



Vanadium—
strengthens steel for
use in infrastructure

V

Niobium—used to
harden steel

Nb

Cr

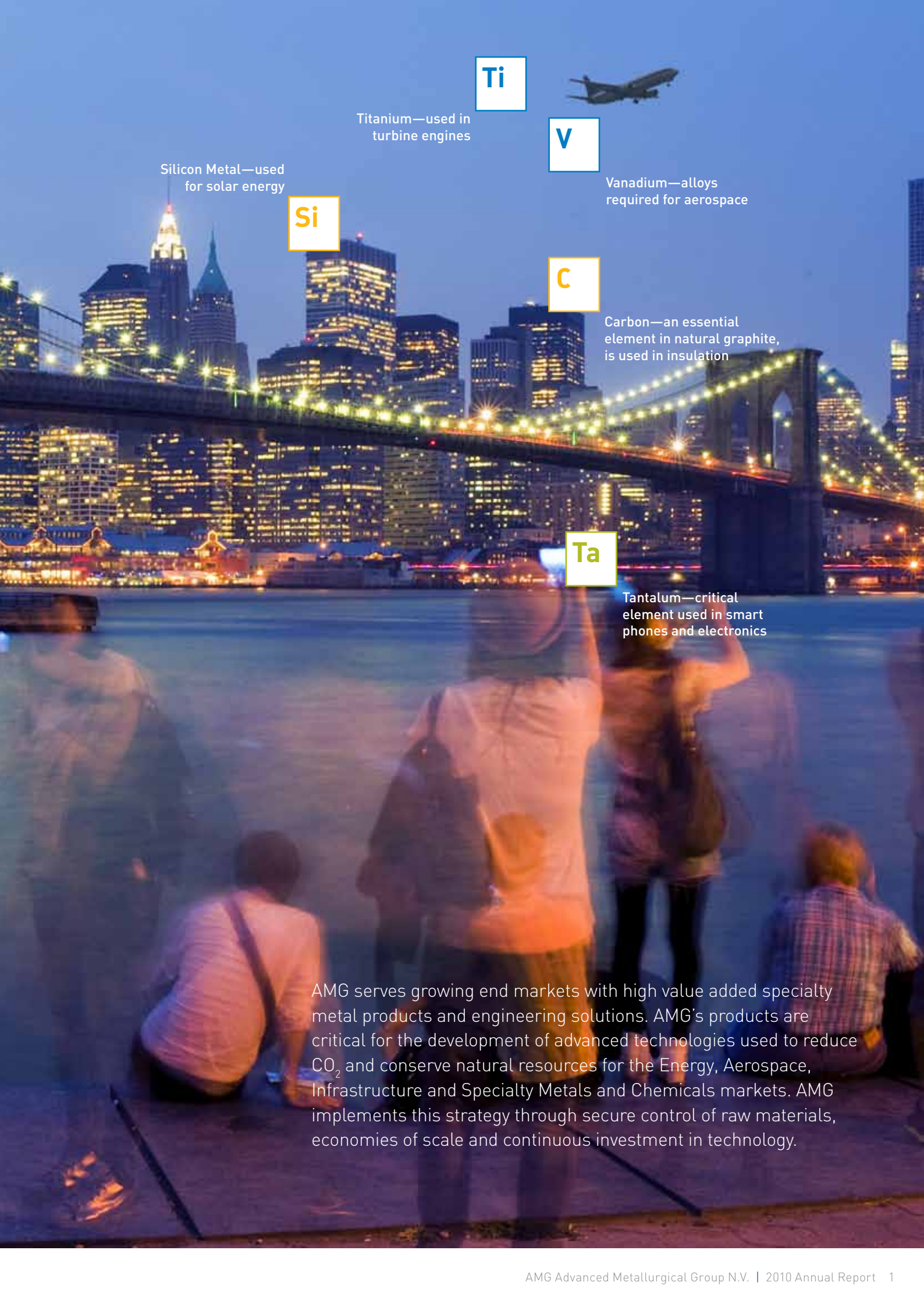
Chromium—
alloy used in
stainless steel

Antimony—used as
a flame retardant in
industrial applications

Sb

Essential materials we use everyday

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Ti

Titanium—used in turbine engines



V

Vanadium—alloys required for aerospace

Silicon Metal—used for solar energy

Si

C

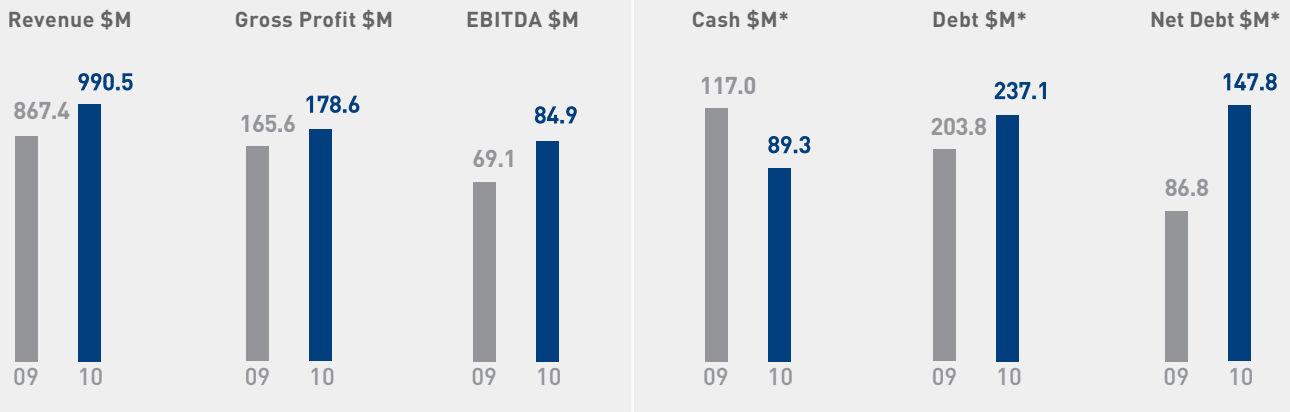
Carbon—an essential element in natural graphite, is used in insulation

Ta

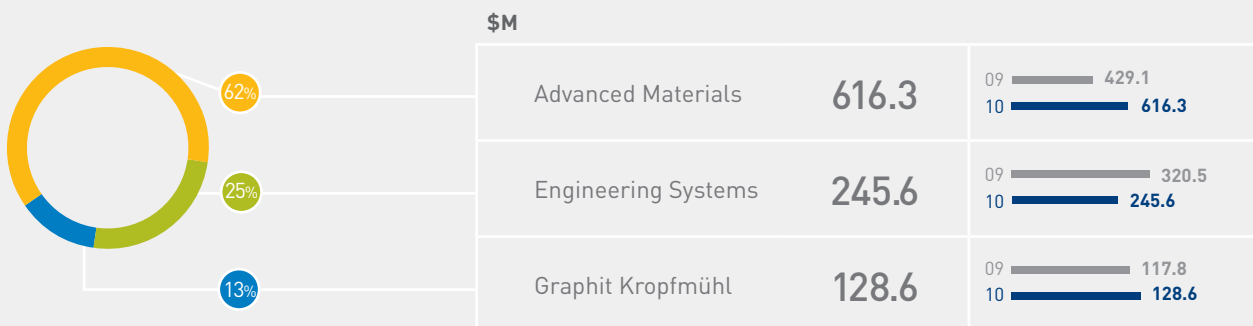
Tantalum—critical element used in smart phones and electronics

AMG serves growing end markets with high value added specialty metal products and engineering solutions. AMG's products are critical for the development of advanced technologies used to reduce CO₂ and conserve natural resources for the Energy, Aerospace, Infrastructure and Specialty Metals and Chemicals markets. AMG implements this strategy through secure control of raw materials, economies of scale and continuous investment in technology.

Highlights



Consolidated Revenue 2010



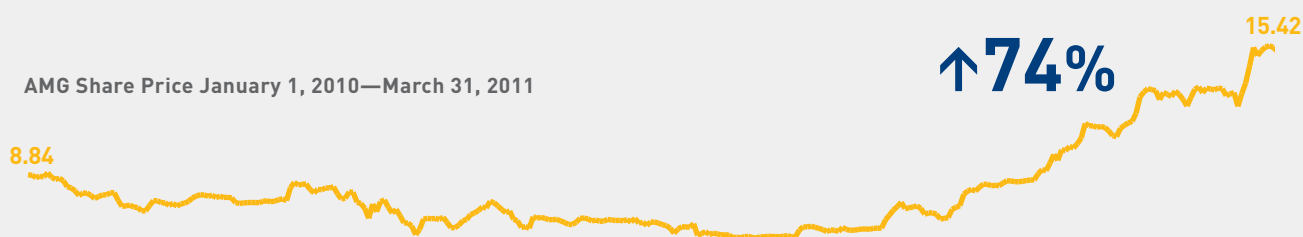
Revenue by End Market 2010



* As of December 31

AMG produces high value added specialty metal products and engineering solutions used to reduce CO₂ and conserve natural resources. Using secure raw material strategies, industry consolidation and investments in technology, AMG provides metallurgical solutions for responsible energy production, infrastructure, light weight materials for aerospace and the specialty metals and chemicals markets.

AMG Share Price January 1, 2010—March 31, 2011



ADVANCED MATERIALS

\$187.2 million increase in revenue, up **44%**, from 2009

\$39.8 million increase in EBITDA

Acquired:

- antimony mining rights and metal smelter in Turkey
- a commercial operation in India during early 2011 to expand AMD's geographic presence
- aluminum master alloy producer KB Alloys during early 2011

Expanded spent catalyst handling capacity and diversified spent catalyst sourcing in North America

Completed:

- the lithium mineral pilot plant in Brazil
- long-term sales contracts for tantalum concentrate in early 2011

ENGINEERING SYSTEMS

15% EBITDA margins generated despite a decline in revenue

13% increase in order backlog at December 2010 from December 2009

Acquired:

- an equity interest in Dynatech Furnaces (Mumbai) Private Ltd, a vacuum technologies company in India to increase ESD's market presence
- the innovative Mono^{2™} solar technology from BP Solar, to produce monocrystalline-like ingots using traditional multicrystalline furnaces
- an equity interest in nuclear furnace specialist Thermique Industrie Vide, France

Developed:

- the next generation of DSS solar furnaces, the SCU600plus, capable of approximately 30% lower operating costs per kilogram of silicon and therefore lower cost of solar energy
- a new heat treatment system, SyncroTherm[®], which can reduce operating costs through combining multiple step processes into one operation

Publicly listed investments:

GRAPHIT KROPFMÜHL AG

\$10.7 million increase in revenue, up 9% from 2009

\$1.3 million increase in EBITDA, up 21% from 2009

AMG acquired an additional 8.5% of Graphit Kropfmühl in December 2010, increasing its ownership position to 88.0%

TIMMINCO LIMITED

Timminco sold 49% of its silicon metal operation to Dow Corning for **\$40.1 million in cash** and up to an additional \$10.0 million based upon hitting certain performance objectives. Timminco used the proceeds of this transaction to repay all of its senior bank debt and for other general corporate purposes.



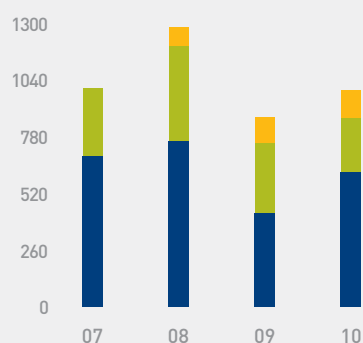
Dear Shareholder,

AMG's 2010 performance can be understood as a bridge to its intrinsic profitability levels following a challenging 2009. Operating profit more than doubled to \$43.3 million and EBITDA increased 23% to \$84.9 million with the fourth quarter up 62% over the same period in 2009. For 2011, it is our objective to surpass the EBITDA level of 2010. That depends on whether the fallout of the recent events in Japan, northern Africa and the Middle East lead to disruptions in global economic activity.

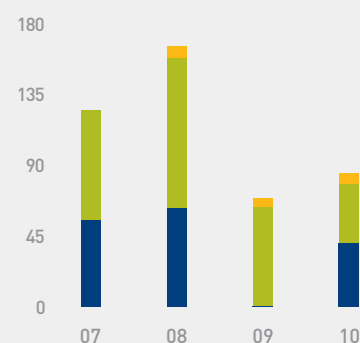
"Built-In Stabilizers"

As seen in 2009, the Advanced Material Division (AMD), in a severe economic downturn, loses earnings power quickly. In line with this, AMD's EBITDA in 2009 dropped to a break-even level. Having been "first in", it was also "first out" in 2010 generating EBITDA of \$39.8 million. In contrast, the Engineering Systems Division (ESD), was shielded against the crisis somewhat in 2009 by its relatively large order backlog. In line with this, ESD still produced \$62.9 million in EBITDA during 2009. The order backlog reached its low point in April 2010 at \$121 million. It rebounded by year end 2010 to \$183 million. Despite this EBITDA declined 40% to \$37.5 million from 2009. The reaction time lag of ESD appears to be about one year vis-à-vis AMD and the volatility of AMG consolidated is significantly lower than the individual volatility of AMD and ESD.

Revenue \$M



EBITDA \$M



■ Advanced Materials ■ Engineering Systems ■ Graphit Kropfmühl

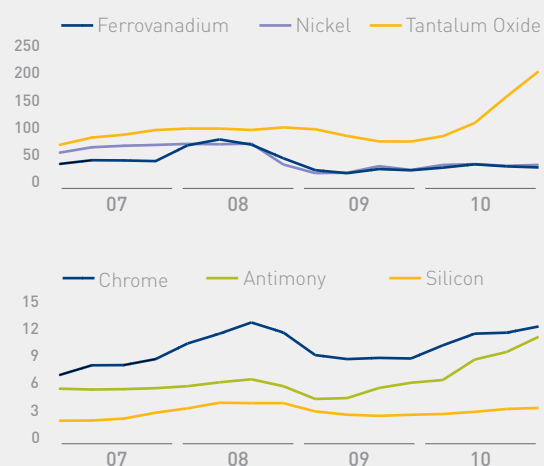
It is a strategic objective of AMG to reduce this “downside” volatility. We are working on this by increasing productivity to reduce “break-even” prices in all units. We are also continuing to identify potential “vertical” moves upstream on the supply lines of our various niche metal markets and “horizontal” industry consolidation opportunities.

Advanced Materials: The Market for Critical Metals

On balance, in 2010, our markets have begun to return to a healthy activity level. The global steel industry is expected to move into record territory in 2011; and the solar industry, led by China, is continuing its high growth rates. The aerospace industry is operating on a high level of backlog with the caveat of projected delays of the new titanium intensive airplanes.

Prices for non-ferrous metals, the only exchange-traded metal category, increased substantially in 2010, copper by 33%, the LME index by 24%. The prices for “our” metals have not moved uniformly. Vanadium, molybdenum and titanium prices continue to be rather low, chrome metal has risen by 30% in 2010, silicon metal by 36%, tantalum has more than doubled, antimony metal almost tripled, so has the average price of rare earth metals where we are exposed to cerium for our polishing powder production. The price explosion in rare earth metals and in antimony metal is related to export restrictions in China in addition to growing demand. In antimony metal and rare earth metals the most important parameter affecting the global market is China’s export management which reflects concerns about resource depletion and environmental legacies. In tantalum it is the reluctance of consumers to use materials resulting from so called non-ethical mining operations.

16 Quarter Prices \$000



Upstream Integration

We procure the feedstock for our production of metallic alloys, powders and coatings through three channels: market purchases, recycling services, and through our mining operations. Nearly 100% of our production of

vanadium materials (ferro-vanadium, vanadium chemicals and by-products, such as ferronickel-molybdenum) is sourced from industrial waste streams (spent catalysts and other residues from oil refineries and power plants). In 2010 we contracted for a substantial increase in the recycling throughput of spent catalysts from oil refineries.

The feedstock for titanium alloys is sourced through market purchases of titanium sponge and through the internal production and market purchases of master alloys, especially vanadium chemicals, which again are partly sourced through market purchases and our recycling services. Aluminum master alloys are based on market purchases and internal production of various metallic components. Chrome metal is based on market purchases of chrome oxide and aluminum powders. Tantalum and niobium are sourced from our mine in Brazil and from market purchases. We mine graphite in Sri Lanka and our mine in Germany is on stand by. Quartz for silicon metal is sourced partially from the market and also from our mine in Quebec. We also source cerium, a rare earth metal for polishing powders and hydrogen storage alloys, from China.

Supply Lines

AMG Products	Feed
Antimony Trioxide	Metal
Al-Alloys Powders	Metals
Chromium Metal	Oxide
FerroVanadium	Concentrates
FerroNickel-Molybdenum	Concentrates
Fe-Titanium	Scrap
Tantalum	Concentrates
Natural Graphite	Ore
Niobium	Oxide
Polishing Powders	Cerium
Silicon Metal	Quartz
Titanium Alloys	Sponge
Vanadium Chemicals	Concentrates
Market	
AMG Recycling	
AMG Mines	

In 2010 AMG acquired an antimony mining and smelting property in Turkey. This acquisition was the result of a global analysis of upstream options for our antimony trioxide business in Europe. This business was becoming increasingly risky because of the spiking antimony metal prices following aforementioned export restrictions in China, the dominant producer of antimony metal, and “foreign” acquisition efforts by Chinese producers of antimony mining properties. We expect to start our antimony mining and smelting production later in 2011 and ramp up in 2012. This illustrates that we have started a broad effort to apply our mining expertise to upstream options as various rare metal markets show signs of market imbalances, and also as a result of new demand from

advanced technological developments. Strategic agility is important to manage those market imbalances.

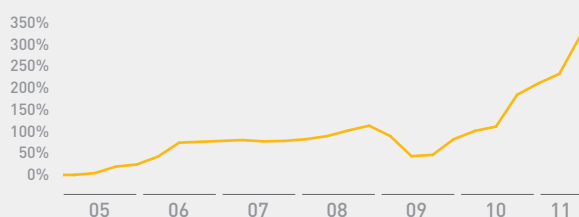
Industry Consolidation

In February 2011 we completed the acquisition of KB Alloys, LLC ("KB"), the leading producer of aluminum master alloys in the United States, with production facilities in Kentucky and Washington, USA, and China. This is a transformational acquisition in the aluminum alloy market. We combine our aluminum master alloy business in the United Kingdom, Brazil and China with KB and thereby establish a clear market leader with global reach and a strong presence in China. We believe this move to be low risk as we are very familiar with the products, people, markets, technology, customers and suppliers.

Engineering Systems

An important metric for our heat treatment series, global automotive demand for fuel efficient vehicles, is improving, and that includes the North American market where our services are especially critical to the industry.

In addition to order backlog, an important metric that we follow closely at ESD is the universe of active outstanding quotes in which ESD has participated. A certain percentage of this universe will ultimately be converted into firm orders and eventually revenue and cash flow. As backlog is more of a short term indicator, total quotes outstanding are a measure of healthiness in the medium term. The trend of the universe of total quotes outstanding is a good barometer for how ESD is likely to perform over the next few years. While we do not publish the total volume of the outstanding quotes, the universe presently exceeds \$2.0 billion and has experienced a double digit percentage increase over the past twelve months.



This increase in quotes is reflected in the increase in order intake pictured above. The second half of 2010 produced the first positive book to bill quarters since early 2008. The order intake and quotes are fairly well-distributed amongst the specialty steel, super alloy, titanium and solar industries.

While external factors such as overall macroeconomic health and demand in specific geographic or industry sectors influence the size of the universe of outstanding quotes, factors related specifically to ESD's capabilities not only influence this pool, but more importantly impact

the conversion of quotes into firm orders. ESD has over 2,000 furnaces installed worldwide and processed more than a million parts requiring high wear resistance heat treatment in its Own & Operate unit. Such an extensive installed base of reference accounts builds on ESD's credibility, facilitating to securing orders across a spectrum of geographic markets. In addition, the continuous investment in new products and technologies in selected niche markets provides ESD with a distinct competitive position, making it the engineering firm of choice in most of its markets.

We have made several investments in certain technologies that we expect will enhance ESD's growth in the near term. Here are a few examples:

- Heat Treatment: Conventional automotive gear manufacturing concepts rely on the separation of different operations such as soft machining, heat treatment and hard machining. We have developed a new furnace module called SyncroTherm® which synchronizes heat treatment with machining, permitting a one-step process versus a multiple-step process. Not only does SyncroTherm® offer significant cost reductions, but also provides a more homogenous, higher quality treatment of parts versus traditional methods. ESD's combination of material science and furnace technology provides a truly disruptive technology in the mass production of certain automotive parts. This heat treatment technology is a key component of the fuel efficiency improvements in the transportation industry.
- Solar: We have developed crystallization furnaces capable of using much larger crucibles, resulting in approximately 30% lower operating costs per kilogram of silicon and therefore lower cost of solar energy. Also, with the acquisition of the Mono²™ technology from BP Solar, we will offer an upgraded line of furnace systems to produce monocrystalline-like ingots using traditional multicrystalline furnaces that will provide a higher sunlight to electricity conversion rate at lower cost per watt.

We have also launched several initiatives in the electron beam (Blade Runner™ line smart coaters for turbine blades), primary melting of specialty steels with vacuum induction, secondary melting of large ingots and featuring parallel withdrawal systems, and precision casting for titanium-aluminides used in aerospace engines.

Social Responsibility

Alongside our financial goals, our three core sustainable development objectives of being responsible stewards of the environment, meeting or exceeding regulatory standards and being a valued contributor to the local economies and communities in which we operate continue to guide us.

We continue to focus on products and services that improve energy efficiencies and to deliver them through a supply chain that aims to continually improve efficiencies by managing resource use, including raw materials, energy and water and reducing wastes. We are also committed to making our products in an ethical way that respects internationally recognized declarations on human rights. For example, our vertically integrated supply chain for tantalum products means we can reassure our customers that they are free of the human rights issues often associated with this conflict mineral. We demonstrate our commitment through membership of the United Nations Global Compact, the Extractive Industries Transparency Initiative and through our Organizational Stakeholder role within the Global Reporting Initiative.

Manufacturing metallurgical products safely is our goal, and in 2010 AMG re-emphasized its commitment to improve safety performance at every site. Earlier this year I attended AMG's first Global Safety Conference which included representatives from all our companies and operations around the world. Once again this year we are able to report improvement—a 20% reduction in lost time accidents, but at the Conference I re-emphasized that health and safety is a core element of the Company's values and there is urgency to reach our aim of zero injuries.

