secure raw material sources in Africa, Asia, Europe and South America to service energy, aerospace, infrastructure and specialty metal and chemical applications. Other key products include specialty alloys for titanium and superalloys, coating materials and vanadium chemicals. Collectively, all these materials are of significant importance to the global economy and are available in limited supply.

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

The following tables present revenue and profit information for the Company’s operating segments for the six months ended June 30, 2016 and 2015, respectively. AMG headquarters costs and assets are allocated seventy percent to AMG Critical Materials and thirty percent to AMG Engineering in 2016 and 2015 based on an estimation of services provided to the operating segments.

Segment information:

Six month period ended June 30, 2016	AMG Critical Materials	AMG Engineering	Eliminations ¹	Total
Revenue				

Revenue from external customers	358,174	127,574	-	485,748
Intersegment revenue	-	924	(924)	-
Total revenue	358,174	128,498	(924)	485,748
Segment results				
Restructuring	274	248	-	522
Operating profit	25,494	6,406	-	31,900

Six month period ended June 30, 2015	AMG Critical Materials	AMG Engineering	Eliminations¹	Total
Revenue				
Revenue from external customers	403,476	110,958	-	514,434
Intersegment revenue	5	1,340	(1,345)	-
Total revenue	403,481	112,299	(1,345)	514,434
Segment results				
Restructuring	1,927	1,732	-	3,659
Environmental	(2,286)	-	-	(2,286)
Operating profit	22,928	747	-	23,675
Segment assets				
At June 30, 2016	565,760	230,759	(43,084)	753,435
At December 31, 2015	543,618	214,346	(35,282)	722,682
Segment liabilities				
At June 30, 2016	368,425	259,979	(41,332)	587,072
At December 31, 2015	359,571	240,972	(31,428)	569,115

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 and disposals

Purchase of ALD Holcroft Vacuum Technologies Co, Inc.

During the six months ended June 30, 2016 the Company purchased the remaining 50% of the outstanding shares of ALD Holcroft Vacuum Technologies Co, Inc ("ALD Holcroft"). ALD Holcroft is the sales agent for the Company's heat treatment product lines in the North American region. The purchase has allowed the Company to streamline its heat treatment and metallurgy furnace marketing operations in the US, Canada and Mexico. The total purchase price was \$5,154. There was goodwill of \$4,073 related to this purchase. Prior to this purchase the value of the existing 50% ownership interest was adjusted to fair market value. This adjustment resulted in a gain of \$1,415 which is recorded in share of profit of associates and joint ventures in the condensed interim consolidated income statement.

Sale of Ownership Interest in Intellifast, GmbH

During the six months ended June 30, 2016, the Company completed the sale of its 100% equity interest in Intellifast, GmbH ("Intellifast"). The negotiated sale price was \$710 and the total proceeds from the sale net of cash sold were \$675. The Company recorded a gain on the sale of \$316 which is included in other income, net in the condensed interim consolidated income statement.

Purchase of 4% Equity Stake in Global Advanced Metals Pty Ltd

During the six months ended June 30, 2016, the Company purchased an additional 4% ownership in Global Advanced Metals Pty Ltd ("GAM"). The total purchase price for the ownership interest was \$1,000 and was settled with cash. Prior to 2016 the Company held a 10% ownership interest in GAM. With the purchase of the additional ownership in 2016 the Company now

holds a 14% ownership interest. The investment is designated as an available for sale financial instrument because the Company did not gain significant influence over GAM through the additional 4% ownership interest.

5. Assets held for sale

During the six months ended June 30, 2016, the Company made the decision to sell their 100% ownership in ALD Industrie-und Montagepark Staaken GmbH (“ALD IMP”). The assets of ALD IMP consist mainly of a building in Berlin, Germany. The total asset value held for sale as of June 30, 2016 was \$2,431 and the liabilities were \$1,087.

6. Income tax expense

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

	June 30, 2016	June 30, 2015
Current income tax		
Current income tax charge	6,121	5,612
Deferred income tax		
Relating to origination and reversal of temporary differences	2,189	2,299
Changes in previously recognized tax losses, tax credits and recognized temporary differences for changes in enacted tax rates and currency effects	(5,225)	1,645
Total income tax expense	3,085	9,556

The June 30, 2016 effective tax rate was impacted by a large tax benefit of \$5,225 which related to the revaluation of Brazilian deferred taxes as a result of a significant fluctuation in the exchange rates. The rate was also impacted by pre-tax losses of \$9,775 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.