This increased emphasis on safety and health is simply the right thing for AMG to do. But putting AMG employees' safety first also makes good business sense, since fewer accidents directly convert to reduced costs and increased productivity. Developing the behaviors that lead to great safety performance spills over into almost all other areas of a site's operations from quality to the bottom line. AMG is implementing a program to include a portion of senior management's compensation based upon the health and safety performance of their respective business unit. A reputation for safe production will also limit risks for our investors and make us an employer of choice in the sector.

Outlook

We continue in the steadfast pursuit of our strategic objectives. We aspire to be an industry leader through continued innovation, improving cost efficiency and focusing on our end markets to achieve stable profitability levels above industry average. In 2010 we moved closer to those goals by exceeding 2009 revenue and EBITDA. In 2011 our objective is to exceed 2010 revenue, EBITDA and cash flow. The strategic changes that we made in the Advanced Materials Division including the acquisition of the antimony mine and smelter, cost reductions made in the aerospace master alloys and coatings products, the acquisition of aluminum alloy producer KB Alloys, LLC and rising prices and demand for tantalum should yield double digit percentage revenue growth in 2011. The Engineering Systems division began 2011 with a 13% larger order backlog than it began 2010 due to improved demand in the specialty steel and solar industries. We expect strengthening demand for natural graphite and improved pricing especially for silicon products to result in growth at Graphit Kropfmühl in 2011. As we have seen from the results of the first two months, 2011 has started well and that supports our confidence when analyzing the risks associated with our volatile times.



Dr. Heinz C. Schimmelbusch
Chief Executive Officer

Accomplishments

Developed the next generation single crucible solar melting and crystallization vacuum furnaces—the SCU 600plus

Transitioned Safeguard International Fund L.P. as a major shareholder (Dr. Schimmelbusch retains his 1% ownership in AMG)

Purchased an additional 8.5% of Graphit Kropfmühl

Acquired intellectual property and manufacturing assets related to the Mono²™ suite of solar casting technologies from BP Solar

Acquired an antimony mining concession and metal smelter in Turkey

Completed the qualification work at our lithium concentrate pilot plant

In recent years, technological innovation, growth in clean energy, increased focus on strategic resource management and the development of emerging markets has increased the demand on raw materials. In addition, geopolitical/economic changes are impacting the supply of critical raw materials.

AMG: Critical, Secure, Connected

AMG's long-term goal remains unchanged: to provide metallurgical solutions to the growing trend of sustainable development of natural resources and CO₂ reduction for the Energy, Aero-space, Infrastructure and Specialty Metals and Chemicals markets. The demand on critical raw materials and technologies needed to meet this goal is increasing. Structural changes involving infrastructure growth in emerging economies, natural resource scarcity and control, increasing demand for safe and secure environmentally responsible energy production and demand for more fuel efficient transportation continue to evolve. AMG, through vertical integration, seeks to secure many of the critical materials required to serve these growing end markets. AMG's unique market position, with a combination of vacuum technology leadership, recycling services, conversion activities, and mines, is well positioned to capitalize on the long-term growth of critical raw materials and technologies.

EU Critical Raw Materials

The European Union (EU) issued the "Critical Raw Materials for the EU"¹ report ("EU Report") in June 2010. The EU Report noted that "the EU is highly dependent on imports of 'high tech' metals such as cobalt, platinum, rare earths, and titanium. Such materials play an essential role in the development of innovative 'environmental technologies' for boosting energy efficiency and reducing greenhouse gas emissions. The EU Report concluded that some raw materials can be considered to be particularly critical, because of three reasons: their significant economic importance for key sectors, high supply risks and lack of substitutes".

AMG's Secure Supply

AMG believes that its MIBRA mine in Brazil is presently the world's largest producer of "conflict free" tantalum, as described in the United States "Conflict Minerals Law", enacted in July 2010. This law requires U.S. listed companies to report and make public the use of so-called "conflict minerals" from the Democratic Republic of the Congo or adjoining countries in their products. Tantalum is primarily used in capacitors for electronic equipment due to its high capacitance that can be achieved in a small volume, thus helping enable miniaturization of electronics.

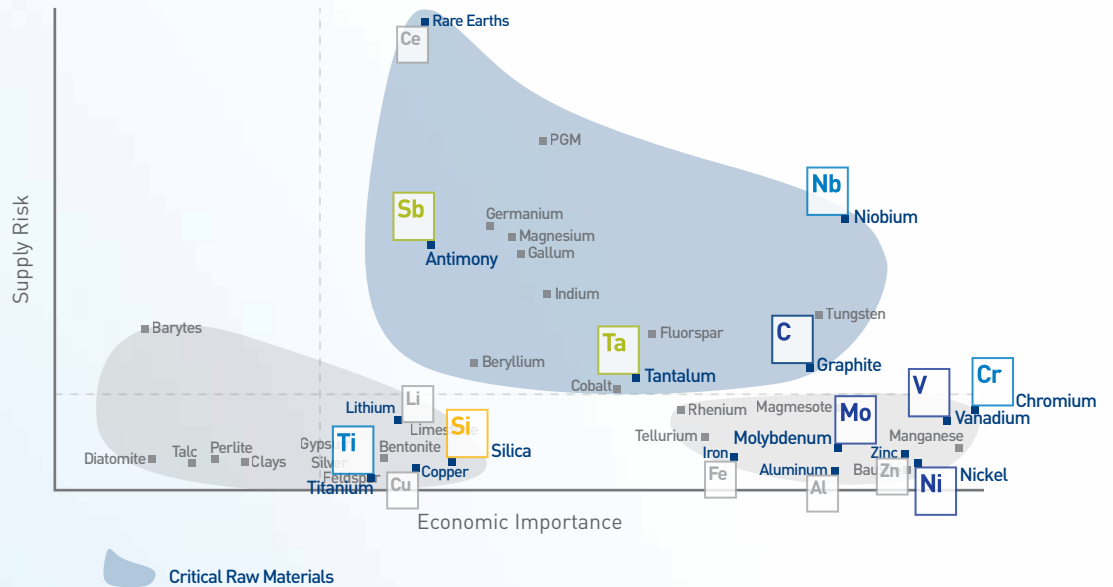
Through its secure contracts with producers of oil from the Canadian Oil Sands, AMG is the world's largest recycler of spent catalysts used for the production of ferrovanadium and ferromanganese-molybdenum. Ferrovanadium is a key component in the production of carbon steel used for infrastructure. FeNiMoly® is used to create high quality stainless steel and special bar quality steel. In 2010 AMG acquired significant antimony mining rights and an adjacent antimony metal smelter in Turkey. The acquisition secured a significant supply of antimony metal used in AMG's antimony trioxide operation for the specialty chemical flame retardant market.

Natural graphite from AMG's mine in Sri Lanka is used to produce a wide variety of products including insulation for infrastructure and electric motors for transportation.

¹ Ad-hoc Working Group on defining critical raw materials Critical raw materials for the EU The ad-hoc Working Group is a sub-group of the Raw Materials Supply Group and is chaired by the European Commission.

Critical Raw Materials for the EU

This report studied the “criticality” of 41 minerals. Based on a criticality methodology, the EU Report made conclusions regarding the economic importance and supply risk of the 41 minerals. The EU Report chart is below. The minerals in which AMG is involved are highlighted. AMG has secure raw material sources for 4 of the 14 minerals that the EU Report considered to be “critical raw materials”.



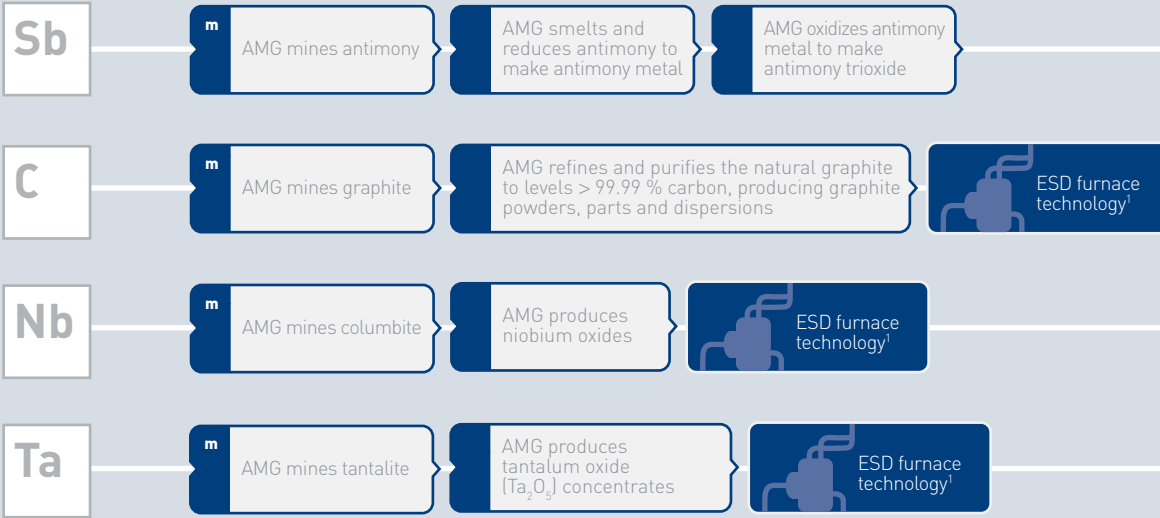
AMG: Securing Supplies of Critical Raw Materials

AMG has a wholly owned mine in Brazil that produces tantalum and niobium concentrates. AMG is the world’s largest recycler of spent catalysts used for the production of ferrovanadium and ferronickel-molybdenum through its secure contracts with producers of oil from the Canadian Oil Sands. In Turkey, AMG owns significant antimony mining rights and an adjacent antimony metal smelter. Through Graphit Kropfmühl, AMG has a high purity natural graphite mine in Sri Lanka.

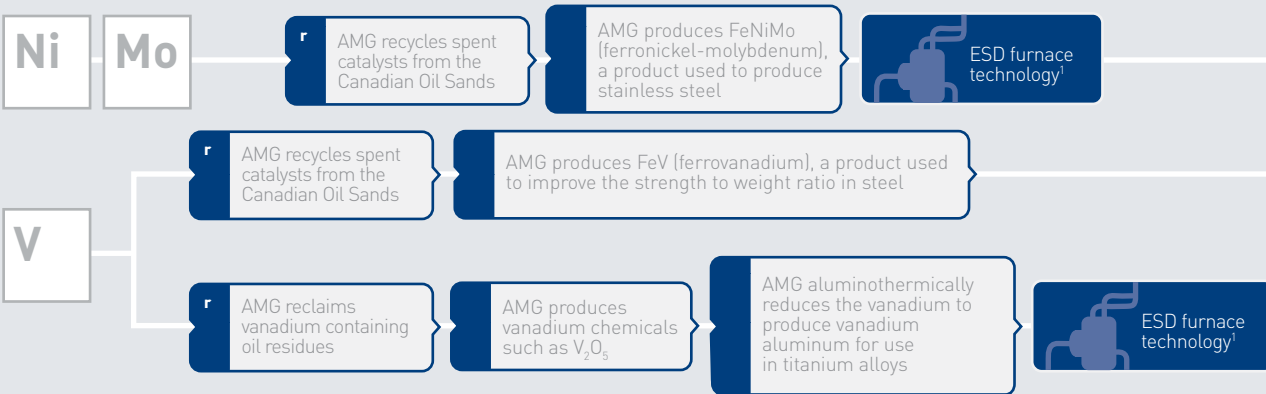


Selected Materials and their End Markets

AMG has mining assets of these raw materials



AMG has long-term recycling contracts



m mining **r** recycling

¹ ESD furnace technology used by processors of AMG end products
² ESD furnace technology used by AMG and processors of AMG end products



Energy

Energy demand is expected to grow faster than population growth as the standard of living continues to rise in emerging markets; an 86% increase in energy demand is forecast by 2050.¹

Growth in energy demand will lead to significant investments in energy infrastructure needed to supply both conventional and alternative energy. AMG is meeting this demand through research and development for the safe storage of nuclear waste, vacuum furnaces used in the production of solar silicon ingots and specialty alloys used to help make industrial gas turbines more fuel efficient. In 2010 AMG acquired intellectual property and manufacturing assets related to the Mono^{2™} solar casting technology. Mono^{2™} is a proprietary process whereby high-efficiency monocrystalline-like silicon ingots are produced utilizing standard SCU furnaces using a variety of solar silicon feedstock. This technology is being integrated into AMG's Engineering Systems Division's SCU400plus and SCU600plus solar melting and crystallization vacuum furnaces. AMG has a global installed capacity of over 3.5 GW peak or the equivalent of over 500 SCU furnaces and is recognized as a leading technology provider to the solar wafer industry.

AMG produces high purity silicon metal (greater than 99% purity), the basic building block for polysilicon used in solar and semiconductor wafers. AMG estimates that silicon metal demand for solar applications was 180,000 metric tons or 10% of global silicon metal production in 2010. Silicon metal is produced by melting silica and coke in a submerged electric arc furnace at high temperatures, to produce a reaction where the oxygen is removed, leaving behind silicon. AMG has an annual capacity to produce 30,000 metric tons of silicon metal annually. Timminco Limited, in which AMG has a minority investment, has a capacity to produce approximately 24,000 metric tons of silicon metal annually through its 51% ownership of Quebec Silicon.

AMG also produces high purity natural graphite, a material which is used as an anode in lithium ion batteries, a rapidly growing market.

\$211.2M

AMG revenue

21%

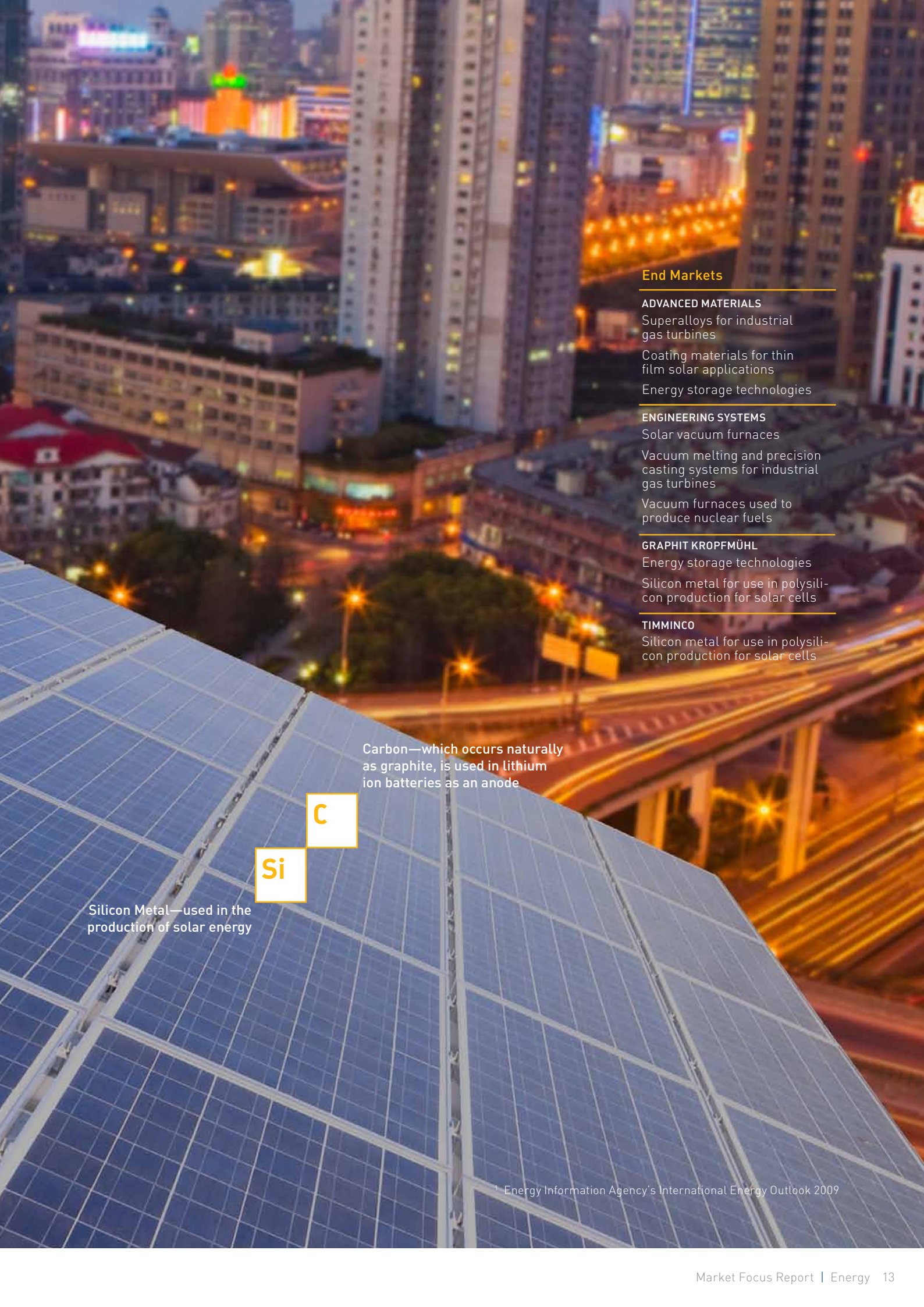
of total AMG revenue

\$47.3M

gross profit

22%

gross margin



End Markets

ADVANCED MATERIALS

Superalloys for industrial gas turbines

Coating materials for thin film solar applications

Energy storage technologies

ENGINEERING SYSTEMS

Solar vacuum furnaces

Vacuum melting and precision casting systems for industrial gas turbines

Vacuum furnaces used to produce nuclear fuels

GRAPHIT KROPFMÜHL

Energy storage technologies

Silicon metal for use in polysilicon production for solar cells

TIMMINCO

Silicon metal for use in polysilicon production for solar cells

Carbon—which occurs naturally as graphite, is used in lithium ion batteries as an anode

C

Si

Silicon Metal—used in the production of solar energy

¹ Energy Information Agency's International Energy Outlook 2009

Aerospace

Global aviation accounts for about 2% of global CO₂ emissions.¹ A 1% reduction of aerospace fuel burn is equivalent to a fuel saving of 250 liters per flight.²

Reducing structural weight is one of the major ways to improve aircraft performance. AMG produces a number of specialty alloys and coatings including gamma titanium aluminum used to help reduce weight and improve operational performance of aircraft. These lightweight, high strength materials are critical to enabling the next generation commercial aircraft to reduce CO₂ emissions and fuel usage. AMG's high-purity master alloys improve the physical properties of titanium alloys used in jet engines, airframes, and other critical-quality applications. The landing gears, airframes, and turbine blades of jet engines rely on strong, light-weight titanium alloys strengthened with these high-purity master alloys. In addition to producing light-weight materials, AMG's coatings products such as thermal barrier coatings play a crucial role in jet aircraft engines and other aerospace applications. These coatings help materials withstand higher temperatures and mechanical stresses, while extending the useful life of the end products. These materials are highly engineered products designed to meet the needs of today's high stress operating environments. With more than 90 years of know-how AMG is continuously developing new tailor-made materials according to our customers' requirements.