The June 30, 2015 effective tax rate was impacted by a tax expense of \$1,645 which related to the revaluation of Brazilian deferred taxes as a result of a significant fluctuation in the exchange rates. The rate was also impacted by pre-tax losses of \$16,560 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 earnings in the United States which were offset by unrecognized net operating losses.

7. Components of other comprehensive income

	June 30, 2016	June 30, 2015
Cash flow hedges:		
Gains (losses) arising during the year	8,206	(4,299)
Tax effect on gains or losses arising during the year	(2,724)	590
Add: Reclassification adjustments for gains (losses) included in the income statement	2,556	8,700
Less: Tax effect on reclassification adjustments	(624)	(1,628)
Net gain on cash flow hedges	7,414	3,363

8. Property, plant and equipment

Acquisitions and disposals

During the six months ended June 30, 2016, assets with a cost of \$12,069 (2015: \$6,287) were acquired. Additionally, the property, plant and equipment in accounts payable decreased by \$876 (2015: \$148) during the six months ended June 30, 2016.

Assets with a book value of \$288 were disposed of during the six months ended June 30, 2016 (2015: \$775) resulting in a gain on sale or disposal of \$80 (2015: \$156).

The Company recorded no asset impairment expense on property, plant and equipment in the periods ended June 30, 2016 and 2015.

9. 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, 2016 or 2015.

During the six months ended June 30, 2016, intangible assets with a cost of \$1,444 (2015: \$605) were capitalized.

10. Inventories

During the six months ended June 30, 2016, the reversal of provisions for inventory valuation decreased cost of sales by \$5,664. During the six months ended June 30, 2015, provisions for inventory valuation increased cost of sales by \$769.

11. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	June 30, 2016	December 31, 2015
Bank balances	125,075	127,745
Time deposits	-	33
	<hr/> 125,075	<hr/> 127,778

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.

12. Capital and reserves

Actuarial losses on defined benefit plans for the period ended June 30, 2016 decreased other reserves by \$14,178 net of tax, while actuarial gains on defined benefit plans increased other reserves by \$7,435 in the six months ended June 30, 2015. The elements of other comprehensive income (loss) and equity-settled share based payments are more fully disclosed in notes 7, 15 and 16, respectively. There was a reclassification from other reserves to non-controlling interest of \$380 during the six months ended June 30, 2015 as a result of the sale of the equity stake in AMG Graphite. See note 13 for additional information on sale of non-controlling interest.

During the six months ended June 30, 2016 the Company issued 610,463 common shares in connection with a performance share unit compensation arrangement with certain employees. See note 16 for additional information. The Company purchased 247,965 common shares which it recorded as treasury shares with a value of \$2,479 upon purchase. During the six months ended June 30, 2016 the Company sold 76,779 of these treasury shares to settle the stock option exercises. The ending balance in treasury shares was \$1,716 as a result of these transactions.

13. Non-controlling interest in subsidiaries

During the six months ended June 30, 2015 the Company sold a 40% equity interest in a German subsidiary, AMG Graphit Kropfmühl GmbH ("AMG Graphite"). This sale resulted in the Company owning 60% of this subsidiary and a non-controlling interest of 40%. The Company has maintained control of the subsidiary and continues to consolidate the financial results. The non-controlling interest has rights to the financial position and results of AMG Graphite in proportion with their ownership. The non-controlling interest also has certain protective rights which prevent fundamental changes to AMG Graphite as well as restrictions on the ability to transfer cash out of the subsidiary.

The summarised financial information of this subsidiary is provided below. This information is based on amounts before intercompany eliminations:

Summarised statement of profit and loss for the six months ended June 30:	2016	2015
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Revenue	31,302	29,866
Cost of sales	24,103	22,244
Administrative expenses	5,279	4,854
Other (Income) expense	(238)	179
Finance costs	155	337
Foreign exchange (loss) gain	(1,301)	110
Intergroup tax pooling arrangement	239	1,436
Profit before tax	462	926
Income tax expense	403	276
Profit for the year from continuing operations	59	650
Attributable to non-controlling interests	757	234

Summarised statement of financial position as of June 30 and December 31:	2016	2015
Inventories, cash and bank balances and other current assets (current)	60,406	58,286
Property, plant and equipment and other non-current financial assets (non-current)	24,230	22,730
Trade and other payables (current)	11,394	14,030
Interest-bearing loans and borrowing and other non-current liabilities (non-current)	19,239	15,640
Total equity	54,003	51,346
Attributable to:		
Equity holders of parent	32,089	29,171
Non-controlling interest	21,914	22,175

14. Loans and borrowings

Credit Facility

On May 26, 2015, the Company entered into a three-year multicurrency term loan and revolving credit facility. The proceeds from this new facility were used to pay down the prior facility in its entirety. The credit facility was composed of a €50,000 term loan, a \$47,000 term loan and a \$220,000 revolving credit facility ("Revolving Credit Facility"). During the six months ended June 30, 2016, AMG received net proceeds of \$1,820 on the Revolving Credit Facility. During the six months ended June 30, 2015, AMG borrowed \$173,747 inclusive of \$172,855 received under the new facility. AMG also repaid \$184,871 in borrowings inclusive of \$162,117 repayment of the prior facility. As of June 30, 2016, available revolver capacity was \$142,939 (December 31, 2015: \$154,920). 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. The margin is dependent on the leverage ratio. At June 30, 2016 the margin was 1.5%. To mitigate risk the Company has entered into interest rate swaps for €50,000 to fix the interest rate on the Euro term loan. The Company has also entered into interest rate caps for \$47,000 in order to cap the interest rate on the US dollar term loan. See footnote 19 for additional information on the interest rate swap and interest rate cap.

As part of obtaining the facility the Company is responsible for maintaining a leverage ratio of below 3.00 to 1 and an interest cover ratio of no less than 4.00 to 1. As of June 30, 2016, the Company was in compliance with all of its debt covenants. See note 22 for subsequent events related to the credit facility.

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 consolidated statement of financial position. The Company repaid \$1,800 on these facilities during 2016. The Company borrowed \$3,525 on these facilities during 2015. Short term bank debt also includes credit facilities in Germany and India.

15. Employee benefits

As of June 30, 2016, the employee benefits liability has decreased to a balance of \$136,704 from the December 31, 2015 balance of \$137,853. The decline in the pension liability is primarily due to significant contributions made to fund the plans

in the United States during the six months ended June 30, 2016. These payments were partially offset by actuarial losses recorded during the period as a result of the decline in the discount rate on plans in both the United States and Europe.

16. Share-based payments

Stock Option awards

During the six months ended June 30, 2016, 206,107 (2015:119,002) share options were granted under the 2009 AMG Option Plan (“The Plan”) to the AMG Management Board as part of their 2016 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, 2016 was calculated as €2.62 (2015: €3.38) using a Black-Scholes model. The assumptions used in the calculation are set out below.

Exercise price	€9.78
Share price at date of grant	€9.78
Contractual life (years)	10
Dividend yield (%)	2.15%
Expected volatility (%)	37.3%
Risk-free interest rate (%)	(0.36%)
Expected life of option (years)	6

In the six months ended June 30, 2016, the Company recorded \$248 (2015: \$305) of expense related to stock options.

Performance share units

During the six months ended June 30, 2016, the Company issued 460,196 (2015: 251,484) performance share units (“PSUs”) to certain employees which can be settled in either cash or shares. The Company recorded expense of \$4,873 related to the 2016 and 2015 PSUs in the six months ended June 30, 2016 based on performance conditions. The Company has a liability of \$6,610 (2015: nil) related to the 2016 and 2015 PSUs at June 30, 2016.

During the first half of 2015, the Company elected to settle any future amounts paid for the 2014 and 2013 PSU awards with AMG shares. The Company recorded expense of \$666 (2015: \$3,964) related to these awards in the six months ended June 30, 2016. As these awards are equity settled, the balance is recorded in equity rather than as a liability as previously recorded when there was a cash settlement option in accordance with IFRS 2.

During the six months ended June 30, 2016, the 2013 PSU awards vested and based on performance conditions the Company issued 610,463 common shares with respect to the settling the awards.

17. Provisions

Restructuring

During the six months ended June 30, 2016, restructuring provisions of \$522 (2015: \$3,659) were recognized. The expense includes \$248 related to a cost reduction program for an operation in Germany and \$274 of provisions related to severance and early retirements in our US operations. The headcount impact on the 2016 restructuring expense was 3 employees at our European facilities and an executive employee at our US operations. Restructuring payments of \$960 (2015: \$3,041) were made during the six months ended June 30, 2016.