AMG also develops and produces advanced vacuum furnace systems used to make titanium and other high purity materials used in aerospace applications. AMG produces electron beam /physical vapour deposition systems for corrosion protection and vacuum arc remelting systems used to produce high purity titanium and superalloys for aerospace. Some of these technologies have been used to help the Boeing 787 achieve its goal of being 20% more efficient than similarly sized airplanes.³

\$258.8M

AMG revenue

26%

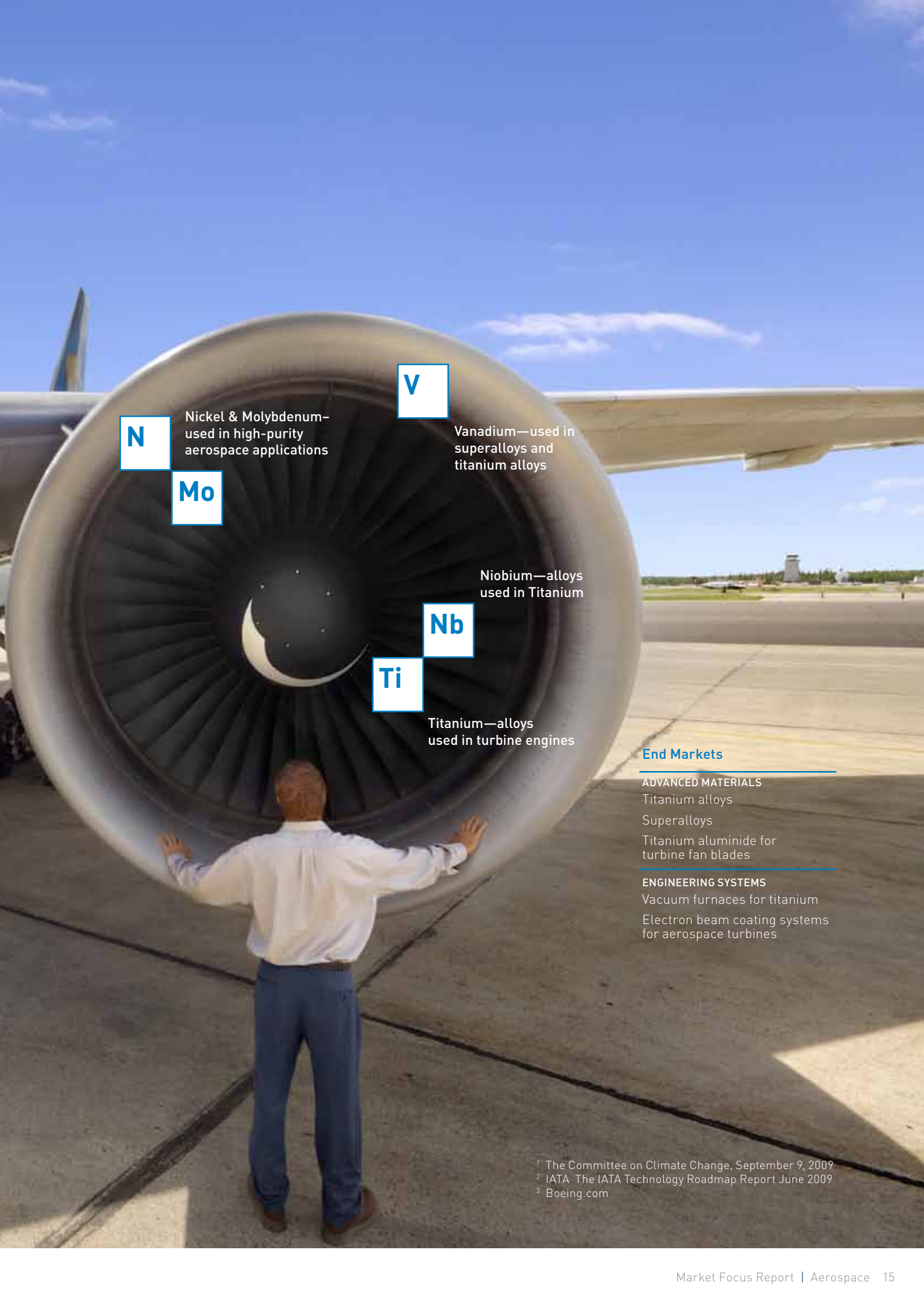
of total AMG revenue

\$54.3M

gross profit

21%

gross margin



N

Nickel & Molybdenum—
used in high-purity
aerospace applications

Mo

V

Vanadium—used in
superalloys and
titanium alloys

Nb

Niobium—alloys
used in Titanium

Ti

Titanium—alloys
used in turbine engines

End Markets

ADVANCED MATERIALS

Titanium alloys
Superalloys
Titanium aluminide for
turbine fan blades

ENGINEERING SYSTEMS

Vacuum furnaces for titanium
Electron beam coating systems
for aerospace turbines

¹ The Committee on Climate Change, September 9, 2009

² IATA The IATA Technology Roadmap Report June 2009

³ Boeing.com

Infrastructure

It is estimated between \$25 trillion and \$30 trillion will be spent on global infrastructure over the coming two decades.¹

Long term fundamental changes involving infrastructure growth in emerging economies and natural resource scarcity are impacting demand on AMG's infrastructure products. AMG produces ferrovanadium, which, when added to crude steel, creates a product that is lightweight and extremely high in tensile strength and wear resistance. AMG also produces ferronickel-molybdenum which is used to create high quality stainless steel and special bar quality steel. AMG produces these ferroalloys via recycling spent oil catalysts from the Canadian Oil Sands. In this unique business model, AMG's technologically advanced process recovers these valuable specialty metals from hazardous waste, eliminating the need to landfill this waste. AMG estimates that the energy consumption used to produce recycled vanadium is approximately 60% of primary manufacturing routes. AMG is the largest recycler of spent catalysts in the world and has an estimated 30% ferrovanadium market share in North America. Demand for these alloys is driven both by infrastructure expenditures and an increase in vanadium usage per metric ton of steel in developing countries. For example, structural steel in China contains only $\frac{1}{3}$ of the vanadium per metric ton of steel as in North America.²

AMG also produces high purity natural graphite at Graphit Kropfmühl. Natural graphite is known for its conductivity, lubrication, heat resistance, and bonding properties. Graphit Kropfmühl produces the highest quality graphite through its own source mines and vertically integrated production facilities. This high purity natural graphite is primarily used in the infrastructure industry as thermal insulation for the building materials.

\$162.7M

AMG revenue

17%

of total AMG revenue

\$34.7M

gross profit

21%

gross margin



End Markets

ADVANCED MATERIALS

Ferrovandium for building materials (structural steel)

Niobium to harden steel

Nickel molybdenum for stainless steel

ENGINEERING SYSTEMS

Vacuum furnaces for specialty steel

GRAPHIT KROPFMÜHL

Graphite insulation

Chromium—alloy used to produce stainless steel

Cr

Carbon—which occurs naturally as graphite, used in insulation

C

V

Vanadium—used to improve the strength-to-weight ratio in steel

Ni

Nickel molybdenum—used in steel production

Mo

Niobium—used to harden steel

Nb

¹ Benjamin Tal, CIBC World Bank, 2009

² Evraz Group S.A.

Specialty metals and chemicals

The specialty chemicals industry was valued at \$393 billion in 2009. China's specialty chemicals market is expected to grow at 9% annually over the next five years.¹

Utilizing its extensive background in metals based material technologies, AMG produces innovative specialty metals and chemicals for a wide variety of applications. AMG focuses on securing the raw materials to create intermediate products that enhance the performance of our customer's end products while promoting sustainable development.

Over the last century AMG's predecessor companies have been developing the "next generation" materials to improve the quality of life and spur innovation. Specifically, AMG is focused on producing customized metallurgical solutions that meet the market's exacting demands. AMG has secure raw material supplies for two of its critical materials used in the specialty metal and chemical markets. These two materials—tantalum and antimony—are listed as "critical" by the European Commission due to supply risk and economic importance.

Included in AMG's product portfolio is tantalum, a material used as a capacitor in electronics due to its high capacitance that can be achieved in a small volume, thus helping enable miniaturization of electronics. Demand and pricing of tantalum has increased substantially in recent years due to the significant use of tantalum for electronic capacitors in high tech electronic goods. Tantalum is vital in making smart phones, tablets and computers smaller, faster, and more efficient. AMG is the world's largest producer of "conflict free" tantalum, as described in the United States "Conflict Minerals Law", enacted in July 2010. This law requires U.S. listed companies to report and make public the use of so-called "conflict minerals" from the Democratic Republic of the Congo or adjoining countries in their products. AMG produces tantalum concentrate from its MIBRA mine in Brazil.

AMG also produces antimony trioxide, a flame retardant used in a number of specialty chemical applications including plastics, textiles and infrastructure applications. In 2010 AMG acquired significant antimony mining rights and an adjacent antimony metal smelter in Turkey. Antimony metal is the feedstock used to produce antimony trioxide and over 90% of the world's antimony metal is currently produced in China. This investment will help secure AMG's raw material supply.

Antimony—used as a flame retardant in textiles

Sb

V

Vanadium—used to improve UV absorption in glass

\$357.8M

AMG revenue

36%

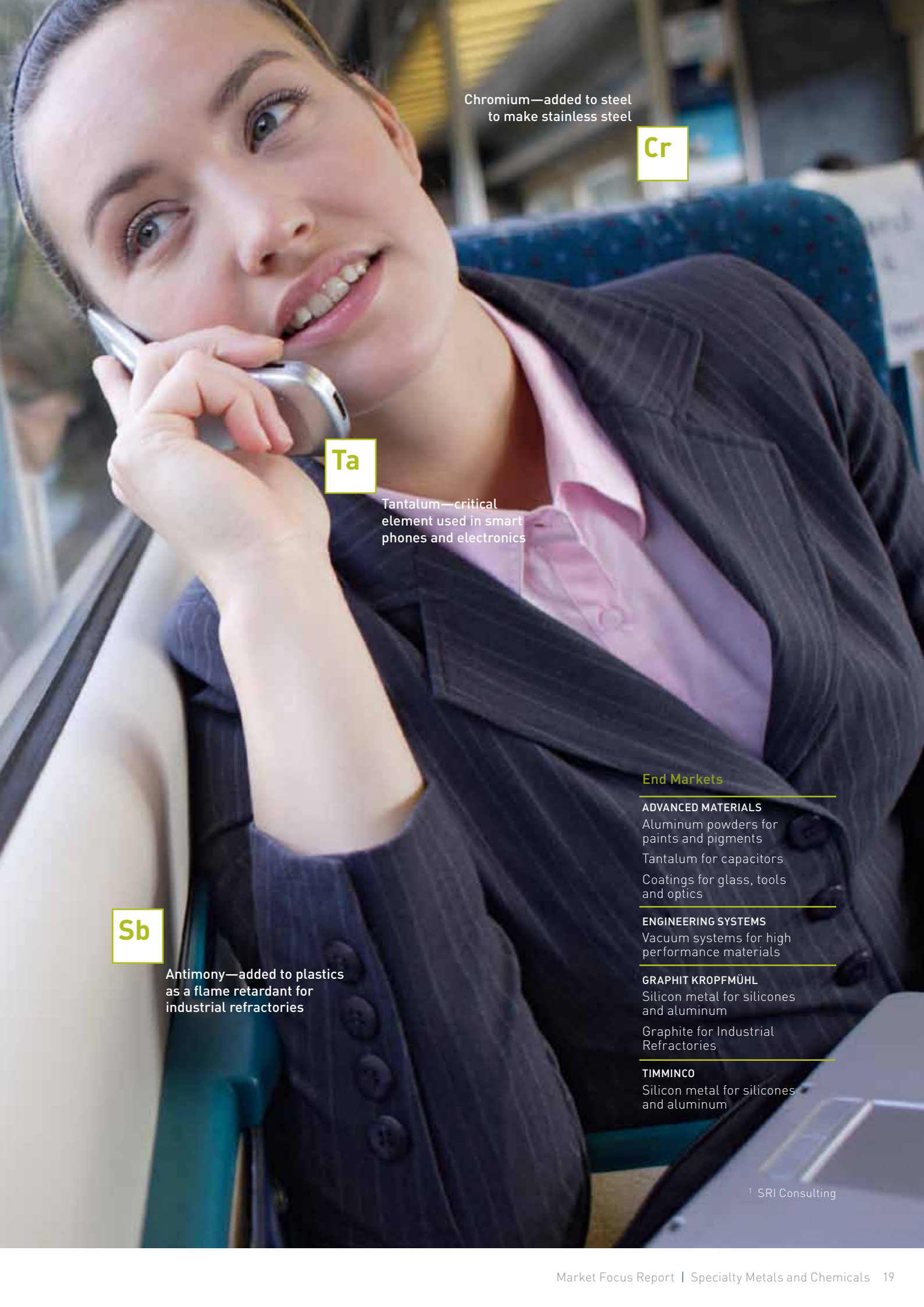
of total AMG revenue

\$42.3M

gross profit

12%

gross margin



Chromium—added to steel
to make stainless steel

Cr

Ta

Tantalum—critical
element used in smart
phones and electronics

Sb

Antimony—added to plastics
as a flame retardant for
industrial refractories

End Markets

ADVANCED MATERIALS

Aluminum powders for
paints and pigments
Tantalum for capacitors
Coatings for glass, tools
and optics

ENGINEERING SYSTEMS

Vacuum systems for high
performance materials

GRAPHIT KROPFMÜHL

Silicon metal for silicones
and aluminum

Graphite for Industrial
Refractories

TIMMINCO

Silicon metal for silicones
and aluminum

¹ SRI Consulting

Report of the Management Board



Dr. Heinz Schimmelbusch
Chairman & Chief Executive Officer

66



William Levy
Chief Financial Officer

51



Eric Jackson
President, Advanced Materials

58



Dr. Reinhard Walter
President, Engineering Systems

59

Dr. Schimmelbusch was appointed Chief Executive Officer and Chairman of the Management Board on November 21, 2006. He has served in a similar capacity for businesses comprising AMG since 1998. Dr. Schimmelbusch also serves as nonexecutive chairman of the board of various companies, including Allied Resource Corporation, United States, and Chairman of the Supervisory Board of PFW Aerospace, Speyer, Germany. Dr. Schimmelbusch is also Chairman and CEO of Timminco Limited and a General Partner, Managing Director and a founder of Safeguard International Fund, L.P. Dr. Schimmelbusch served as Chairman of Metallgesellschaft AG from 1989 until he resigned in 1993. His directorships have included Allianz Versicherung AG, Mobil Oil AG, Teck Corporation, Methanex Corporation and MMC Norilsk Nickel. Dr. Schimmelbusch served as a member of The Presidency of the Federation of German Industries (BDI) and The Presidency of the International Chamber of Commerce (ICC). Dr. Schimmelbusch received his graduate degree (with distinction) and his doctorate (*magna cum laude*) from the University of Tübingen, Germany.

Mr. Levy was appointed Chief Financial Officer and member of the Management Board on April 1, 2007 and he was reappointed for a term of four years on May 13, 2009. Mr. Levy has been employed by a subsidiary of AMG since 2005. Previously, he was CFO of PQ Corporation, a leading global chemicals and engineered glass materials company. He was appointed Vice-President and Chief Financial Officer of PQ Corporation in 2002. From 1984 to 1996, Mr. Levy held various senior positions in finance and marketing with Imperial Chemical Industries plc in the United Kingdom and the United States. In 1984, Mr. Levy qualified as a certified public accountant with PricewaterhouseCoopers LLP, in the United States. Mr. Levy received a BS degree in accountancy (*magna cum laude*) from Villanova University, United States.

Mr. Jackson was appointed President of the Advanced Materials Division and member of the Management Board on April 1, 2007 and he was reappointed for a term of four years on May 13, 2009. Mr. Jackson has served in various senior capacities for businesses now owned by AMG since 1996. He previously acted as Director at Phibro, a division of Salomon, Inc, and as Vice-President at Louis Dreyfus Corporation. In addition, from 1979 to 1989 Mr. Jackson acted in various roles for Cargill Incorporated in Canada and the United States. Mr. Jackson received a BS degree in economics and an MBA, both from the University of Saskatchewan, Canada.

Dr. Walter was appointed President of the Engineering Systems Division and member of the Management Board on April 1, 2007 and he was reappointed for a term of four years on May 13, 2009. He has served on the management board of directors of companies in the Division since December 2001, and has served as chairman of the management board of ALD since September 2004. From 1997 to 2001, Dr. Walter acted as Chief Financial Officer and Deputy Chairman of VBH Holding AG, Germany. He was a member of the management board in Berzelius Umwelt-Service AG, a recycler of industrial residues. From 1983 to 1988, he was Managing Director of Uraphos Chemie GmbH, a company operating engineering and recycling services for industrial waste. Dr. Walter received a business administration degree and a doctorate in economics from the University of Saarbrücken, Germany.

Advanced Materials Division

H 1.0 HYDROGEN																	He 4.0 HELIUM
Li 6.9 LITHIUM	Be 9.0 BERYLLIUM											B 10.8 BORON	C 12.0 CARBON	N 14.0 NITROGEN	O 16.0 OXYGEN	F 19.0 FLUORINE	Ne 20.2 NEON
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Fr 223.0 FRANCIUM	Ra 226.0 RADIUM	Rf 261.0 RUFORMIUM	Db 262 DUBNIUM	Sg 263 SEABORGIUM	Bh 264 BOHRIUM	Hs 265 HASSIUM	Mt 266 MEITNERIUM	Ds 269 DARMSTADTIUM	Rg 272 ROSGENIUM	Uum 277 UNUNBIUM	Uut 284 UNUNTRIUM	Uuq 289 UNUNQUADIUM	Uup 288 UNUNPENTIUM	Uuh 292 UNUNHEXIUM			

La 138.9 LANTHANUM	Ce 140.1 CERIUM	Pr 140.9 PRASEODYMIUM	Nd 144.2 NEODYMIUM	Pm 147.0 PROMETHIUM	Sm 150.4 SAMARIUM	Eu 152.0 EUROPEIUM	Gd 157.3 GADOLINIUM	Tb 158.9 TERBIUM	Dy 162.5 DYSPROSIUM	Ho 164.9 HOLMIUM	Er 167.3 ERBIUM	Tm 168.9 THULIUM	Yb 173.0 YTTERIUM	Lu 175.0 LUTETIUM
Ac 152.0 ACTINIUM	Th 232.0 THORIUM	Pa 231.0 PROTACTINIUM	U 238.0 URANIUM	Np 237.0 NEPTUNIUM	Pu 242.0 PLUTONIUM	Am 243.0 AMERICIUM	Cm 247.0 CURIUM	Bk 247.0 BERKELIUM	Cf 251.0 CALIFORNIUM	Es 254.0 EINSTEINIUM	Fm 253.0 FERMIUM	Md 256.0 MENDELEVIUM	No 254.0 NOBELIUM	Lr 257.0 LAWRENCIUM

Related Elements

Master Alloy Production

The Advanced Materials Division's financial performance rebounded strongly from the recession of late 2008 and a very weak 2009.

2010 revenue increased by 44% to \$616.3 million, gross margins increased by 98% to \$94.7 million and EBITDA increased from break even in 2009 to \$39.8 million. SG&A increased by 4% from 2009, and was flat compared to 2008. The division invested in product innovation, positioning our businesses more profitably in the value chain, securing strategic sources of raw materials and, in some cases, industry consolidation during 2010 and early 2011. A key indicator of the strength of our business is gross margin return on working capital investment. This improved to 71%, from a depressed 42% in 2009, as gross margins and working capital turns both increased. This metric combines our pricing and sourcing power, operating efficiency and effective use of working capital.

These significantly improved results across all of the division's major business segments over 2009 are a reflection of the initiative and commitment of our people as the cost reductions and productivity improvements made in 2008 and 2009 resulted in increased financial leverage as the business environment improved. The division also executed a number of the strategic projects which we expect will position us for higher base level financial performance and, in some cases, reduce the volatility of earnings.

End Markets

The Advanced Materials Division produces and supplies specialty metals, alloys, chemicals, coatings, powders and ceramic materials that are used in high performance environments. The majority of these materials are the basis of critical components used in aerospace, infrastructure, energy and specialty metal and chemical applications. We use management estimates and consistent assumptions in making the following segmental end market comments.

Aerospace

AMD produces a multitude of critical metals and alloys for titanium and super alloy customers in the aerospace market. AMD's master alloys are used in the titanium and super alloy industries as alloying elements to improve mechanical properties such as anti-corrosion and high temperature heat resistance. There are a very limited number of companies, globally, with the certification to supply these materials for aerospace applications. AMD's 2010 sales to this segment increased from \$84.1 million to \$105.1 million and margins improved by

Accomplishments

Acquired antimony mining rights and metal smelter in Turkey

Acquired aluminum master alloy producer KB Alloys (1Q2011), with production facilities in North America and China

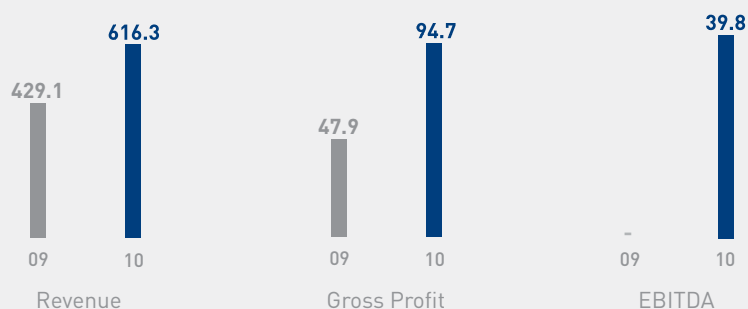
Expanded spent catalyst handling capacity and diversification of spent catalyst sourcing in North America

Signed long-term sales contracts for tantalum concentrate in early 2011

Completed lithium mineral (spodumene) pilot plant in Brazil—moving to feasibility study

Acquired established commercial operation in India

Advanced Materials



The generally improving business environment, well controlled costs and the investments and acquisitions that were completed in 2010 will be important contributors to the anticipated improved performance in 2011 and, more significantly, in future years.

\$12 million. The titanium and super alloy industries saw strong growth in demand, supported by improved short, medium and long-term forecasts for commercial aviation. We expect these markets to continue to be strong in 2011.

Infrastructure

AMD produces chromium metal, ferrovanadium, ferrotitanium, ferronickel-molybdenum and nickel boron that are used primarily in structural and stainless steels for infrastructure applications. AMD's 2010 sales to this market segment were \$118.6 million, up 59% from 2009 and gross margins improved from \$7.8 million in 2009 to \$26.5 million. AMD's ferrovanadium sales volumes remained below capacity levels as the North American steel industry operated at an average capacity utilization rate of only 70%; however, sales and margins on chromium metal and ferronickel-molybdenum were strong, in line with the stronger specialty steel market. Ferrovanadium index prices increased from \$10.93 per pound vanadium in 2009 to \$14.48 in 2010, yet still well below prior year's levels and sales continued to be finalized at substantial discounts to the index. Steel capacity utilization rates are likely to improve gradually in 2011.

Energy

AMD produces metal and ceramic based target materials and coatings for photovoltaic end markets and high purity chromium metal that is a critical element in super alloys used in land based turbines. AMD's primary product in this end market is a transparent conductive oxide used in thin film photovoltaics. 2010 sales increased by 33% to \$34.8 million and gross margin percentages were maintained, increasing proportionately with higher volumes.

Specialty Metals and Chemicals

We produce a number of specialty metals, chemicals and powders used in diverse, critical application end markets. Four of these are significant drivers of the division's performance and strategically important to the growth of AMD.

These primary products are: i) antimony trioxide and antimony based master-batches supplied to the chemical industry for flame retardant applications, ii) aluminum master alloys and grain refiners supplied to the aluminum industry to enhance the physical and mechanical properties of aluminum, iii) tantalum concentrate and oxides used in electronics, and iv) super alloys and aluminum alloy powders supplied to the pigments, coatings and chemicals industries. AMD made substantial investments in these business lines in 2010 and expects that they will be important components of our improved performance in the next several years.

This diverse end market segment generated sales of \$357.8 million in 2010, a 46% increase over 2009 and increased gross margins by 53%. The improvement in margins was driven largely by increased volumes of aluminum master alloys as the aluminum industry rebounded from the depressed levels of 2009. Strong operating performance improvements in aluminum powders, primarily process and yield related, and increasing prices and higher volumes in antimony trioxide were also significant factors in the improved performance in this segment.



Outlook

Antimony—Antimony is one of 14 critical raw materials listed by the European Union and 90% plus of all antimony metal is mined and produced in China. The Chinese government has imposed export quotas and closed mines that do not meet increasingly restrictive environmental standards. These actions have resulted in prices rising nearly 3-fold over the past year. For many years AMD searched for an opportunity to backward integrate our antimony trioxide businesses. In 2010 AMD acquired a mining concession and smelter in Turkey that uniquely positions AMD as the only non-Chinese vertically integrated supplier of antimony products. Securing low cost, strategically situated raw materials is a cornerstone of our business strategy and we will continue to search for new opportunities.

Tantalum—We have, for some time, been convinced that depressed market prices, the closure of non-economic mines and strong demand from the electronics and super alloy industries would result in a shortage of tantalum. The global recovery in 2010 plus the electronics industry and the US government initiatives to stop the flow of conflict minerals (including tantalum) from the Democratic Republic of the Congo and adjacent countries has led to sharply higher prices. AMD recently sold 24 months of tantalum production, to be delivered April 2011 forward, at prices that will deliver improved operating profit. We will continue to evaluate additional expansion possibilities based on market opportunities.

Aluminum master alloys—Historically AMD produced aluminum master alloys and grain refiners in Brazil, the UK and China. We have been the technical and market leader in those regions but have had a small share of the North American market. In early 2011, AMD acquired the North American market leader in aluminum master alloys, KB Alloys, LLC (“KB”). KB has two production facilities in North America and a joint venture in China complementary to AMG’s 100% owned facility in China. As a former competitor to KB, we have great respect for the quality and culture of their people. Combining the number 1 and number 2 global players will result in improved customer service and logistics, economies of scale and faster new product development.

Spent catalyst processing—AMD has invested in capability and expanded capacity to process metal containing spent refinery catalysts, extracting nickel, molybdenum and vanadium. The company’s unique process has been exceptionally well received by oil refiners as they look to send these typically hazardous wastes to the most environmentally responsible processors. We are very enthusiastic about this business model in which the spent catalyst generator pays AMD to process the material and AMD in return pays the refiner a percentage of the recovered metals credits. We will continue to invest in this business in 2011.

End Market Uses

/// ENERGY

- Superalloys for industrial gas turbines
- Coating materials for thin film solar applications
- Energy storage technologies

/// AEROSPACE

- Titanium alloys
- Superalloys
- Turbine coatings

/// INFRASTRUCTURE

- Ferrovandium for building materials (structural steel)

/// SPECIALTY METALS & CHEMICALS

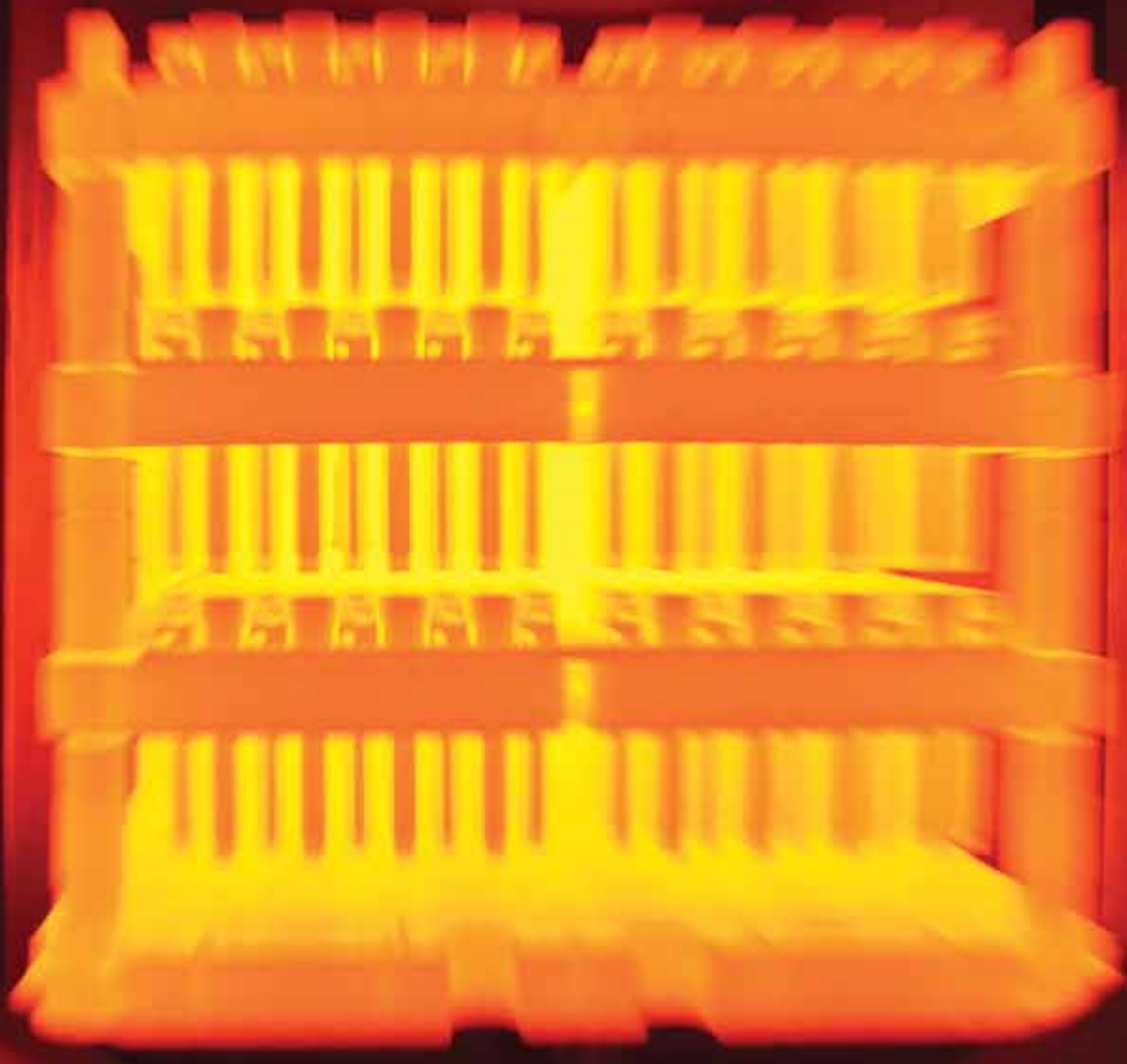
- Aluminum powders for paints and pigments
- Tantalum for capacitors
- Coatings for glass, tools and optics

Engineering Systems Division

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Fr 223.0 FRANCIUM	Ra 226.0 RADIUM	Rf 89-103		Db 89-103	Sg 89-103	Bh 89-103	Hs 89-103	Mt 89-103	Ds 89-103	Rg 89-103	Uum 89-103	Uut 89-103	Uuq 89-103	Uup 89-103	Uuh 89-103		

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Ac 132.9 ACTINIUM	Th 232.0 THORIUM	Pa 231.0 Protactinium	U 238.0 URANIUM	Np 237.0 NEPTUNIUM	Pu 242.0 PLUTONIUM	Am 243.0 AMERICIUM	Cm 247.0 CURIUM	Bk 247.0 BERKELIUM	Cf 251.0 CALIFORNIUM	Es 254.0 EINSTEINIUM	Fm 253.0 FERMIUM	Md 256.0 Mendelevium	No 254.0 NOBELIUM	Lr 257.0 LAWRENCIUM

Related Elements



Vacuum Heat Treatment

Although the market environment for the Engineering Systems Division remained volatile in 2010, the division generated EBITDA of \$37.5 million, 15% of revenue.

The division's late cyclical markets have begun to recover from depressed levels of activity that existed from 2009 through mid-year 2010. The division typically follows economic and market trends by a twelve month time lag due to the long lead time for investment decisions for its complex furnace systems. By the end of 2010, requests for quotation returned to pre-crisis levels resulting in a year-over-year order intake increase of 53% from 2009 to \$280.8 million in 2010. This very positive development is also reflected by the growth in order backlog by 13% from \$162.0 million to \$183.3 million. This strong year end development indicates a positive development for 2011 and beyond.

Low levels of order intake in 2009 and early 2010 lead to a 23% decline in 2010 revenue to \$245.6 million. EBITDA was 15% of revenue or \$37.5 million. As a result of increased competition especially in the Asian markets, gross margins declined to \$70.1 million or 29% of revenue from 33% of revenue in 2009.

Rigorous cost reduction measures and improved efficiency helped to reduce SG&A by 20% from \$58.1 million to \$46.6 million, in line with our declining sales volume. In a truly difficult stage of the business cycle our return on capital employed was still strong at 52%. The division proved its ability to adapt to changing market conditions and end market demand through its diverse portfolio and considers itself well positioned to benefit from growing demand in virtually all markets served.

Operations

In 2010 the Engineering Systems Division focused on improving operations and entering new geographic markets. In particular, the division expanded the internally manufactured products beyond the solar DSS furnaces. In order to better respond to market demands and lead time requirements, we accelerated our insourcing activities, which will help reduce costs beginning in 2011. The other benefit of this process is an increase in product portfolio that will help to ensure an optimal capacity to achieve economies of scale and shorten delivery lead times and lead to improved profitability.

Accomplishments

Acquired interest in an experienced vacuum technologies company in Mumbai, India

Acquired equity interest in nuclear furnace specialist Thermique Industrie Vide, Grenoble, France

Acquired innovative Mono²™ solar technology and launch of the next generation of DSS solar furnaces

Developed of Single Piece Flow Technology for integrated heat treatment processes

Engineering Systems



The market prospects have improved substantially over the past twelve months. The division exited 2010 with an order backlog substantially higher than at the end of 2009. The improved 2010 order backlog and a positive book to bill ratio of 1.14x reinforce the positive developments in the market. Demand is expected to grow moderately in 2011.

The Engineering Systems Division acquired an initial 30% stake in Dynatech Furnaces (Mumbai) Private Ltd, a provider of heat treatment furnaces, in order to gain entry into the Indian market. ESD will increase its ownership in Dynatech to 100% by 2015. The Dynatech investment, a key part of the division's long term strategy, will enable the Engineering Systems Division to serve fast growing markets in India such as tool-steel, automotive, aerospace and nuclear industry. The division will also utilize Dynatech's cost competitive production resources to produce certain heat treatment furnaces as well as provide local engineering and service support, which is a key factor for the Indian market.

End Markets

ESD's principle products and services include vacuum furnace systems and operating facilities providing vacuum furnace services for the treatment of sophisticated industrial materials. The unit designs, engineers and produces vacuum furnace systems for metallurgical applications including melting high purity and sophisticated metals and alloys, heat treatment and high pressure gas quenching, precision casting, turbine blade coating and sintering applications. The majority of products produced by these systems are the basis for critical components used in aerospace, electronics, energy, specialty metal and chemical applications. We use management estimates and consistent assumptions for the following remarks on segmental end markets.

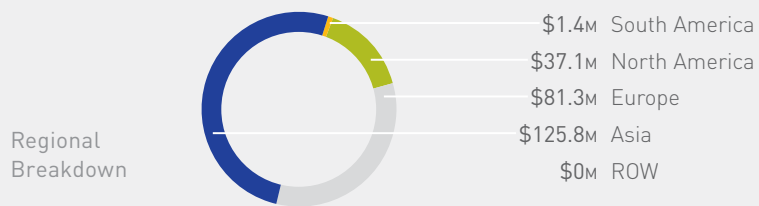
The division achieved its best quarterly order intake in two years during the fourth quarter 2010. The division generated a 1.59x book to bill ratio and saw improved activity in all of its end markets. As in 2009, Asia was the most important market with 45% of order intake. Order intake in Asia was dominated by China, with a particular emphasis on vacuum furnaces used in the solar, specialty steel and titanium industries. North America and Europe accounted for the balance of the order intake with 27% and 28%, respectively. In the North American market, nuclear systems and the Own & Operate facilities were the most significant contributors. Order intake in Europe was dominated by the specialty steel, superalloys and aerospace industries.

Energy

Solar and Power Generation

ESD produces a variety of vacuum furnaces for specialty steels and super alloys widely used for power generation. Sales of DSS furnaces accounted for 33% of revenue down from 54% in 2009. Order intake for solar increased by 98% to \$81.1 million in 2010. Demand for solar furnaces increased by the end of the year, however, is still considered volatile since Chinese imitators have begun to enter the market. In order to protect the market share, the division developed the next generation of DSS furnace, the SCU600plus which has over 30% lower operating costs per ingot produced. The SCU600plus is currently in final testing for commercialization roll out in 2011.

AMG acquired intellectual property and manufacturing assets related to Mono²™ solar casting technology from BP Solar International Inc. This proprietary technology is used to produce high efficiency monocrystalline silicon ingots in standard SCU furnaces using a variety of feedstock, including poly silicon and upgraded metallurgical silicon. This new process will offer a unique



value proposition to ESD's market and improve the efficiency of alternative feed-stock as an important contribution to achieving grid parity. Mono²™ is expected to increase the efficiency of cells produced from ALD's SCU systems to above 17% at a competitive cost.

Nuclear

In 2010, ESD generated an increase of 100% over 2009 in nuclear order intake, albeit from low levels. In addition to the recycling of weapon grade plutonium on behalf of the United States Department of Energy in the Shaw AREWA MOX project, attractive new business was generated in the field of annealing of tubes for this segment. The division continues to develop Impermeable Graphite Matrix ("IGM") technology in cooperation with European governmental agencies. Field testing of the IGM product and processes are expected to accelerate in 2011.

Aerospace

ESD is the world's leading provider of vacuum furnaces used to produce high purity titanium and superalloys for the aerospace industry. Demand for these products increased in 2010 as the global markets began to rebound and commercial aerospace demand returned to pre-crisis levels. China, in particular, saw significant demand for high purity stainless steel and titanium vacuum systems. As the demand for more fuel-efficient aircraft continues to increase, ESD's vacuum furnaces are well positioned to serve this market.

Transportation

ESD provides vacuum case hardening and heat treatment and other services through Own & Operate facilities in Germany, the United States and Mexico. These facilities utilize ESD's proprietary vacuum heat treatment furnaces to provide tolling services to the transportation and aerospace industry. The division was able to overcome a difficult financial situation in the transportation market and grow its revenue by 55% in 2010 to \$28.2 million. After years of development and expansion of the Own & Operate facilities, gross margins achieved are now fulfilling the expectations. The launch of new products and services in this segment should continue to improve margins and increase the positive contribution of the Own and Operate facilities.

Outlook/Strategic Update

Although investment funding is still be dependent on global credit markets, increased demand from all segments and especially in countries like China and India provides a solid base for 2011. Innovation and expansion in the solar field will contribute to ESD's improved performance in 2011 and beyond. The Engineering Systems Division remains well positioned for long term growth, predominantly based upon organic growth.

End Market Uses

/// ENERGY

Solar vacuum furnaces

Vacuum furnaces used to produce nuclear fuels

Vacuum melting and precision casting systems for industrial gas turbines

/// AEROSPACE

Vacuum furnaces for titanium

Electron beam coating systems for aerospace turbines

/// INFRASTRUCTURE

Vacuum furnaces for specialty steel

/// SPECIALTY METALS & CHEMICALS

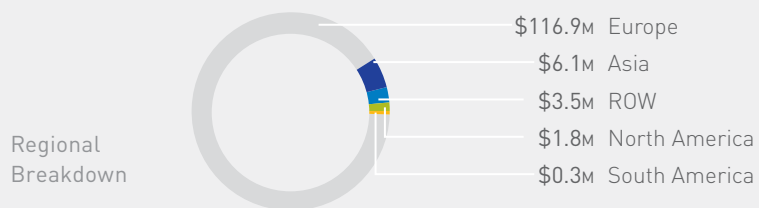
Vacuum systems for high performance materials

Publicly Listed Investments

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Na 23.0 SODIUM	Mg 24.3 MAGNESIUM											Al 27.0 ALUMINUM	Si 28.1 SILICON	P 31.0 PHOSPHORUS	S 32.1 SULFUR	Cl 35.5 CHLORINE	Ar 40.0 ARGON																														
K 39.1 POTASSIUM	Ca 40.1 CALCIUM	Sc 45.0 SCANDIUM	Ti 47.9 TITANIUM	V 50.9 VANADIUM	Cr 52.0 CHROMIUM	Mn 54.9 MANGANESE	Fe 55.9 IRON	Co 58.9 COBALT	Ni 58.7 NICKEL	Cu 63.5 COPPER	Zn 65.4 ZINC	Ga 69.7 GALLIUM	Ge 72.6 GERMANIUM	As 74.9 ARSENIC	Se 79.0 SELENIUM	Br 79.9 BROMINE	Kr 83.8 KRYPTON																														
Rb 85.5 RUBIDIUM	Sr 87.6 STRONTIUM	Y 88.9 YTRIUM	Zr 91.2 ZIRCONIUM	Nb 92.9 NIOBIUM	Mo 95.9 MOLYBDENUM	Tc 99 TECHNETIUM	Ru 101.0 RUTHENIUM	Rh 102.9 RHODIUM	Pd 106.4 PALLADIUM	Ag 107.9 SILVER	Cd 112.4 CADMIUM	In 114.8 INDIUM	Sn 118.7 TIN	Sb 121.8 ANTIMONY	Te 127.6 TELLURIUM	I 126.9 IODINE	Xe 131.3 XENON																														
Cs 132.9 CAESIUM	Ba 137.4 BARIUM	Hf 178.5 HAFNIUM	Ta 181.0 TANTALUM	W 183.8 WOLFRAM	Re 186.2 RHENIUM	Os 190.2 OSMIUM	Ir 192.2 IRIDIUM	Pt 195.1 PLATINUM	Au 197.0 GOLD	Hg 200.6 MERCURY	Tl 204.4 THALLIUM	Pb 207.2 LEAD	Bi 209.0 BISMUTH	Po 210.0 POLONIUM	At 210.0 ASTATINE	Rn 222.0 RADON																															
Fr 223.0 FRANCIUM	Ra 226.0 RADIUM	Rf 261 RUFORMIUM	Db 262 DUBNIUM	Sg 263 SEABORGIUM	Bh 264 BOHRIUM	Hs 265 HASSIUM	Mt 266 MEITNERIUM	Ds 269 DARMSTADTIUM	Rg 272 ROSGOLDIUM	Uub 277 UNUNBIUM	Uut 284 UNUNTRIUM	Uuq 289 UNUNQUADIUM	Uup 288 UNUNPENTIUM	Uuh 292 UNUNHEXIUM																																	
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Related Elements

Natural Graphite used in a crucible



Graphit Kropfmühl

Graphit Kropfmühl ("GK") is a majority controlled, publicly listed (Deutsche Börse: GKR.DE) specialist in the production of silicon metal and the extraction, processing and refining of natural crystalline graphite for a wide range of energy saving industrial applications. GK's revenue and EBITDA increased during 2010 as global markets for silicon metal and natural graphite improved. GK's 2010 revenue increased by 9%, from 2009, to \$128.6 million in 2010. GK generated \$7.6 million in EBITDA during 2010, an increase of 21% from 2009.

Silicon Metal

GK produces 30,000 metric tons of metallurgical grade silicon metal and a byproduct of amorphous silicon dioxide from its facility in Germany. GK's silicon metal products are used in the solar, chemical and aluminum industries. In 2010, GK generated \$84.4 million in revenue from silicon products. Demand increased across all end markets during the year.

Natural Graphite

GK's graphite division extracts and refines natural graphite into high quality graphite with purities up to 99.99% carbon. GK's high purity natural graphite products are used in the infrastructure industry for their heat resistance and in the chemical and transportation industries for their electrical conductivity. In 2010 GK generated \$44.2 million in revenue from natural graphite.

Share Ownership

During 2010, AMG acquired an additional 8.5% of GK's common shares from a block of institutional investors in exchange for 2.1% of AMG's common shares. The acquisition of the GK shares raised AMG's ownership in GK to 88.0% as of December 2010 and it is consistent with AMG's goal to simplify its corporate structure.

Outlook

Graphit Kropfmühl expects strengthening demand for natural graphite and improved pricing for both natural graphite and silicon metal to result in revenue growth in 2011 as the global recovery for industrial specialty metals and chemicals continues.

Graphit Kropfmühl





Timminco Limited

Timminco produces metallurgical grade silicon for the chemical, aluminum, electronic and solar industries. During 2010, Timminco sold 49% of its silicon metal operation to Dow Corning for \$40.1 million in cash and up to an additional \$10.0 million based upon achieving certain performance objectives relating to production cost and capacity improvements. Timminco used the proceeds of this transaction to repay all of its senior bank debt and for other general corporate purposes.

AMG owned 42.5% of Timminco's equity as of December 31, 2010. AMG accounts for its investment in Timminco via the IFRS equity accounting method. Timminco's loss for 2010 is included in share of loss from associates on AMG's income statement. The carrying value of AMG's investment in Timminco of \$17.7 million is listed as an asset on AMG's balance sheet.

Timminco is a publicly listed company (TSX: TIM) with headquarters in Toronto, Canada. More information about Timminco's business operations and 2010 results can be found in Timminco's 2010 Annual Report and on their website (www.Timminco.com).

Risk Management and Internal Controls

Risk Management Approach

AMG employs a traditional risk management approach, including a 'top-down' and 'bottom-up' analysis and assessment of the Company's risks. Appropriate and diverse lines of property and liability insurance coverage are also an integral part of this risk management program. AMG has implemented a comprehensive risk management program centered on the Company's Risk Assessment Package ("RAP"). The RAP is a detailed document requiring each business unit to:

- (i) identify potential risks and quantify the impact of such risks;
- (ii) prioritize the risks using a ranking system to determine the impact, likelihood and suddenness of occurrence;
- (iii) describe the risk mitigation or transfer procedures in place; and
- (iv) document the periodic monitoring of the risks.

Each business unit undertakes a full review of its RAP on a quarterly basis. The RAPs are then reviewed in detail by AMG's Risk Manager in coordination with the operating managers of the business units. Key risks from all business units are then summarized and presented to the Management Board. Individual risks of special note are discussed at the Management Board's bi-weekly meeting. The Management Board has the responsibility to inform the Supervisory Board of the most significant risk exposures and the related risk management plans in place. The Audit Committee of the Supervisory Board carries out a semi-annual review of the Company's internal control and risk management program. As in previous years, AMG's Management Board and operating managers of business units evaluated the Company's risk management activities during 2010. As was the case in 2009, the Company's Internal Audit Director was in place for the full calendar year 2010. During 2010, special attention was given to:

- (i) refinancing the credit facility;
- (ii) credit facility amendments;

- (iii) liquidity management;
- (iv) Code of Conduct education, including a training course in General Antitrust Principles and Practices for select employees; and
- (v) Information Technology improvements.

Risks

Risks faced by AMG can broadly be categorized as:

- **Strategic:** includes risks related to marketing and sales strategy, product innovation, technology innovation, overall raw material sourcing decisions, capacity decisions and acquisitions
- **Operational:** includes risks related to executing the strategic direction, supply of raw materials, production, maintenance of production equipment, distribution of products, labor relations, human resources, IT infrastructure, health, safety and environmental, and sales and marketing
- **Market and External:** includes risks related to global and regional economic conditions, market supply/demand characteristics, metal prices, product substitution, customer and competitor actions and community relations
- **Financial:** includes risks related to accuracy and timeliness of financial reporting, compliance with IFRS accounting standards, compliance with AFM and Euronext Amsterdam requirements, compliance with credit facility covenants, currency fluctuations, liquidity, refinancing, budgeting, metal price and currency hedging, treasury and tax functions
- **Legal and Regulatory:** includes risks related to the political, environmental, legislative, and corporate governance environment

AMG, like most industrial companies, faces a combination of risks. The largest risks faced by the Company evolve throughout each calendar year and cannot be viewed as static challenges. It is not the intention to detail each risk posed to AMG in this report, but the most pertinent risks to the business are described below in no particular order.