Environmental

During the six months ended June 30, 2016, payments of \$215 (2015: \$83) were made from the environmental provision and no additional provision was recorded in 2016 or 2015.

Warranty

During the six months ended June 30, 2016, warranty payments of \$492 (2015: \$329) and provisions of \$153 (2015: \$36) 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 on its percentage of completion contracts. The provision is developed on a contract by contract basis. The amounts recorded as a provision are the result of the expected total project costs and are based on historical percentages. Over the life of the percentage of completion contracts, the provision for project cost is utilized or derecognized depending on actual performance of the contracts. During the six months ended June 30, 2016, project cost payments of \$852 (2015: \$323) were made and additional provisions of \$4,807 (2015: \$1,363) were recorded.

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, 2016, there were provisions (reversed) recorded of (\$118) (2015: \$72) and payments of \$26 (2015: \$37).

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, 2016 there were additional provisions related to the ongoing mine operations in Brazil of \$5 (2015: \$69). A discount rate of 13.5% was used to determine the liability recorded which is consistent with prior year rate. The following table summarizes the activity for the period ended June 30, 2016:

	Brazil Restoration costs
Balance at January 1, 2015	7,904
Provisions (reversals) made during the period	(2,216)
(Decrease)/increase due to discounting	(2,993)
Environmental (reversal) transfer	(1,666)
Balance at December 31, 2015	1,029
Balance at January 1, 2016	1,029
Provisions made during the period	5
Increase/(decrease) due to discounting	73
Environmental transfers (reversal)	233
Balance at June 30, 2016	1,340
Non-current	1,029
Current	-
Balance at December 31, 2015	1,029
Non-current	1,340
Current	-
Balance at June 30, 2016	1,340

18. Deferred revenue

In the year ended December 31, 2012, one of the Company's subsidiaries entered into a sales contract with a long term customer with prepayments. The sales contract required the customer to pay \$5,000 upon signing of the contract with an additional prepayment due upon shipment of the first contractual quantities. Shipments to this customer began in June 2013 and at this time an additional \$15,000 prepayment was made by the customer. This prepayment was classified as an operating cash flow. In July of 2015, this contract was amended and the Company received an additional prepayment of \$11,016 along with an ownership interest with a value of \$12,600. The additional \$11,016 received was classified as an operating cash flow. The deferred revenue liability will be reduced using a prescribed formula over the course of the five-

year contract based on the tonnage shipped. The contract is estimated to run until the middle of 2018. The deferred revenue balance as of June 30, 2016 related to this contract is \$16,479 (December 31, 2015: \$25,135). There were no additional prepayments made on this contract.

The Company received payments in 2016 of \$3,341 which related to the expected future deliveries of products to customers. These combined with payments received in prior years resulted in a deferred revenue balance of \$3,946 at June 30, 2016 (December 31, 2015: \$4,528). The deferred revenue liability will be reduced using a prescribed formula over the course of the contract based on the tonnage shipped.

19. Financial instruments

Fair Values

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.

- Short term assets and liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.
- The calculation of fair value for derivative financial instruments depends on the type of instruments: Derivative interest rate contracts are estimated by discounting expected future cash flows using current market interest rates and yield curves over the remaining term of the instrument; Derivative currency and commodity contracts are based on quoted forward exchange rates and commodity prices respectively.
- Floating rate loans and borrowings and notes receivable maintain a floating interest rate and approximate fair value. Fair value of the Company's floating rate loans and borrowings and notes receivable are estimated by discounting expected future cash flows using a discount rate that reflects the Company's borrowing rate at June 30, 2016. The consideration of non-performance risk did not significantly impact the fair values.
- The fair value of fixed rate loans and borrowings are estimated by discounting future cash flows using rates currently available for debt.

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of June 30, 2016, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	June 30, 2016	Level 1	Level 2	Level 3
Financial assets				
Forward contracts – hedged	2,791	-	2,791	-
Forward contracts – non-hedged	308	-	308	-
Investments recognized as available for sale	15,000	-	-	15,000

Liabilities measured at fair value

	June 30, 2016	Level 1	Level 2	Level 3
Financial liabilities				
Forward contracts – hedged	5,219	-	5,219	-
Forward contracts – non-hedged	32	-	32	-
Interest rate swaps and caps	932	-	932	-

As of December 31 2015, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	December 31, 2015	Level 1	Level 2	Level 3
Financial assets				
Forward contracts – hedged	814	-	814	-
Forward contracts – non-hedged	164	-	164	-
Investments recognized as available for sale	14,000	-	-	14,000

Liabilities measured at fair value

	December 31, 2015	Level 1	Level 2	Level 3
Financial liabilities				
Forward contracts – hedged	13,130	-	13,130	-
Forward contracts – non-hedged	179	-	179	-
Interest rate swaps and caps	712	-	712	-

During the six months ended June 30, 2016, there were no significant changes in policies with respect to financial instruments.