Customer Risk

The tightening of global credit markets has exposed AMG to an increased risk of customer default and non-payment of accounts receivable. The relative lack of available financing options can cause rapid deterioration of a customer's ability to fulfill payment obligations. Larger customer concentrations in particular business units exacerbate the importance of monitoring customer risk. AMG has insured its accounts receivable where economically feasible and has set credit limits on its customers, which are closely tracked. In addition to constant monitoring from business unit leaders, AMG's Management Board reviews accounts receivable balances on a regular basis. As a result of the collection of prepayments from most of its customers, the Engineering Systems Division mitigates a portion of customer payment and performance risk.

Metal Price Volatility Risk

AMG is exposed to risk in the prices of certain metals. Risk can arise from changes in price between purchase, process and sale of the metals or from end-price risk for metals when raw materials are purchased under fixed price contracts. Most metals, alloys, and chemicals that AMG processes and sells, such as chromium, tantalum, graphite, ferrotitanium and antimony trioxide, cannot be hedged on an exchange. To mitigate price risk for these materials, AMG seeks to enter into complementary raw material supply agreements and sales agreements whereby the price is determined by the same index. AMG also attempts to time its raw material purchases with sales orders from customers. Further mitigation comes from establishing low-cost long positions in key raw materials through, for example, ownership positions in mining activities (antimony, tantalum, niobium, graphite, quartz), through structured long-term supply contracts (in ferrovanadium and ferronickel-molybdenum), or long-term fixed price sales contracts. During 2010, AMG purchased antimony mining rights in Turkey to secure supply of antimony metal used in AMG's antimony trioxide production operation for the specialty chemical flame retardant market. AMG also expanded its tantalum and niobium mine in Brazil during 2010. Despite the mitigation

strategies related to mine ownership, supply contracts, and sales contracts, AMG retains some exposure to price volatility. Success of the mitigation plans is dependent on the severity of metal price volatility and counterparties performing under their contracts. The Company hedges exchange-traded metals, such as aluminum, when possible. In its aluminum business, AMG also sells conversion services with no metal price risk.

Supply Risk

AMG's Advanced Materials Division is dependent on supplies of metals and metal containing raw materials for the production of its products. Some of these raw materials are available from only a few sources or a few countries, including countries that have some amount of political risk. In order to mitigate the risk of supplies becoming difficult to source, AMG enters into longer-term contracts with its suppliers when practical. AMG's Engineering Systems Division is dependent on a limited number of suppliers for many of the components of its vacuum furnace systems as a result of its stringent quality requirements. To mitigate this risk, the Engineering Systems Division has insourced the production of its DSS furnaces for the solar industry to a production facility in Berlin, Germany. If availability of AMG's supplies or components is limited, the Company can suffer from reduced capacity utilization. This could result in fewer economies of scale and higher per unit costs. If AMG is not able to pass on its increased costs, financial results could be negatively impacted.

Financing Risk

A prolonged restriction on AMG's ability to access the capital markets and additional financing may negatively affect AMG's ability to fund future innovations and capital projects. The Company's bank facility matures in August 2012 and AMG does not currently have liquidity on hand to repay this facility without a further debt or equity raise. As of December 31, 2010, AMG's Senior Leverage as calculated by its credit facility was 2.12x, compared to a covenant maximum of 3.00x. In order to preserve the Company's financial flexibility and ability to take advantage of market opportunities, AMG reached an agreement to amend its credit facility in March 2010 to increase its

Senior Leverage covenant to 3.00x. The Total Leverage covenant remained unchanged at 3.75x. AMG's financing risk is also mitigated by its year-end 2010 liquidity of \$137.1 million.

Entrepreneurial Risk

The continued growth of AMG's business requires the development of new products and new production processes and highly capable management. Developing and investing in these products and processes involves the acceptance of certain measured entrepreneurial risks. As competitors duplicate successful technologies or develop new methodologies, AMG must continue to innovate in order to maintain leading positions in its strategic niches. It is particularly important to strike an appropriate balance between investments in innovation to secure future growth versus the need to preserve cash to withstand an economic crisis. For this reason, AMG management evaluates more than the projected internal rate of return or the discounted cash flows of a potential project. AMG also examines the consequences of declining projects and the possibility of lost cash flows from the inability to innovate. In addition to looking at the inherent risk on a project-by-project basis, AMG also evaluates the risk of a portfolio of projects being undertaken or developed in the pipeline. Evaluating a project within a portfolio of opportunities allows AMG to better manage its liquidity and capital allocation. While certain projects may be beneficial and profitable in the long run, timing of cash flows is critically important as AMG always seeks to maintain sufficient liquidity to operate its existing businesses. Managing entrepreneurial risk requires active management. Frequent Management Board meetings enable the senior executives of AMG to stay informed of all the latest information, allowing for quick action, further reducing risk. During 2010 AMG acquired Mono²™ solar casting technology from BP Solar International Inc., allowing AMG's Engineering Systems Division to offer an advanced integrated solar melting and crystallization technology. Acquisitions of new technology such as this will help AMG avoid entrepreneurial risk. AMG's highly educated and skilled workforce contributes greatly to AMG's entrepreneurial success. High employee turnover

or loss to a competitor of key personnel, many of whom possess specific technical and manufacturing knowledge, is a risk to AMG. Many incentives, financial and other, are used to maintain a motivated workforce.

Currency Risk

AMG's largest currency risk exists where it incurs an imbalance in revenues and costs in a particular currency. While the single largest sensitivity of this nature exists for the Euro, risk also exists with the British Pound and Brazilian Real. AMG may enter into currency hedges to mitigate this risk. AMG also faces currency risk when it enters into a fixed price contract to sell a product in one currency while the costs incurred are in an alternate currency. AMG typically enters into currency hedges to mitigate this currency timing risk.

Legal and Regulatory Risk

Like all companies, AMG is exposed to the changing regulatory environment in the countries and regions where it conducts business. The most notable changes are coming in the form of environmental policy and to a lesser extent governmental restrictions on the freedom to operate in certain countries and jurisdictions. New environmental regulations or a change in regulatory bodies that have jurisdiction over AMG products and facilities could result in new restrictions, including those relating to the storage or disposal of legacy material at AMG owned properties, which may result in significantly higher costs to AMG (see note 35 to the Consolidated Financial Statements). The environmental regulations that are important for the growth in AMG's business, however, may present operational challenges to AMG's manufacturing processes. More stringent regulations may be enacted for the release of air emissions, wastewater discharge or solid waste, which may negatively impact AMG's operations. Additionally, the REACH Directive became effective in the European Union in June 2007. REACH requires new operational procedures regarding the registration, evaluation and authorization of chemical substances. AMG's business units have pre-registered all required materials and also made complete registrations for those products required in 2010 as a result of tonnage or hazardous properties. Plans are in place to meet 2013 and

2018 deadlines. See note 35 to the Consolidated Financial Statements for information regarding legal matters affecting the Company. AMG has continuing obligations to comply with government regulations and practices concerning corporate organization and corporate governance. For example, in addressing possible conflicts of interest affecting its Management or Supervisory Board members, AMG follows strict rules of procedure. These procedures are described in the Company's Articles of Association and the rules of procedure of the Management Board and Supervisory Board, respectively. Also, since AMG's product mix is increasingly dependent on scarce natural resources, governmental policies may restrict AMG's access to key materials in certain regions or countries. Compliance with both legal and regulatory matters is monitored and augmented by the Company's General Counsel who makes use of the services of several prominent local and global law firms.

Information Technology Risk

AMG is dependent on effective and reliable IT systems that are not currently fully integrated among all business units. Failure of IT systems or major loss of key data could substantially impair AMG's financial condition and results of operations. Therefore, AMG devises and implements procedures to protect data, applications, systems, networks and physical resources. Both internal and external analyses of weaknesses, risks and threats are executed and audited to ensure that IT security measures are implemented efficiently. Special attention has been paid to logical access, change management and business continuity. Furthermore, guidance has been strengthened by distributing additional policies and procedures throughout the Company. This ongoing process should ensure that amendments and improvements (such as continued migration toward an integrated worldwide IT system) are constantly made to the IT systems.

Risk Monitoring and Procedures

AMG has a strategic risk function that monitors and establishes internal controls to mitigate business and financial risks. AMG's strategic risk function is complemented by its internal audit function. As a relatively young public company, the controls and procedures in place at AMG are in a continuing state of development and may not be as sophisticated as at other public companies with much longer operating histories. Through the risk reporting system, the Risk Manager works with business unit managers to develop risk mitigation strategies, where applicable. The purpose of the risk reporting and monitoring system is to manage rather than eliminate the risk of failure to achieve business objectives, and provides only reasonable, not absolute, assurance against material misstatement or loss.

Statement on Internal Control Pursuant to the Dutch Corporate Governance Code

Risks related to financial reporting include timeliness, accuracy and implementation of appropriate internal controls to avoid material misstatements. During 2010, the Management Board conducted an evaluation of the structure and operation of the internal risk management and control systems. The Management Board discussed the outcome of such assessment with the Supervisory Board (in accordance with best practice provision III.1.8). AMG's Management Board believes internal risk management and control systems in place provide a reasonable level of assurance that AMG's financial reporting does not include material misstatements. In relation to AMG's financial reporting, these systems operated effectively during 2010.

Management Board Statement of Responsibilities

The Management Board hereby declares that, to the best of its knowledge, the consolidated financial statements prepared in accordance with IFRS and Part 9, Book 2, Article 362.8 of the Netherlands Civil Code provide a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and that the management report includes a fair review of the development and performance of the business of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Management Board
AMG Advanced Metallurgical Group N.V.

Heinz Schimmelbusch
William Levy
Eric Jackson
Reinhard Walter

March 31, 2011

Report of the Supervisory Board



Pedro Pablo Kuczynski
Chairman

72



Wesley Clark

66



Martin Hoyos

63



Jack L. Messman

71



Norbert Quinkert

68



Guy de Sellières

58

Male/US and Peru
Date of birth: October 3, 1938
Date of initial appointment: June 6, 2007
Date of end of term: 2011

Economist & Investment Banker
Current board positions: Agualimpia NGO (Chairman), The Taiwan Greater China Fund (Chairman), Westfield Capital/First Capital Investment Bank, Ternium Inc.
Former positions: Prime Minister of Peru and Chairman, First Boston International (Credit Suisse)

Male/US
Date of birth: December 23, 1944
Date of initial appointment: June 6, 2007
Date of end of term: 2013

Chairman & CEO, Wesley K. Clark & Associates
Current board positions: Clark Bova Group., Bankers Petroleum Ltd., Prysmian S.R.L., Rodman and Renshaw LLC (Chairman), Juhl Wind, Inc., United Global Resources, Inc., BNK Petroleum, Inc., GBS Laboratories (Chairman), Solace Systems, Clean Terra, Inc.
Former position: NATO Supreme Allied Commander, Europe

Male/Austria
Date of birth: October 27, 1947
Date of initial appointment: May 13, 2009
Date of end of term: 2013

Corporate Director
Current board positions: KPMG Germany AG, Prinzhorn Holding AG, CAG Holding GmbH, Curanum AG
Former positions: CEO KPMG Europe, Middle East and Africa

Male/US
Date of birth: March 13, 1940
Date of initial appointment: June 6, 2007
Date of end of term: 2013

Corporate Director
Current board positions: Celerant Consulting, Radio Shack Corporation, Safeguard Scientifics, Inc., Telogis, Inc. (Chairman), Timminco Limited
Former positions: Chief Executive Officer, Novell, Inc. and Union Pacific Resources Corporation

Male/Germany
Date of birth: January 18, 1943
Date of initial appointment: June 6, 2007
Date of end of term: 2014

CEO, TSB Technology Foundation Berlin
Current board positions: PFW Aerospace AG, VTION Wireless AG (Vice Chairman), WISTA Management GmbH (Chairman)
Former position: Motorola (Germany, Austria, Switzerland and The Netherlands) (Chairman)

Male/Belgium
Date of birth: June 14, 1952
Date of initial appointment: June 6, 2007
Date of end of term: 2014

Corporate Director
President, HCF International Advisers Ltd.
Current board positions: Solvay SA, Wimm-Bill-Dann Foods OJSC, Wessex Grain, Ageas Group SA (Vice Chairman), Ageas UK, Ltd. (Chairman)
Former position: Robert Fleming and Co. Limited, Eastern Europe (Chairman)

Report of the Supervisory Board

Powers of the Supervisory Board

The Supervisory Board oversees both the policies pursued by the Management Board and the general course of AMG's business. It also provides advice to the Management Board. In performing its duties, the Supervisory Board is required to act in the interests of the AMG Group and its businesses as a whole. While retaining overall responsibility, it has assigned certain of its preparatory tasks to three committees: the Audit Committee, the Selection and Appointment Committee and the Remuneration Committee, each of which reports on a regular basis to the Supervisory Board. The separate reports of each of these Committees are published below.

The Supervisory Board further supervises the systems and management of the internal business controls and financial reporting processes and it determines the remuneration of the individual members of the Management Board within the remuneration policy adopted by the General Meeting of Shareholders.

Composition of the Supervisory Board

The Supervisory Board was first established on June 6, 2007, and currently consists of six members. Messrs. Pedro Pablo Kuczynski (Chairman), Jack Messman (Vice Chairman), Guy de Selliers, Norbert Quinkert, General Wesley Clark and Martin Hoyos. The Supervisory Board aims for an appropriate level of experience in technological, manufacturing, economic, social and financial aspects of international business and public administration. The composition of the Supervisory Board must be such that the combined experience, expertise and independence of its members enables the Supervisory Board to carry out its duties. All Supervisory Board members qualify as independent as defined in the Dutch Corporate Governance Code. All members of the Supervisory Board completed a questionnaire to verify compliance in 2010 with the applicable corporate governance rules and the rules governing the principles and practices of the Supervisory Board.

The Resignation Schedule of the Supervisory Board is as follows:

Pedro Pablo Kuczynski	2011
Wesley Clark	2013
Jack Messman	2013
Martin Hoyos	2013
Norbert Quinkert	2014
Guy de Selliers	2014

Mr. Kuczynski will resign by rotation from the Supervisory Board at the Annual General Meeting of Shareholders on May 11, 2011. Mr. Kuczynski is eligible for immediate reappointment for a period of four years. The Supervisory Board proposes the reappointment of Mr. Kuczynski as member of the Supervisory Board. A nomination for his appointment will be submitted to the 2011 Annual General Meeting of Shareholders. If the general meeting of shareholders will appoint Mr. Kuczynski as supervisory board member again, the Supervisory Board intends to designate Mr. Kuczynski as Chairman of the Supervisory Board again.

Supervisory Board Meetings

The Supervisory Board held eight meetings in the course of 2010, including meetings by telephone conference. Six of these meetings were held in the presence of the Management Board. Almost all meetings were attended by all members. None of the members of the Supervisory Board was frequently absent from Supervisory Board meetings. The items discussed in the meetings included recurring subjects, such as AMG's financial position, objectives and results, strategy, potential acquisitions, business plans of the Advanced Materials (AMD) and Engineering Systems (ESD) Divisions, capital expenditure programs, succession planning, operations review as well as regular review of the strategic objectives and initiatives of the Company and the Company's ongoing actions in the field of Corporate Social Responsibility. Financial metrics presented to the Supervisory Board to measure the performance of AMG include net income, earnings per share, EBITDA, financial leverage (net debt to EBITDA), debt to equity, return on shareholders' equity and return on capital employed. Furthermore, the

Supervisory Board discussed the risks of AMG's business and the assessment by the Management Board of the structure of the internal risk management and control systems, as well as any significant changes thereto. The regularly scheduled Supervisory Board meetings also included presentations by senior managers of the business lines to give Supervisory Board members a more in-depth understanding of the businesses. In addition to the scheduled meetings, the Chairman and other members of the Supervisory Board had regular contact with the Chief Executive Officer and other members of the Management Board as well as senior executives of the Company throughout the year. On November 9, 2010 the Supervisory Board (without the presence of the Management Board) met and reviewed the performance of the Management Board and its members. At this meeting, the Supervisory Board also evaluated its own functioning and that of the three committees and their members. In doing so, the Chairman of the Supervisory Board had invited each member of the Supervisory Board to provide his comments on these topics to the Chairman. The Chairman then shared the main conclusions drawn from such comments with his fellow Supervisory Board members in a plenary private session of the Supervisory Board. During that session the Supervisory Board unanimously concluded that the Supervisory Board was functioning adequately and that the Supervisory Board's composition was well balanced in terms of competence, nationality, age and experience. During that session, the Supervisory Board also expressed its continued desire to increase its diversity in terms of gender, but also acknowledged that given the particular industries in which the Company is operating, suitable candidates with different gender may be difficult to identify and select.

Remuneration Supervisory Board

In its meeting of May 13, 2009, the General Meeting of Shareholders had amended the remuneration of the members of the Supervisory Board with effect from January 1, 2009. The members of the Supervisory Board

receive remuneration in the form of a cash component and a share component. No loans, guarantees or the like have been granted to any of the Supervisory Board members. In 2010 no changes were made or effected with respect to the remuneration of the Supervisory Board members compared to 2009.

Cash remuneration: The cash remuneration of the Supervisory Board members as determined by the General Meeting of Shareholders was set at \$95,000 for the Chairman, \$70,000 for the Vice Chairman and \$60,000 for the other members. Chairmen of the Remuneration Committee, the Audit Committee and the Selection and Appointment Committee are each paid an additional \$20,000 annually.

Share remuneration: The members of the Supervisory Board do not participate in any of AMG's incentive plans. As part of their annual remuneration in 2010, the General Meeting of Shareholders authorized the issue of a number of shares for no cash consideration to each member of the Supervisory Board as part of their remuneration.

The number of shares issued to each member is computed with respect to a specified amount of Euros for each member. During 2010 the specified numbers of Euros were 49,400 for the Chairman, 34,200 for the Vice Chairman and 30,400 for each other member. Shares issued may not be disposed of by the relevant member of the Supervisory Board until the earlier of the third anniversary of the grant or the first anniversary of the date on which he ceases to be a member of the Supervisory Board.

The Dutch Corporate Governance Code requires that the remuneration of a Supervisory Board Member not be dependent on the results of the Company. Best practice provision III.7.1 states that a Supervisory Board member may not be granted any shares and/or rights to shares by way of remuneration. AMG does not comply with best practice provision III.7.1 and III.7.2 for reasons further explained below under the chapter Corporate Governance (page 57). The table below shows the total remuneration of each member of the Supervisory Board for 2010.

The table below shows the total remuneration of each member of the Supervisory board for 2010:

FOR THE YEAR ENDED DECEMBER 31, 2010	ROLE	CASH REMUNERATION	SHARE REMUNERATION	# OF SHARES GRANTED
Pedro Pablo Kuczynski	Chairman & Member	\$95,000	€49,400	6,935
Jack L. Messman	Vice Chairman & Remuneration Committee Chair	\$90,000	€34,200	4,801
Wesley Clark	Member	\$60,000	€30,400	4,268
Norbert Quinkert	Member & Selection and Appointment Committee Chair	\$80,000	€30,400	4,268
Guy de Selliers	Member & Audit Committee Chair	\$80,000	€30,400	4,268
Martin Hoyos	Member	\$60,000	€30,400	4,268

Shares Held by Members of the Supervisory Board

As of December 31, 2010, the members of the Supervisory Board held a total of 109,732 shares in the Company. Out of that number, a total of 76,352 shares were awarded to them during 2007, 2008, 2009 and 2010 as part of their annual remuneration.

Remuneration Supervisory Board in 2011

The remuneration of the members of the Supervisory Board in 2011 will not change as compared to the remuneration given in 2010 as explained above.

Committees

The Supervisory Board has three standing committees, the Audit Committee, the Selection and Appointment Committee and the Remuneration Committee.

Audit Committee

Composition: Messrs. de Selliers (Chairman) and Messman

The Audit Committee is responsible for, among other things, considering matters relating to financial controls and reporting, internal and external audits, the scope and results of audits and the independence and objectivity of auditors as well as the Company's process for monitoring compliance with laws and regulations and its Code of Business Conduct. It does monitor and review the Company's audit function and, with the involvement of the independent auditor, focuses on compliance with applicable legal and regulatory requirements and accounting standards.

The Audit Committee met five times during the year in addition to its meetings to review and approve annual and interim financial reports and statements of the Company and reported its findings periodically to the plenary meeting of the Supervisory Board. Topics of discussion at the meetings included IT infrastructure, the Internal Audit plan, the Audit Committee Charter, an enterprise risk management system, insurance, environmental risk situation, Code of Business Conduct training program, foreign currency exposure and hedging policies, tax structuring and spending approval matrices. Ernst & Young Accountants LLP also provided the audit committee with a mid-year review

and year-end audit of the Company's accounting policies and procedures. Furthermore, the Internal Audit director of the Company maintained regular contact with the Audit Committee and the external auditors of the Company. The Audit Committee held regular meetings with the external auditors without any member of the Management Board or financial or accounting staff of the Company present and the Audit Committee reviewed the contents of the 2010 Management Letter of the external accountant and reported on this matter to the plenary meeting of the Supervisory board. The Audit Committee further reviewed the proposed audit scope and fees for the external auditors of the Company and after assessment of the performance of the external auditors, it advised the Supervisory Board to propose to the General Meeting of Shareholders to re-appoint Ernst & Young Accountants LLP through the December 31, 2012 financial year. Fees were established in the amount of €400,000 per annum, which includes the cost of the mid-year review.

Present at all meetings of the Audit Committee were the Chief Financial Officer, the Corporate Controller, the Internal Audit Director and AMG's auditors Ernst & Young Accountants LLP. At certain meetings, the Company's General Counsel and Treasurer were present.

Selection and Appointment Committee

Composition: Mr. N. Quinkert (Chairman) and General W. Clark

The Selection and Appointment Committee is responsible for: (i) preparing the selection criteria, appointment procedures and leading searches for candidate Management Board and Supervisory Board members; (ii) periodically evaluating the scope and composition of the Management Board and the Supervisory Board; (iii) periodically evaluating the functioning of individual members of the Management Board and the Supervisory Board; and (iv) supervising the policy of the Supervisory Board in relation to the selection and appointment criteria for senior management of the Company.

The Selection and Appointment Committee held one regular meeting during the year 2010, in addition to various informal meetings between the committee members and contacts with the Chairman of the Management Board and other members of the Supervisory Board, and reported its findings to the Supervisory Board. Particular attention was paid in 2010 to review of succession planning, potential conflicts of interests and the performance by Management Board members given the challenging times.

Remuneration Committee

Composition: Messrs. J. Messman (Chairman) and P.P. Kuczynski

The Remuneration Committee is responsible for establishing and reviewing material aspects of the Company's policy on compensation of members of the Management Board and preparing decisions for the Supervisory Board in relation thereto. This responsibility includes, but is not limited to, the preparation and ongoing review of: (i) the remuneration policy as adopted by the General Meeting of Shareholders; and (ii) proposals concerning the individual remuneration of the members of the Management Board to be determined by the Supervisory Board. The Remuneration Committee held two regular meetings in 2010, in addition to various informal discussions among its members. Topics of discussion at the meetings included: (i) implementation of the remuneration policy of the Company, including policies with respect to the compensation of the Management Board; (ii) review of the base salary for members of the Management Board; (iii) annual bonuses for members of the Management Board. In performing its duties and responsibilities the Remuneration Committee was assisted by external remuneration experts.

Remuneration Report

The year 2010 concerned the second year in which the Supervisory Board had to implement the new

Remuneration Policy for the Management Board, since this was approved and adopted by the General Meeting of Shareholders in May 2009 ("the Remuneration Policy"). The Remuneration Policy is posted on the Company's website under the heading Corporate Governance. This Remuneration Report contains the following two sections:

- Report on Remuneration of the Management Board in 2010
- Remuneration of the Management Board in 2011

Report on Remuneration of the Management Board in 2010

The remuneration of AMG's Management Board for 2010 was based on the Remuneration Policy of the Company. The Remuneration Policy was developed with a group of peer companies drawn from the Hay Group Industrial Market Database. This peer group is an important yardstick for the Supervisory Board in determining performance by the Company and setting compensation for the Company's Management Board. In addition, it is noted that pursuant to the Remuneration Policy, it has been accepted that the Remuneration Committee would honor existing contractual agreements of the current Management Board members and therefore would continue to accept the dual employment contract system as basis for the remuneration of the Management Board members. The main terms and conditions of the employment contracts of the Management Board members are published on the Company's website under the heading Corporate Governance.

In establishing the 2010 remuneration, the Supervisory Board has considered multiple scenarios on how the remuneration components would be affected given different sets of circumstances. Where in 2009, due to the very difficult economic environment facing the Company, all of the Management Board members had agreed to reduce their Base Salary for 2009 in return for stock options, this appeared not necessary in 2010.

FOR THE YEAR ENDED DECEMBER 31, 2010	BASE SALARY	ANNUAL BONUS	OPTION COMPENSA- TION	VALUE OF VESTED OPTIONS "IN THE MONEY" AT DEC. 31, 2010	PERFOR- MANCE SHARE UNITS	RETIREMENT BENEFITS & PENSIONS	OTHER REMUNERATION
Dr. Heinz Schimmelbusch	\$ 1,081,750	\$1,379,231	\$ 1,081,321	\$225,867	\$853,992	\$313,560	\$ 87,432
Eric Jackson	\$ 632,700	\$ 616,883	\$ 397,764	\$130,744	\$256,196	\$972,637	\$ 49,180
Dr. Reinhard Walter	\$ 607,108	\$ 614,613	\$ 397,764	\$141,322	\$256,196	\$358,187	\$ 16,624
William J. Levy	\$ 492,700	\$ 480,383	\$ 340,427	\$102,465	\$170,799	\$643,890	\$ 23,293

Management Board Remuneration in 2010

The remuneration contracts of the Management Board members were with more than one Company now comprising AMG. The remuneration levels in the table above show the aggregate amounts of the contracts per Management Board member. In addition, Dr. Schimmelbusch received compensation of \$39,810 as Chairman of the Supervisory Board of AMG's subsidiary Graphit Kropfmühl AG. A detailed explanation of the remuneration paid in 2010 is provided in Note 36 to the Consolidated Financial Statements.

Dr. Schimmelbusch also received remuneration from AMG's associate Timminco for his work for that company as Chief Executive Officer and Chairman of the Board.

Base Salary

The Base Salaries of the Management Board members were determined by the Supervisory Board in line with the Remuneration Policy of the Company. In 2010 for all Management Board members there was no increase in Base Salary compared to 2009 and 2008.

Annual Bonus

In line with the Remuneration Policy, the short-term incentive plan provides for an annual cash bonus, which depends on three key performance metrics:

- 40%: Return on Capital Employed (ROCE) (excluding construction in progress)
- 40%: Adjusted Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)
- 20%: Individual Performance

The Supervisory Board, on the recommendation of the Remuneration Committee, has established the Annual Bonus over 2010 as 150% of the target amount due to the outstanding results of the Company in 2010. Both EBITDA and ROCE realized in 2010 substantially outperformed the targets set by the Supervisory Board. The Individual Performance targets set by the Supervisory Board were fully met by each Management Board member.

The table below shows the target and paid out Annual Bonus over 2010 as a percentage of Base Salary per Management Board member. The Base Salary for annual bonus calculation purposes corresponds to full year base salary.

FOR THE YEAR ENDED DECEMBER 31, 2010	TARGET (AS A % OF BASE SALARY)	PAYOUT (AS A % OF BASE SALARY)
Dr. Heinz Schimmelbusch	85%	127.5%
Eric Jackson	65%	97.5%
Dr. Reinhard Walter	65%	97.5%
William J. Levy	65%	97.5%

Long-term incentives

Each member of the Management Board participates in the AMG Option Plan introduced in 2007 and in the AMG Management Board Option Plan adopted as per the (new) Remuneration Policy in 2009. In addition each member of the Management Board participates in the AMG Performance Share Unit Plan adopted as part of the Remuneration Policy in 2009. The table below provides an overview of the options granted under the AMG Option Plan during 2007, 2008, 2009 and 2010. All options granted in 2007 and 2008 are unconditional and have a vesting scheme of 25% per year starting one year after the grant date. In 2009 the Management Board members

received options twice, one part governed by the AMG Option Plan and unconditional and one part governed by the AMG Management Board Option Plan 2009 and conditional, all as further explained on pages 39 and 40 of the 2009 Annual Report of the Company. In May 2010, options have been granted to the Management Board members pursuant to the Remuneration Policy as long term incentive. These options are all conditional and follow the conditions set forth in the Remuneration Policy and are governed by the AMG Management Board Option Plan adopted in 2009.

AMG OPTION PLAN (ALL CURRENCY AMOUNTS IN EUROS)			NON-VESTED OPTIONS UNDER THE PLANS				VESTED OPTIONS UNDER THE PLANS		
FOR THE YEAR ENDED DEC. 31, 2010	YEAR	DATE OF GRANT	# OF OPTIONS	PRESENT VALUE AT DATE OF GRANT ¹	EXERCISE PRICE AT DATE OF GRANT	VESTING SCHEME	# OF OPTIONS	VALUE AT DEC. 31, 2010	SHARE PRICE AT DEC. 31, 2010
Dr. Heinz Schimmelbusch	2007	7/11/2007	56,250	1,350,000	24.00	25% per year	168,750	—	9.03
	2008	11/12/2008	66,666	635,000	12.70	25% per year	66,667	—	
	2009	5/13/2009	—	—	8.00	By 12/31/2009	165,463	138,939	
	2009	11/10/2009	101,626	500,000	9.84	50% after 3 rd year; 50% after 4 th year	—	n/a	
	2010	5/12/2010	62,578	500,000	7.99		—	n/a	
Eric Jackson	2007	7/11/2007	25,000	600,000	24.00	25% per year	75,000	—	9.03
	2008	11/12/2008	20,000	190,500	12.70	25% per year	20,000	—	
	2009	5/13/2009	—	—	8.00	By 12/31/2009	95,779	80,454	
	2009	11/10/2009	30,488	150,000	9.84	50% after 3 rd year; 50% after 4 th year	—	n/a	
	2010	5/12/2010	18,773	150,000	7.99		—	n/a	
Dr. Reinhard Walter	2007	7/11/2007	25,000	600,000	24.00	25% per year	75,000	—	9.03
	2008	11/12/2008	20,000	190,500	12.70	25% per year	20,000	—	
	2009	5/13/2009	—	—	8.00	By 12/31/2009	103,528	86,964	
	2009	11/10/2009	30,488	150,000	9.84	50% after 3 rd year; 50% after 4 th year	—	n/a	
	2010	5/12/2010	18,773	150,000	7.99		—	n/a	
William J. Levy	2007	7/11/2007	25,000	600,000	24.00	25% per year	75,000	—	9.03
	2008	11/12/2008	13,333	127,000	12.70	25% per year	13,334	—	
	2009	5/13/2009	—	—	8.00	By 12/31/2009	75,063	63,053	
	2009	11/10/2009	20,325	100,000	9.84	50% after 3 rd year; 50% after 4 th year	—	n/a	
	2010	5/12/2010	12,516	100,000	7.99		—	n/a	

¹ Present value of the stock options under the AMG Option Plan is calculated as 50% of the exercise price at the date of grant.

Performance Share Units

In 2010 the Supervisory Board awarded performance share units for the second time to the Management Board members since adoption of the Remuneration Policy. The present value of the PSU award for the Management Board members in 2010 was as follows:

Dr. Heinz Schimmelbusch	€500,000
Eric Jackson	€150,000
Dr. Reinhard Walter	€150,000
William J. Levy	€100,000

The present value of the PSUs is calculated as 80% of the fair market value at the grant date. These PSU awards will vest in accordance with the phased-in vesting scheme adopted as part of the Remuneration Policy.

In 2010 one-third (1/3) of the PSU award granted in 2009 vested (as part of the phased-in vesting scheme adopted as part of the Remuneration Policy). Vesting of the PSU's was subject to:

- A minimum average ROCE over the performance period
- The relative Total Shareholder Return ("TSR") compared to the Bloomberg World Fabricate/Hardware.

The first threshold (minimum ROCE) over 2010 met the target set by the Supervisory Board. The relative TSR for the Company for 2010 was between 40-60% which

resulted in a 100% pay-out of the vested PSU award in 2010. As a result the following amounts were paid out in cash in 2010:

Dr. Heinz Schimmelbusch	\$525,390
Eric Jackson	\$157,617
Dr. Reinhard Walter	\$157,617
William J. Levy	\$105,078

Pensions and Retirement Benefits

The members of the Management Board, except for Dr. Walter, are members of a defined contribution plan maintained in the United States. Dr. Walter is provided pension benefits in accordance with the defined benefit plan at AMG's German subsidiary, ALD Vacuum Technologies GmbH. Dr. Schimmelbusch and Mr. Jackson receive additional retirement benefits from Metallurg's Supplemental Executive Retirement Plan ("SERP"). With respect to Dr. Schimmelbusch, the supplemental benefits are payable commencing at the later of age 68 or the end of his employment with AMG. The benefit to be paid will be reduced by the amounts received under the normal retirement benefit under the Metallurg pension plan. See Note 25 to the Consolidated Financial Statements. Pursuant to Mr. Jackson's SERP, if Mr. Jackson is employed by Metallurg or remains in Metallurg's employment until he is 65, he is entitled, whether or not he has

terminated his employment, to receive retirement benefits (reduced by amounts received under Metallurg's pension plan). Mr. Jackson's benefits will be reduced if his employment with Metallurg ends prior to his reaching age 65. In 2010 the Supervisory Board has aligned the pension entitlements of Mr. Levy and Dr. Walter with those of Mr. Jackson. Accordingly, if either Mr. Levy or Dr. Walter are employed by AMG or remain in AMG's employment until either of them is 65 whether or not he has terminated his employment, he is entitled to receive retirement benefits (reduced by amounts received under Metallurg's respectively ALD's pension plan). Total costs to AMG with respect to the pension and retirement benefits of the Management Board in 2010 is provided in the table above which sets forth total costs incurred in 2010 for Management Board remuneration.

Other benefits

All Management Board members receive benefits, which are in line with industry and individual country practice. No loans and guarantees are granted to any Management Board members. Total costs to the Company with respect to other remuneration of the Management Board is provided in the table on page 43 which sets forth total costs incurred in 2010 for Management Board remuneration.

Contracts

Each member of the Management Board has a contract of employment with AMG. In case AMG terminates the contract(s) of employment without cause, the maximum severance payment is limited to two years Base Salary and two years of target Annual Bonus. Current agreements with respect to severance payments do not comply with best practice provision II.2.7 of the Dutch Corporate Governance Code. As part of its approved and adopted Remuneration Policy, AMG will honor existing contractual agreements for its current Management Board members and adapts to individual country practices, which differ from best practice provision II.2.7 of the existing Dutch Corporate Governance Code.

In addition to the employment contracts with AMG, the members of the Management Board have a contract with one of AMG's subsidiaries. Details of the employment contracts of the Management Board members with AMG and its subsidiaries are provided on the Company's website under the Corporate Governance section.

Management Board Remuneration for 2011

In line with the Remuneration Policy, the Remuneration Committee has set up the size and structure of the

Management Board's remuneration for 2011. The Remuneration Committee has analyzed the possible outcomes of the different remuneration components in view of various economic scenarios and how these may affect the remuneration of Management Board members.

Base Salary

The Supervisory Board has for 2011 decided that the Base Salary of the Management Board members will not change as compared to the Base Salary levels of 2010. The table below shows the Base Salaries for 2011 and 2010. Differences are only due to exchange rate assumptions.

BASE SALARY	2011	2010
Dr. Heinz Schimmelbusch	\$ 1,087,500	\$ 1,081,750
Eric Jackson	\$ 635,000	\$ 632,700
Dr. Reinhard Walter	\$ 641,250	\$ 607,108
William J. Levy	\$ 495,000	\$ 492,700

Annual Bonus

Each year, a variable cash bonus can be earned based on achievement of challenging targets. The Annual Bonus criteria are set forth below and relate 80% to financial indicators of the Company and 20% to the individual performance of Management Board members. The Supervisory Board determines ambitious target ranges with respect to each performance metric with respect to the threshold, target and maximum pay-out and determines whether performance targets are met. It has the ability to adjust the value upward or downward if the predetermined performance criteria would produce an unfair result due to incorrect financial data or extraordinary circumstances.

The Annual Bonus pay-out in any year relates to achievements realized during the preceding year in relation to the agreed targets.

The Annual Bonus for 2011 will be determined as follows:

- 40% from ROCE (excluding construction in progress)
- 40% from adjusted EBITDA growth
- 20% from Individual Performance—discretionary by the Supervisory Board

The table below shows the Annual Bonus for each member of the Management Board as a percentage of Base Salary in case threshold, target and maximum performance levels are reached. Below threshold level the payout will be 0%. The Supervisory Board has considered whether given the continued challenging economic circumstances adjustment of the annual bonus components would be merited and has concluded that such

adjustment is not needed. The Supervisory Board has the ability to adjust the value upward or downward if the predetermined performance criteria would produce an unfair result due to incorrect financial data or extraordinary circumstances.

MANAGEMENT BOARD POSITION	MINIMUM PAYOUT	TARGET PAYOUT	MAXIMUM PAYOUT
Chairman and Chief Executive Officer	0%	85%	255%
Divisional head	0%	65%	195%
Chief Financial Officer	0%	65%	195%

Long-term incentives

In line with the Remuneration Policy, the long-term incentives for the Management Board for 2011 consist of two programs: the Performance Share Unit Plan and the Stock Option Plan.

To facilitate a smooth transition from the old remuneration policy to the (new) Remuneration Policy, the Performance Share Unit Plan has a phasing-in schedule as indicated below.

PSU INITIAL GRANT	2009	2010	2011	2012	2013	2014
Grant #1 Phase-in	Grant 1	1/3 vest	1/3 vest	1/3 vest		
Grant #2 Phase-in		Grant 2	No vest	1/3 vest	2/3 vest	
Grant #3 Normal cliff			Grant 3	No vest	No vest	3/3 vest

This year's grant (2011) will be the third grant under the new plan and vesting will apply as outlined in the schedule above. Vesting of the Performance Share Units under the third grant is subject to:

- A minimum average ROCE over the performance period
- The relative Total Shareholder Return compared to the Bloomberg World Fabricate/Hardware Index.

Each year the Supervisory Board determines the target range with respect to the ROCE performance metric which serves as threshold and determines whether such threshold has been achieved. In addition it monitors and establishes the applicable TSR Ranking for the relevant PSU period. The TSR Ranking used applies the Bloomberg World Metal Fabricate/Hardware Index as further explained in the Company's Remuneration Policy, which is available in the Corporate Governance section of the Company's website. The Supervisory Board has the ability to adjust the value upward or downward if the predetermined performance criteria would produce an unfair result due to incorrect financial data or extraordinary circumstances.

The present value of the PSUs to be granted in 2011 is €500,000 for Dr. Schimmelbusch, €150,000 for Mr. Jackson and Dr. Walter and €100,000 for Mr. Levy. The present value of the PSUs is calculated as 80% of the fair market value at the grant date.

With regard to the Stock Option Plan ("SOP"), each member of the Management Board will be granted stock options in 2011 in accordance with the Remuneration Policy. Vesting of the stock options is subject to a minimum three year average ROCE requirement. The stock options will vest half after the third anniversary and half after the fourth anniversary. The present value of the stock options under the SOP to be granted in 2011 is €500,000 for Dr. Schimmelbusch, €150,000 for Mr. Jackson and Dr. Walter and €100,000 for Mr. Levy. The present value of the stock options under the SOP is calculated as 50% of the fair market value of the shares at the grant date. The aggregate number of stock options to be granted under the Remuneration Policy to members of the Management Board shall not exceed 10% of the outstanding share capital of the Company from time to time.

Pension and other benefits

The pension and other benefits of the members of the Management Board will not change compared to 2010.

Contracts

The current contractual agreements will not change compared to 2010. Main elements of the contracts with the Management Board members are published under the Corporate Governance section of the Company's website.

Shares Held by Members of the Management Board

As of December 31, 2010, Dr. Schimmelbusch and Dr. Walter directly held, respectively, 258,397 and 6,000 of AMG's shares. No other member of the Management Board holds any AMG shares as of that date.

Appreciation for the Management Board and the Employees of AMG

The Supervisory Board would like to thank the Management Board for its extraordinary efforts in leading the Company out of what has been one of the most difficult economic environments of the past 50 years. The economic and financial circumstances which adversely impacted the Company over the last two years appear to have changed for the better although uncertainty will continue to cloud the outlook of the Company going forward into 2011. The Management Board did an excellent job of keeping the Company focused on its operations despite the challenging economic and financial environment. The Supervisory Board would also like to thank all the employees of AMG Group for their daily commitment to AMG.

Annual Report 2010

The Annual Report and the 2010 Annual Accounts, audited by Ernst & Young Accountants LLP, have been presented to the Supervisory Board. The 2010 Annual Accounts and the report of the external auditor with respect to the audit of the annual accounts were discussed with the Audit Committee in the presence of the Management Board and the external auditor. The Supervisory Board endorses the Annual Report and recommends that the General Meeting of Shareholders adopts the 2010 Annual Accounts.

Supervisory Board AMG Advanced Metallurgical Group N.V.

Pedro Pablo Kuczynski, Chairman
Wesley Clark
Martin Hoyos
Jack Messman, Vice Chairman
Norbert Quinkert
Guy de Selliers
March 31, 2011

Sustainable Development



AMG FACILITIES ¹	2010	2009
Advanced Materials		
AMG Vanadium, Ohio	Y	Y
SICA, Chauny	Y	Y
PCDL, Lucette	Y	Y
GfE, Nürnberg	Y	Y
LSM UK, Rotherham	Y	Y
LSM Brazil, Sao Joao del Rei	Y	Y
Alpoco, Minworth	Y	Y
Alpoco, Anglesey	Y	Y
GfE Fremat, Freiburg	Y	Y
CIF Mining, Nazareno	Y	Y
Engineering Systems		
ALD Hanau	Y	Y
ALD Berlin	Y	Y
ALD Limbach	Y	Y
ALD Port Huron, MI	Y	Y
ALD Ramos Arizpe	Y	Y
ALD Japan	Y	N
ALD UK	Y	N
ALD USA	Y	N
ALD Singapore	Y	N
ALD FNAG	Y	N
Corporate Offices		
Wayne, PA	Y	Y
Amsterdam	Y	Y

¹ The chart indicates which facilities were included in the scope of the sustainable development data.

This section provides an evaluation of AMG's social and environmental performance for 2010 compared to 2009. AMG utilizes the Global Reporting Initiative (GRI) G3 aspects, taken from its Mining and Metals Sector Supplement, which are most material to AMG's manufacturing operations. The GRI is a network-based organization that publishes the world's leading sustainability reporting framework.

The total number of sites reporting in 2010 is 22 and includes mining, manufacturing and office locations. Some smaller sales and service office locations are included for the first time this year. The Engineering Systems Division closed its operations in Columbia, South Carolina during the year and this site has therefore not been included. The facilities included in the report are detailed in the Table below. All sites report their performance at the end of the fourth quarter and no forecast data are used. Of most significance, AMG has further expanded its sustainability data collection process to move from the C+ to B+ GRI reporting level this year. AMG utilizes a standard environmental reporting template on which all sites report their data in order to ensure consistency in the interpretation of definitions of the key indicators. This approach is supported by training and by consistent auditing by AMG's third party check partner, Conestoga-Rovers & Associates. AMG's publicly traded subsidiary, Graphit Kropfmühl, also collects sustainable development data for its six business units, as does Timminco for its Bécancour, Canada facility but these are not currently included in this report. Timminco includes a Sustainable Development section within its Annual Report to shareholders. The environmental key performance data for the Advanced Materials and Engineering Systems Divisions are summarized in the table on page 56.