Interest rate hedges

In May 2015, the Company entered into interest rate hedge agreements for the amount of the term loan denominated in Euros totalling €50,000. The Company also entered into interest rate caps for the amount of the term loan denominated in US Dollars totalling \$47,000. These hedging instruments were executed in order for the Company to hedge its exposure to changes in the benchmark interest rate on these term loans. Management has designated these instruments as cash flow hedges of the forecasted interest payments on the debt. At December 31, 2015, the Company's interest rate swaps had a fair value of (\$439) and the interest rate caps had a fair value of (\$273). As of June 30, 2016, the fair value of the interest rate swaps was a non-current liability of (\$618) and the fair value of the term loan interest rate caps was a non-current liability of (\$314). An unrealized loss of \$618 (December 31, 2015: \$305) 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, 2016.

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, 2016, other than in the ordinary course of business.

The following are the fair values of the contracts that were in place at June 30, 2016 and December 31, 2015.

	June 30, 2016	December 31, 2015
Assets		
Commodity forward contracts	315	62
Liabilities		
Commodity forward contracts	6	348

The commodity cash flow hedges that are treated as cash flow hedges were assessed to be highly effective and as of June 30, 2016 there was an unrealized gain of \$289 (December 31, 2015: (\$153)) included in equity.

	June 30, 2016	December 31, 2015
Assets		
Foreign exchange forward contracts	2,784	916
Liabilities		
Foreign exchange forward contracts	5,245	12,961

Foreign exchange forward contracts that are treated as cash flow hedges were deemed to be highly effective and as at June 30, 2016, there was an unrealized loss of (\$2,655) (December 31, 2015: (\$9,839)) included in equity.

20. Commitments and contingencies

Commitments

At June 30, 2016, there were commitments for the manufacture and purchase of property, plant and equipment in the amount of \$999 (December 31, 2015: \$3,318).

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 35 and 36 to the 2015 consolidated financial statements.

Contingencies

At June 30, 2016, there were business-related bank guarantees for the benefit of third parties in the amount of \$67,061 (December 31, 2015: \$60,973).

In September 2014, there was an employment injury sustained at a facility in the UK. An investigation was undertaken by the health and safety administration of the UK ("HSE") and has resulted in the HSE seeking a prosecution. Subsequently, the Company received a summons alleging a violation of the Health & Safety Act. Counsel estimated the range of potential fine to be approximately £250,000 to £1.45 million under the new sentencing guidelines which came into force in 2016, and the Company established a reserve at the approximate mid-point of this range. The estimated range was based on a number of possible outcomes and provided before the Company received details of the prosecution's case. With respect to the Company's provision, it is extremely difficult to identify an accurate figure and the range of possible penalties could potentially begin at a much lower level than the provision made. AMG pled guilty in 2016 and a sentencing hearing is scheduled to occur in November 2016, wherein AMG will present mitigating factors and the court will assess a fine. The provision as of June 30, 2016 is \$1,036 (December 31, 2015: \$1,036).

Other than noted above, there have been no material updates to the Company's contingencies as discussed in notes 35 and 36 to the 2015 consolidated financial statements.

21. Related parties

Transactions with associates

There have been no material transactions with related parties in the six months ended June 30, 2016 and 2015.

22. Subsequent events

On July 19, 2016 the Company amended and restated the existing credit facility dated May 26, 2015 as described in note 14. The new credit facility consists of a \$100,000 term loan, a €50,000 term loan and a \$243,000 revolving credit facility. The maturity on the new facility has been extended from 2018 to 2021. The Company has borrowed in full on the term loans upon execution of the amended and restated credit facility. There were no initial borrowings on the revolver. Interest on the amended and restated credit facility is based on current LIBOR (or in the case of any loans denominated in Euros, EURIBOR) plus a margin. The margin, which is dependent on the leverage ratio, was 2.0% at July 19, 2016.