Labor Practices and Decent Work Indicators

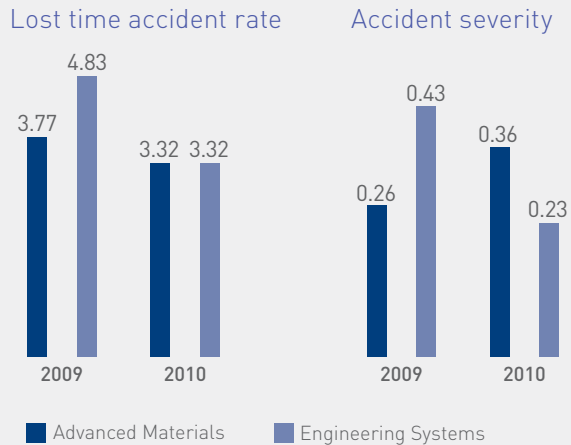
GRI Indicators LA1, LA4, LA6, LA7, LA10 and LA13

As of year-end 2010, the Advanced Materials Division had a workforce of 1,229 and the Engineering Systems Division had 791 employees. Including Corporate employees the total AMG workforce was approximately 2,039.¹ AMG assesses the diversity of its workforce in terms of gender and age. The multinational and therefore multi-cultural nature of the business means that ethnic diversity is significant, but because of the difficulty in defining minority employees in such an environment, the Company does not collect data on this aspect. Of the total employees 17% are female; 22% are under 30 years of age, 51% between 30 and 50 and 27% over 50. The metals and mining industries are traditionally male dominated, and workforce rationalizations have led to a mature workforce, both areas of which AMG is mindful. The Management and Supervisory Boards are currently all male and all members are over 50 years of age.

AMG respects the freedom of its individual employees and their rights to join, or choose not to join, unions. Across the combined Advanced Materials and Engineering Systems Divisions, including corporate staff, 66% of AMG employees were covered by collective bargaining agreements. For the Advanced Materials Division 82% of employees are covered by such arrangements, whereas in the Engineering Systems Division, which includes a higher proportion of professional salaried staff, 42% were in collective bargaining units.

Manufacturing our products safely is a key focus for the AMG business units—one of our key principles is that no task is so important that it should put our employees at risk. AMG has never had a fatal accident in either its Advanced Materials or Engineering Systems Divisions since its formation. Our primary measures of safety performance remain the lost time accident (LTA) rate² and accident severity rates³. In 2010 the Advanced Materials LTA rate was 3.3, a 13% reduction from 2009. The Engineering Systems LTA rate was coincidentally also 3.3 for the year representing a reduction of 32%. Overall the Company LTA rate was 3.3 and while this represents an improvement of almost 20% over 2009, the Company will be taking a number of initiatives in 2011 to further increase the profile of safety and to achieve our ultimate goal of zero harm to any of our employees. The overall accident severity rate in the Company was 0.32 in 2010

and is unchanged from 2009. Formal Health and Safety committees with representatives from all levels of the organization are in place at all major production facilities and most of the smaller facilities, but not at administrative and sales offices. Overall, 84% of the AMG workforce is represented in these committees which are focused on improving each site's safety performance.



For the first time in 2010 the report includes data on the development of AMG employees through training. Investing in our people to develop their skills and maintain our technical competitive advantage is an important objective for AMG. Three employee categories were determined to be suitable to track AMG's training and the number of employees in each category, and the data on average amount of training they received in the reporting period were collected. Data on corporate employees was not available. The results were Management (93 employees trained, averaging 17 hours), Professional, Technical, Sales and Administration (685 employees trained, averaging 16 hours) and Production and Maintenance (1089 employees trained, averaging 19 hours). Across all of AMG, on average each employee received a total of 17 hours of training time in 2010 (approximately 1% of total hours worked). Categories of training included technical and professional development, quality, anti-corruption policies, human rights policies and health and safety. Because this is the first year of data collection, AMG believes that not all training has been captured and plans to make improvements to its systems in this area during 2011.

Human Rights and Ethics

GRI Indicators HR3, HR5, HR6 and SO3

AMG supports and respects the protection of internationally proclaimed human rights and will work to make sure it is not complicit in human rights abuses. As part of this commitment the Company has surveyed each of its Advanced Materials and Engineering Systems Division sites to identify if there is the possibility of freedom of

1 Includes Corporate, Advanced Materials and Engineering Systems Division employees but not GK or Timminco employees.
 2 Lost time accident frequency rate equals the number of lost time accidents multiplied by 200,000 divided by the total hours worked. Lost time injury was defined using local regulations and ranged from minimum one lost day to three lost days.
 3 Accident severity is defined as the number of worker-days lost as a result of disabling injuries per thousand worker-hours of exposure.

association or collective bargaining being put at risk as a result of political or business factors and found that no sites were at risk. Similarly the Company has reviewed sites to ensure that they are not at risk for employing child labor or exposing young workers to hazards and again found that no sites posed a risk at this time.

Our policy on human rights is part of the Company Code of Business Conduct and Ethics. To further emphasize the importance of this to AMG, a new stand alone Human Rights policy has been developed and employees will be trained in this policy as part of our ongoing commitment. In 2010, data was only available for the Advanced Materials Division where 559 employees, representing 45% of the workforce received training in the AMG Company Code of Business Conduct and Ethics. This included particular emphasis on managers and employees in positions where they may be required to make significant ethically based decisions. Because this is the first year of data collection, AMG believes not all training has been captured and plans to make improvements to its systems in this area during 2011.

Resource Efficiency and Recycling

GRI Indicators EN1 and EN2

The AMG businesses fall into three distinct categories—those that produce metals, alloys and inorganic chemical products from primary, mined resources; those which produce metals and alloys from secondary, recycled resources; and those which provide technology and engineering services.

The Engineering Systems Division provides predominantly technical and engineering services with additional furnace assembly operations and furnace service operations (heat treatment services). The Division therefore utilizes only limited amounts of raw materials, mainly component parts for furnaces and does not knowingly utilize recycled or secondary raw materials. The nature of these components means that they are routinely measured in units, rather than by mass and therefore limited data is available. In 2010 the Division reported using 5,480 metric tons of raw materials, all of which were classified as primary. However, much of this was steel components and these are likely to contain a proportion of recycled metal.

The Advanced Materials Division uses a much more diverse range of raw materials; for example, the Brazilian mine uses pegmatite as its primary raw materials for tantalum production, but has also developed markets in the ceramics industry for materials previously considered overburden and is currently developing a process to isolate lithium concentrate from the spodumene content of the mine. In contrast GfE in Nürnberg and AMG Vanadium in Ohio use secondary raw materials including power plant wastes

and spent refinery catalysts for the production of vanadium alloys. Across this Division, excluding the mine site in Brazil, 141,000 metric tons of raw materials were used in 2010 of which 24,000 metric tons or 17% were secondary or recycled materials. The Brazilian mine used a further 391,000 metric tons of primary raw materials.

Energy Consumption

GRI Indicators EN3 and EN4

Energy usage was determined by collecting data on all energy carriers. In addition to the two most significant contributors, electricity and natural gas, minor energy sources such as gasoline, diesel, combustible bottled gases and purchased steam and compressed air are included in the data.

The total energy usage for the Advanced Materials Division showed an expected increase from 830 terajoules (TJ) in 2009 to 1,008 TJ in 2010. This increase is directly related to the higher production quantities in 2010 as market conditions have recovered. Small increases also arose because of the increased scope of reporting in 2010. Direct (542 TJ) and indirect (466 TJ) energy usage continue to account for approximately half of the total energy usage each. The most significant energy carriers by a wide margin are electricity and natural gas.⁴

The Engineering Systems Division uses significantly less energy than Advanced Materials since they operate lower temperature processes. Once again, increased demand for products and services led to a similar increase in power usage. In 2010 the Division used a total of 187 TJ. Indirect energy, in the form of electricity, accounted for 82% of the energy usage (153 TJ) while direct energy, primarily natural gas and some liquid fuels made up the remaining 18% (33 TJ), meaning the mix of energy carriers was unchanged from the prior year. At both Divisions, the unavailability of data from electricity utilities makes the split between renewable and non renewable energy sources difficult to accurately measure.

Flooding in Brazil in early 2010 led to a landslide which damaged the canal supplying the generating turbines at the hydroelectric facility near Sao Joao del Rei. This meant the recently upgraded turbines could not be used until the water supply canal was repaired. Although this does not affect total energy usage, it did mean that energy was purchased from the local supplier, Companhia Energética de Minas Gerais (CEMIG), rather than generated internally. The renewable nature of the energy was unchanged since the utility generates over 97% of its power utilizing hydroelectric plants.

⁴ Indirect energy consumption does not include the energy consumed by electricity producers to generate the electricity or transmission losses.

Water Consumption

GRI Indicator EN8

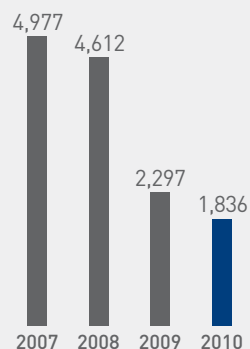
Water is essential to many manufacturing processes and is used by AMG companies primarily for non contact, evaporative or single pass cooling purposes, although a small number of AMG facilities do use wet chemical processes for the production of metal oxides and other chemicals. Water utilized for cooling, process and sanitary usage is reported by all AMG companies.

Both the Advanced Materials Division and Engineering Systems Divisions saw an increase in water usage in 2010 compared to 2009. This reflects increased production and throughput at the manufacturing facilities. Closer monitoring of water use, including the installation of additional metering, also identified pipe fractures and leakage, in several cases resulting from unusually cold weather conditions, which although contributing to the higher use in 2010 will, in future, further control overall use. Excluding the Brazilian mine, which is the largest water user in the group, water use increased 24% from 2009 (from 354 to 439 million liters).

In contrast, the mine in Brazil saw lower water usage in 2010 as a result of benefits from new processing equipment, and despite overall higher mine production. Water use reduced from 2,297 million liters in the previous year to 1,836 million liters (a 21% reduction). Since 2007 water use at the mine has seen a reduction of 61% through improved efficiency measures. As mine production expands, these efficiencies will continue to result in significant benefits, although absolute use may climb in future years.

For AMG as a whole water use in 2010 therefore decreased by 14% over 2009.

Mine Water Usage (millions of liters)



Biodiversity

GRI Indicator EN11

Of the 22 sites reporting for 2010, four reported land areas on or adjacent to their property which had high biodiversity value, sensitive habitats or were protected. These areas

included river frontage in Hanau Germany, native forest in Sao Joao del Rei, river frontage and setback areas in Nazareno, Brazil and wetlands in Cambridge, Ohio. AMG employees are mindful of their responsibilities to preserve these important natural areas.

Climate Change

GRI Indicator EN16

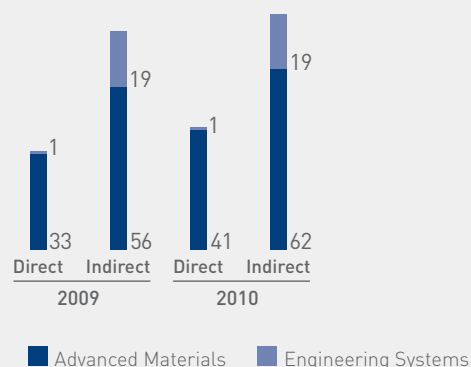
Electricity used for the generation of heat for metallurgical processing has been, and remains, the most significant source of greenhouse gas (GHG) emissions for AMG. This electricity use gives rise to indirect GHG emissions of CO₂ equivalent (CO₂e) which are dependent on the fuels utilized in its generation. The emissions have been calculated using emission factors available from the electricity supplier, the local environmental agency or the GHG protocol. Indirect emissions, are defined as those emissions generated by sources outside of AMG's control, but where AMG ultimately uses the energy. Whenever possible the most up to date emission factors have been utilized in the calculations. Direct GHG emissions result primarily from the combustion of carbon containing materials often as part of the metallurgical process, such as using coke as a reductant, but also for the generation of heat, such as burning natural gas in a boiler. Both indirect and direct emissions are reported. Other GHGs occurring from processes other than combustion, such as hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride, are minimal for the AMG business units, but are included if relevant.

As discussed above, increased production levels in 2010 meant similar increases in energy usage, and the preponderance of fossil fuels for energy generation in turn gives rise to increased absolute CO₂e emissions. The Advanced Materials Division GHG emissions rose from 88,500 metric tons of CO₂e, to 103,000 metric tons in 2010, or a 16% increase. Of these emissions 60% are attributed to indirect sources and 40% to direct sources.

The Engineering Systems Division's GHG emissions in 2010 were 24,500 metric tons, again an increase from 2009 (20,000 metric tons) and once again related to increased production. These emissions come primarily (92%) from indirect emissions associated with electricity usage.

In order to compare year on year performance, the Company has utilized the overall GHG intensity, defined as metric tons of CO₂e produced per metric ton of product. Including the Advanced Materials Division, Engineering Systems Division (where available) and all offices, this figure was 0.49 metric tons of CO₂e in 2009 and was marginally higher at 0.52 in 2010.

Greenhouse Gas Emissions (thousands of metric tons)



Emissions to Air

GRI Indicators EN19 and EN20

The emissions of ozone depleting substances (ODS) remain de minimis for both the Advanced Materials Division and Engineering Systems Division. During routine audits some small office air conditioning units were identified at one site which contained these substances and these will be retrofitted with non ozone depleting replacement materials as maintenance is required. The nature of the Engineering Systems business means that it has minimal air emissions for other pollutants, resulting from only small sources such as heating and hot water boilers; these are considered negligible for the purposes of this report. The manufacturing facilities of the Advanced Materials Division have more significant emissions including SO_x (442 metric tons), NO_x (110 metric tons) and particulate materials (21 metric tons). Reliable data is only available for regulated sources where measurements have been made. There may be other minor contributions from insignificant sources but they are not considered material for this report. The major changes from 2009 include an increase in reported NO_x emissions as a result of data becoming available for the new rotary kiln at GfE Nürnberg and a reduction in particulate emissions at the Brazilian manufacturing plant.

Emissions to Water and Spills

GRI Indicators EN21 and EN23

AMG facilities continue to maintain records of the volume of aqueous effluents, including process water and non-sanitary sewer releases, discharged to local water courses. Clean water (typically freshwater used for cooling purposes that has not been affected in the process) is included in the figures given below. Chemical analysis of the effluent is utilized to determine the total mass of primary constituents of the water emissions. In 2010, the total waste water disposed to water courses by the Advanced Materials Division, excluding the Brazil mine, totaled 135 million liters compared to 151 million liters

in 2009. The Brazil mine site, which as discussed above has significantly reduced water usage with new, more efficient processing equipment, has seen a commensurate reduction in water discharged to the local river from 1,933 million liters in 2009 to 1,836 million liters in 2010. Most of the efficiency savings from this project have been now realized and this discharge rate is expected to be typical of future years. Although most of the Division's water is used for cooling purposes and therefore produces clean water discharges, some of the wet chemical processes generate aqueous waste streams. For the three production sites reporting industrial process water disposal, the major constituents were metals (4200 kg), fluoride (323 kg), sulfate (687 metric tons) and total suspended solids (7.9 metric tons). Additionally, this water included 3,021 kg of chemical oxygen demand (COD). The large volume of water discharged to surface water from the mine site in Brazil contains suspended solids but these have not been accurately quantified. The Engineering Systems Division also utilizes minimal water for non-contact, closed-cycle cooling purposes, and the discharges are therefore clean water and not considered material to this report.

For the first time in 2010 AMG has collected information on the total number and volume of significant spills, including those of tailings and other process materials. A significant spill is defined by GRI as one which would affect the Company's financial statement as a result of the ensuing liability or is recorded as a spill. In 2010 there were no such spills at any AMG site.

Waste Disposal

GRI Indicator EN 22

Once again in 2010 all AMG facilities were required to report a detailed breakdown of their waste generation and disposal activities including the methodology for disposal or recycling. AMG believes landfill disposal should be minimized and seeks beneficial reuse opportunities for all by-product materials. In 2010 the Company has sought further customers for many of these materials which have value by virtue of their physical or chemical properties. Where this has not been possible disposal has become necessary, and in 2010 the decision was made to dispose of some materials that AMG has been unable to find a timely market for, most notably filter cake materials from niobium and tantalum chemicals production at the LSM Brazil facility.

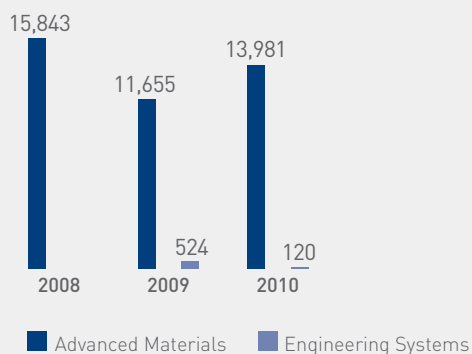
In 2010 the Advanced Materials Division saw an increase of 20% (13,981 metric tons compared to 11,655 metric tons in 2009) in overall waste disposed to landfill. This increase was a result of the disposal of the legacy filter cake material from Brazil described above offset by general decreases at our European and North American

sites. This project is expected to continue and will also affect 2011 data. Of note is the Cambridge, Ohio facility where landfill disposal has dropped from over 6,100 metric tons in 2007 to below 1,300 metric tons in 2010. The identification of markets and customers for by-products and a rigorous on site waste elimination program which makes sure items such as pallets, paper and pop cans are sorted and recycled has enabled this reduction.

The nature of the Engineering Systems Division operations means that it produces far less waste, with just 120 metric tons disposed to landfill in 2010. Improved recycling means that this is also a significant reduction (over 75%) from the 524 metric tons reported in 2009.

Overall, the Company disposed of 14,102 metric tons of waste to landfill in 2010, compared to the 7,580 metric tons which were recycled. Of the waste disposed, the majority (12,067 metric tons or 86%) was non hazardous.

Total landfilled waste disposal (metric tons)



Significant Fines for Non-Compliance with Environmental and Other Laws

GRI Indicator EN28

The Advanced Materials and Engineering Systems Divisions did not receive any fines or equivalent penalties for non compliance with environmental laws in 2010.

GRI Indicator S08

In 2010 the Advanced Materials and Engineering Systems Divisions did not receive any fines or equivalent penalties for non-compliance with other applicable laws and regulations in 2010.

Product Responsibility

GRI Indicator MM 11

In addition to providing Safety Data Sheets for all products, including updates to reflect the recently implemented Global Harmonized System, AMG has continued with registrations under REACH in Europe. All high volume (>1,000 metric tons) or hazardous products have been registered and preparations are underway for 2013 and 2018 registrations. European subsidiary companies are involved with Consortia developing the health, safety and environmental

data required for these registrations. AMG is also extremely active in a number of industry groups focused on developing health and safety knowledge of certain products, among them the Vanadium International Technical Committee (Vanitec) and the International Antimony Association (I2A).

GRI Contents

This section provides an overview of how AMG's Annual Report correlates with the GRI G3 guidelines for the voluntary reporting of sustainable development indices. The table below serves as a reference guide to the sections of the report where information about each item can be found. The GRI G3 guidelines facilitate measurement of economic, environmental and social dimensions of company performance. Third party verification has been conducted to ensure that AMG's reporting is consistent with the GRI reporting principles. AMG believes that in all material aspects the report meets the requirements of a B+ application level.

United Nations Global Compact

AMG commits its support to the principles of the United Nations Global Compact ("Global Compact"). The Global Compact, which is overseen by the United Nations (UN), is a strategic policy initiative for businesses that, like AMG, are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. In 2009, the Management Board of AMG approved its commitment to the Global Compact and the intent of AMG to support the ten principles of the Global Compact. AMG will reaffirm its support and submit its first Communication on Progress (COP) in April 2011.

Extractive Industries Transparency Initiative

AMG continues its support of the Extractive Industries Transparency Initiative (EITI, <http://eiti.org/>), a global initiative to improve governance in resource-rich countries through the verification and full publication of Company payments and government revenues from oil, gas, and mining. The Initiative works to build multi-stakeholder partnerships in developing countries in order to increase the accountability of governments. Over 30 countries have now committed to the EITI principles and criteria, although, as of today, AMG does not have any extractive operations in an EITI implementing country.



Global Reporting Initiative

AMG supports the Global Reporting Initiative (GRI), and is an Organizational Stakeholder (OS). GRI is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. In order to ensure the highest degree of technical quality, credibility, and relevance, the reporting framework is developed through a consensus-seeking process with participants drawn globally from business, civil society, labor, and professional institutions.

This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.

The cornerstone of the framework is the Sustainability Reporting Guidelines. The third version of the Guidelines—known as the G3 Guidelines—was published in 2006, and is a free public resource. Other components of the framework include Sector Supplements (unique indicators for industry sectors) and National Annexes (unique country level information). AMG has utilized the Metals and Mining Sector Supplement, 2010 as a guide in preparing this report.

The Organizational Stakeholder Program is located at the center of the global multi-stakeholder network that constitutes GRI. Organizational Stakeholders put their name to the GRI mission, products and processes, and broadening participation around sustainability and transparency. The Organizational Stakeholders provide a key basis for legitimacy to GRI and reinforce its common commitment as a network to change. As an Organizational Stakeholder, AMG further supported the GRI in 2010 by attending its biennial conference in Amsterdam.



Further information on AMG Sustainable Development and our commitments to these organizations, including our UNGC Communication on Progress can be found on the AMG website (www.amg-nv.com).

Environmental, Health, Safety and Social Reporting Statement of Assurance

Scope, Objectives & Responsibilities

AMG's environmental, health, safety and social performance reporting has been prepared by the management of AMG who were responsible for the collection and presentation of the information. Conestoga-Rovers & Associates (CRA) was retained by AMG to conduct an

independent review and assurance of the information and data reported in the Sustainable Development section of this Report. The objective of the assurance process was to check the materiality of the issues included in the Report and the completeness of reporting. Any claims relating to financial information contained within the Report are excluded from the scope of this assurance process. CRA's responsibility in performing our assurance activities is to the management of AMG only and in accordance with the terms of reference agreed with them. CRA does not accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance that any third party may place on the Report is entirely at its own risk.

Approach and Limitations

CRA's assurance engagement has been planned and performed in accordance with AMG's internal guidance and definitions for the reported indices. The assurance approach was developed to be consistent with the GRI G3 Guidelines and international standards for assurance appointments. CRA conducted site visits to 6 of the 22 sites, and met with/interviewed personnel responsible for collecting, reviewing and interpreting the data and information for presentation in the Report for all 22 sites. Stakeholder engagement was not within the scope of the assurance activities.

Conclusions/Recommendations

On the basis of the method and scope of work undertaken, and the information provided to CRA by AMG, the process undertaken by AMG provides a balanced representation of the issues concerning AMG's sustainability performance and is an appropriate presentation of AMG's environmental, safety, health and social performance in 2010. In our opinion the processes for collecting and reporting sustainability-related data that AMG introduced in 2007 have been further enhanced through better communication and awareness, and more consistent application of the environmental indices. Some challenges remain related to ensuring consistency in the approach related to various performance metrics and providing consistent and complete data in an efficient manner. It is recommended that AMG continue to focus on these challenges to improve reporting, but they do not materially affect the conclusions presented herein.

Julian Hayward, P. Eng., Associate
Conestoga-Rovers & Associates

Gregory A. Carli, P.E., Principal
Conestoga-Rovers & Associates

Overview of AMG Social and Environmental Key Performance Indicators and GRI Content Index

Quantitative Social and Environmental Key Performance Indicators

GRI			ADVANCED MATERIALS		ENGINEERING SYSTEMS	
INDICATOR	DESCRIPTION		2009	2010	2009	2010
LA1	Total workforce ¹		1,140	1,229	672	791
LA4	% of employees covered by collective bargaining agreements		76	82	43	42
LA7	Accident Rates	Total	3.8	3.3	4.8	3.3
LA7	Accident Severity Rate	Total	0.26	0.36	0.43	0.23
LA10	Average Hours of Training Per Year*	Per person	No Data	17	No Data	17
HR3	Human Rights Training*	% Trained	No Data	45	No Data	45
EN2	% Recycled Raw Materials (excluding mine)	%	23	17	0	0
EN3	Direct Energy Consumption	TJ	446	542	27	33
EN4	Indirect Energy Consumption	TJ	385	466	122	153
EN8	Water consumption (manufacturing)	Million l	311	397	42	46
EN8	Water consumption (mining)	Million l	2,297	1,836	n/a	n/a
EN16	CO2 equivalent emissions	mt	88,500	103,000	20,000	24,500
EN20	SOx emissions	mt	422	442	0	0
EN20	NOx emissions	mt	7	110	0	0
EN20	Particulates discharged to air	mt	37	21	0	0
EN21	Metals discharged to water	kg	179	4,200	0	0
EN22	Hazardous waste (including recycled)	mt	4,859	5,705	91	251
EN22	Non-hazardous waste (including recycled)	mt	11,629	17,561	614	644
EN22	Percent of waste recycled	%	29	40	34	86
EN22	Waste disposed to landfill	mt	11,655	13,981	524	120
EN23	Spills	L	No Data	0	No Data	0
EN28	Environmental Fines	\$	No Data	0	No Data	0
S08	Fines for non compliance with laws	\$	No Data	0	No Data	0

¹ This figure excludes 18 corporate employees.

GRI Content Index

GRI REFERENCE	INDICATOR	PAGES
	General	
1.1	CEO and Chairman Statement	4–7
2.1–2.2	Name, primary brands, products and services	1–32
2.3–2.7	Structure, geographical presence, markets served	1–3, 8–32
2.8	Scale of the organization	8–32
2.9	Significant changes in size, structure or ownership	2–3, 22–32
2.10	Awards received in 2010	n/a
3.1–3.4	Reporting period, date of previous report, reporting cycle, contacts	57, 149
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4.1–4.4	Structure and governance	57–62
4.14–4.15	Stakeholder groups, basis for selection	40–48
	Environmental Indicators	
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EN3–EN4	Direct and indirect energy consumption by primary energy source	51
EN8	Total water withdrawal by source	52
EN11	Biodiversity	52
EN16	Total direct and indirect greenhouse gas emissions by weight	52
EN19–EN20	Ozone-depleting substances, NOx, SOx, and other significant emissions	53
EN21, 23	Total water discharge by quality and destination and spills	53
EN22	Total weight of waste by type and disposal method	53–54
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	Social Indicators	
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	Economic Indicators	
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	Human Rights	
HR3, 5 and 6, S03	Training, Collective bargaining and child labor, Anticorruption	50–51

* Not broken down by Division

Corporate Governance

General

AMG Advanced Metallurgical Group N.V. ("AMG" or the "Company") is a company organized under Dutch law and is the parent company of the AMG Group. The Company was established in 2006 as the holding company for the AMG Group companies and its shares were first listed on Euronext Amsterdam by NYSE Euronext ("Euronext Amsterdam") in July 2007.

In this report the Company, as a Dutch listed company, sets forth its overall corporate governance structure and the extent to which it applies the provisions of the Dutch Corporate Governance Code (as amended most recently by the Corporate Governance Code Monitoring Committee issued on December 10, 2008 ("Dutch Corporate Governance Code")). The Dutch Corporate Governance Code can be downloaded from www.corpgov.nl.

The Supervisory Board and the Management Board, which are responsible for the corporate governance structure of the Company, hold the view that the vast majority of principles set forth in the Dutch Corporate Governance Code as applicable during 2010 are being applied, while certain deviations are discussed and explained hereafter. A full and detailed description of AMG's Corporate Governance structure and AMG's compliance with the Dutch Corporate Governance Code can be found on AMG's website (www.amg-nv.com) under the chapter Corporate Governance.

Annual Accounts and Dividend

The Management Board and the Supervisory Board have approved AMG's audited (consolidated) financial statements for 2010. Ernst & Young Accountants LLP audited these financial statements.

The audited financial statements will be submitted for adoption to the General Meeting of Shareholders.

AMG's dividend policy is to retain future earnings to finance the growth and development of its business. As a result, the Management Board does not anticipate that AMG will pay any dividends for the foreseeable future. The dividend policy will, however, be reviewed from time to time. Payment of future dividends to shareholders will be at the discretion of the Management Board subject to the approval of the Supervisory Board after taking into account various factors, including business prospects, cash requirements, financial performance, new product development, expansion plans, the terms of the Company's financing facilities and the compliance with applicable statutory and regulatory requirements. Additionally, payment of future dividends or other distributions to shareholders may be made only if the Company's shareholders' equity exceeds the sum of the issued share capital plus the reserves required to be maintained by law.

Shares and Shareholders' Rights

As of December 31, 2010, the total issued share capital of AMG amounts to EUR 550,077.70 consisting of 27,503,885 ordinary shares of EUR 0.02 each. Each ordinary share carries one vote. The ordinary shares are listed on Euronext Amsterdam. The ordinary shares are freely transferable.

The Company was advised by Safeguard International Fund L.P. ("SIF") on September 2, 2010 that SIF had successfully completed the distribution and transfer of its 26.6 percent shareholding in the Company to certain of the partners of SIF and other investors. As a result SIF ceased to be a shareholder in the Company effective from September 30, 2010. In addition, as a result of the distribution by SIF of its shareholding in the Company, Dr. H.C. Schimmelbusch, CEO and Chairman of the Management Board of the Company and general partner of SIF, acquired 229,247 ordinary shares in the Company bringing his total shareholding in the Company as of December 31, 2010 to a total of 258,397 ordinary shares.

Pursuant to the Financial Markets Supervision Act (Wet op het financieel toezicht) and the Decree on Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen), the Authority Financial Markets (Autoriteit Financiële Markten) has notified the Company that it had been notified about the following substantial holdings (>5%) in ordinary shares of AMG:

As of February 28, 2011

C. Leone/Luxor Management LLP	15.04%
Hunter Hall Investment Management Ltd	5.10%
Morgan Stanley Inc.	5.07%

Shareholding table:

	2010	2009
Number of ordinary shares outstanding	27,503,885	26,899,548
Average daily turnover	213,730	580,653
Highest closing price	9.37	11.59
Lowest closing price	6.24	3.76

Introduction of Preference Shares

The General Meeting of Shareholders approved in its meetings of May 12, 2010 and July 6, 2010 that the Articles of Association of the Company would be changed in order to introduce a new class of preference shares which may be issued and used as an anti-takeover device in order to safeguard the interests of the Company and its stakeholders in all those situations where the Company's interests and those of its stakeholders are at stake including but not limited to situations in which non-solicited public offers are made.

The preference shares carry equal voting rights as ordinary shares and are entitled, if distribution to shareholders is permitted, to a fixed dividend equal to EURIBOR for deposit loans of one year increased with maximum of 400 basis points as determined by the Management Board of the Company and subject to approval by the Supervisory Board. The Articles of Association of the Company have been amended on July 6, 2010 and now provide for an authorized share capital of 65,000,000 ordinary shares and 65,000,000 preference shares.

Stichting Continuïteit AMG

In line with Dutch law and corporate practice, on July 6, 2010, the Stichting Continuïteit AMG ("Foundation") was established in Amsterdam, the Netherlands, having as its main objective to safeguard the interests of the Company and its stakeholders. The Board of the Foundation is independent from the Company and consists of Mr. H de Munnik, Chairman and Mr. W.G. van Hassel and Mr. H. Borggreve as members. The main objective of the Foundation is to represent the interests of the Company and of the enterprises maintained by the Company and the companies affiliated with the Company in a group, in such a way that the interests of the Company and of those enterprises and of all parties involved in this are safeguarded in the best possible way, and that influences which could affect the independence and/or continuity and/or identity of the Company and those enterprises in breach of those interests are deterred to the best of the Foundation's ability.

Under the terms of an option agreement dated December 22, 2010 between the Company and the Foundation, the Foundation has been granted an option pursuant to which it may purchase a number of preference shares up to a maximum of the total number of ordinary shares outstanding at any given time.

Voting Rights

There are no restrictions on voting rights of ordinary and preference shares. Shareholders who hold shares on a predetermined record date (mandatory fixed at the twenty-eighth day prior to the day of the General Meeting of Shareholders) are entitled to attend and vote at the General Meeting of Shareholders regardless of a sale of shares after such date.

As far as is known to AMG there is no agreement involving a shareholder of AMG that could lead to a restriction of the transferability of shares or of voting rights on shares, except as detailed below.

Management Board

The executive management of AMG is entrusted to its Management Board which is chaired by the Chief Executive Officer. The Articles of Association provide that the number of members of the Management Board shall be determined by the Supervisory Board. The members of the Management Board are appointed by the General Meeting of Shareholders for a maximum term of four years and may be re-appointed for additional terms not exceeding four years. The Supervisory Board is authorized to make a non-binding or binding nomination regarding the appointment of members of the Management Board. In the event of a binding nomination, the General Meeting of Shareholders appoints from a nomination of at least the number of persons prescribed by Dutch law (currently two) made by the Supervisory Board. A binding nomination means that the General Meeting of Shareholders may only appoint one of the nominated persons, unless the General Meeting of Shareholders rejects the nomination by an absolute majority (more than 50% of the votes cast) representing at least one-third of the issued share capital. If the Supervisory Board has not made a nomination, the appointment of the members of the Management Board is at the full discretion of the General Meeting of Shareholders. The General Meeting of Shareholders and the Supervisory Board may suspend a member of the Management Board at any time.

A resolution of the General Meeting of Shareholders to suspend or dismiss a member of the Management Board requires an absolute majority (more than 50% of the votes cast), representing at least one-third of the issued share capital, unless the Supervisory Board has proposed the suspension or dismissal to the General Meeting of Shareholders, in which case an absolute majority is required but without any quorum requirement.

The Management Board follows its own Rules of Procedure concerning the procedures for meetings, resolutions and similar matters. These Rules of Procedure are published on the Company's website.

The Company has rules to avoid and deal with conflicts of interest between the Company and members of the Management Board. The Articles of Association and the Rules of Procedure state that in the event of a legal act or a lawsuit between the Company and any of the members of the Management Board, the Company shall be represented by any other non-conflicted members of the Management Board or by a Supervisory Board member designated by the Supervisory Board. In addition, it is provided that the respective member of the Management Board shall not take part in the decision-making and voting in respect of such legal act or lawsuit, or any other subject whereby the respective member of

the Management Board has a conflict of interest which is of material significance to the Company, and that any such legal act or subject require the approval of the Supervisory Board.

The Rules of Procedure of the Management Board establish further rules on the reporting of (potential) conflicts of interest.

Supervisory Board

The Supervisory Board supervises the Management Board and its policies and the general course of affairs of the AMG Group. Under the two-tier corporate structure under Dutch law, the Supervisory Board is a separate body that is independent of the Management Board. Members of the Supervisory Board can neither be members of the Management Board nor an employee of the Company. The Supervisory Board in discharging its duties, will act in the interests of the Company and AMG Group taking into account the interests of all of the Company's stakeholders. The Supervisory Board discusses and approves major management decisions and the Company's strategy.

The Supervisory Board has adopted its own Rules of Procedure concerning its own governance, committees, conflicts of interest etcetera. The Rules of Procedure are published on the Company's website and include the charters of the committees to which the Supervisory Board has assigned certain preparatory tasks, while retaining overall responsibility. These committees are the Remuneration Committee, the Selection and Appointment Committee and the Audit Committee. The Supervisory board shall be assisted by the Company Secretary of the Company who shall be appointed by the Management Board after approval of the Supervisory Board has been obtained. The number of members of the Supervisory Board will be determined by the General Meeting of Shareholders with a minimum of three members. Members of the Supervisory Board shall be appointed for a maximum term of four years and may be reappointed for additional terms not exceeding four years. Unless the General Meeting of Shareholders provides otherwise, a member of the Supervisory Board cannot be reappointed for more than three terms of four years.

The Supervisory Board is authorized to make a binding or non-binding nomination regarding the appointment of the members of the Supervisory Board. In the event of a binding nomination, the General Meeting of Shareholders appoints the members of the Supervisory Board from a nomination of at least the number of persons prescribed by Dutch law (currently two) made by the Supervisory Board. A binding nomination means that the General Meeting of Shareholders may only appoint one of the

nominated persons, unless the General Meeting of Shareholders rejects the nomination with an absolute majority (more than 50% of the votes cast) representing at least one-third of the issued share capital. If the Supervisory Board has not made a nomination, the appointment of the members of the Management Board is at the full discretion of the General Meeting of Shareholders. The General Meeting of Shareholders may, at any time, suspend or remove members of the Supervisory Board. A resolution of the General Meeting of Shareholders to suspend or remove members of the Supervisory Board requires an absolute majority (more than 50% of the votes cast) representing at least one-third of the issued share capital, unless the Supervisory Board has proposed the suspension or dismissal, in which case an absolute majority is required, without any quorum requirement.

As required under the Dutch Corporate Governance Code, the Company has formalized strict rules to avoid and deal with conflicts of interest between the Company and the members of the Supervisory Board, as further described in the Rules of Procedure of the Supervisory Board. Further information on the Supervisory Board and its activities is included in the Report of the Supervisory Board (pages 38–48 of this Annual Report).

Each of the current members of the Supervisory Board has undertaken to AMG not to transfer or otherwise dispose of any shares granted as part of their annual remuneration until the earlier of the third anniversary of the date of grant and the first anniversary of the date on which he ceases to be a member of the Supervisory Board.

General Meeting of Shareholders

A General Meeting of Shareholders is held at least once per year. During the Annual Meeting, the Annual Report including the report of the Management Board, the annual (consolidated) financial statements and the report of the Supervisory Board are discussed as well as other matters pursuant to Dutch law or the Company's Articles of Association. As a separate item on the agenda, the General Meeting of Shareholders is entrusted with the discharge of the members of the Management Board and the Supervisory Board from responsibility for the performance of their duties during the preceding financial year. The General Meeting of Shareholders is held in Amsterdam or Haarlemmermeer (Schiphol Airport), the Netherlands and takes place within six months from the end of the preceding financial year.

Meetings are convened by public notice and by letter, or by use of electronic means of communication, to registered shareholders. Notice is given at least forty-two days prior to the date of the General Meeting of Shareholders. The

main powers of the General Meeting of Shareholders are set forth in the Company's Articles of Association which are published on the Company's website and the applicable provisions of Dutch law.

On May 12, 2010, the General Meeting of Shareholders resolved to authorize the Management Board for a period of 18 months from that date (until November 13, 2011) as the corporate body which, subject to approval of the Supervisory Board is authorized to issue shares, including any grant of rights to subscribe to shares, with the power to exclude or restrict pre-emptive rights. This authorization allows the issue of up to 10% of the Company's issued share capital as of December 31, 2009 increased with 10% of the Company's issued share capital as per December 31, 2009 in connection with or at the occasion of mergers, acquisitions or financial support arrangements.

In addition on May 12, 2010 the General Meeting of Shareholders resolved to authorize the Management Board for a period of 18 months from that date (until November 13, 2011) as the corporate body which, subject to approval of the Supervisory Board, is authorized to effect acquisitions of its own shares by AMG. The number of shares to be acquired is limited to 10% of the Company's issued share capital as of December 31, 2009 taking into account the shares previously acquired and disposed of at the time of any new acquisition. Shares may be acquired through the stock exchange or otherwise, at a price between par value and 110% of the stock exchange price. The stock exchange price referred to in the previous sentence is the average closing price of the shares at Euronext Amsterdam on the five consecutive trading days immediately preceding the day of purchase by or for the account of the Company.

Articles of Association

The Company's Articles of Association can be amended by a resolution of the General Meeting of Shareholders on a proposal of the Management Board which has been approved by the Supervisory Board. A resolution of the General Meeting of Shareholders to amend the Articles of Association which has not been taken on the proposal of the Management Board and the approval of the Supervisory Board, should be adopted by a majority of at least two-thirds of the votes cast in a meeting in which at least 50% of the issued share capital is represented.

Corporate Social Responsibility

AMG endorses and supports the definition of Corporate Social Responsibility as set by the World Business Council for Sustainable Development, being:

"...the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large"

For AMG and its affiliated companies this translates into three main sustainable development objectives which the Company has formulated in connection with its financial objectives and its leading position at the heart of the global metallurgical industry: to be responsible stewards of the environment; to meet or exceed regulatory standards by engaging in ethical business practices and to be a valued member of the local economy, community and of society at large by contributing to solutions for increased energy consumption while addressing climate change. The Supervisory Board and the Management Board of the Company take continued guidance from these objectives when defining and implementing the Company's strategic objectives.

Decree on Article 10 of the Takeover Directive

The information required by the Decree on Article 10 of the Takeover Directive is included in this Corporate Governance section and the Report of the Supervisory Board which information is incorporated by reference in this Corporate Governance report.

Below is an overview of the significant agreements to which the Company is a party, which are affected, changed or terminated subject to a condition of a change of control. The Company is a party to the following agreement that will be terminated under the condition of a change of control over the Company as a result of a public takeover offer.

The Company's Credit Facility Agreement (as amended) has a provision that requires the Company to repay the entire outstanding amount under its Credit Facility Agreement upon a change of control, as defined therein.

The Company is also a party to the following agreements that will come into force upon a change of control pursuant to a public offer. Certain members of the Management Board have provisions in their contracts that pertain to a change of control. Additionally, the AMG Option Plan and the AMG Performance Share Unit Plan have provisions that permit the Supervisory Board to cancel or modify the options granted or performance share units awarded to Management Board members and other employees, upon a change of control.

The Company is a party to an Option Agreement entered into with the Stichting Continuïteit AMG as further explained on page 58 above.

Other than the above-mentioned agreements, the Company is not party to any other important agreements that will come into force, be amended or terminated upon a change of control pursuant to a public takeover offer.

Compliance with the Dutch Corporate Governance Code

In this chapter the Company discusses its compliance with the principles and provisions set forth in the Dutch Corporate Governance Code as amended in 2008 (hereinafter also referred to as the "Code"). In doing so, the outline and numbering of the Code is being followed.

As a general statement the Company fully endorses the Corporate Governance Code's principles and believes that virtually all best practice provisions as included in the Code are complied with. On certain matters involving the remuneration policy of the Company, the Company does not comply with the best practice provisions and it believes that it has sound reasons for doing so, which will be explained hereafter.

Deviation from these best practice provisions stems from the specialized nature of the Company's business, a reflection of local market practice in which executives may be employed and the recognition of pre-existing contractual agreements.

AMG was formed in March 2007 through the merger of eight operating companies. The members of the Management Board had pre-existing contracts as executives of certain of the operating companies that formed AMG. These contracts reflect local market conditions and customary provisions in the countries in which the executives may have been employed. They have provisions that do not fully comply with the Code's best practices. In view of the specialized nature of AMG's business and the qualifications and expertise of the present members of the Management Board, AMG intends to honour its existing contractual commitments to those members of the Management Board, in order to retain their services and to maintain their commitment to the Company.

The new remuneration policy for members of the Management Board was approved and adopted by the General Meeting of Shareholders in its Annual Meeting of May 13, 2009. This (revised) remuneration policy is published on the website of the Company under the heading Corporate Governance (hereafter referred to as "the Remuneration Policy"). Below the Company reviews in more detail to what extent its prevailing remuneration practice does not comply with the best practice provisions included in chapter II.2 of the Code.

II.2.4

Under the Company's remuneration policy effective prior to 2009, the members of the Management Board have been granted unconditional options that do not have any performance criteria required to be met. Additionally, such options have a vesting schedule which permits a majority of the options to be exercised within the first three years after having been granted. Furthermore the members of the Management Board have been granted unconditional options, upon approval by the General Meeting of Shareholders in May 2009, in lieu of part of their base salary for 2009, as a measure to minimize cash expenditures by the Company. As a result the Company deviates from best practice provision II.2.4.

II.2.5

The Company has introduced under the Remuneration Policy so called performance share units ("PSUs") for its Management Board members (as well as other senior executives). No Company shares have been or will be granted to Management Board members. The financial rationale and functioning of PSUs are explained in the Company's remuneration policy, published on its website. PSUs pay out, if and when targets specified beforehand are met, after three (3) years from the date of allocation. The Company believes that this remuneration component does not violate any of the best practice provisions and spirit of the Code (the Code, incidentally, does not recognize performance share unit systems as such). However, by way of enhanced transparency, and because the Supervisory Board has decided to introduce a phased-in vesting scheme for the initial awards, it is felt appropriate to make specific reference to PSUs under this chapter.

II.2.8

Each member of the Management Board has a contract of employment with AMG as well as with a now-constituent entity of AMG Group prior to the formation of AMG. These contracts provide for payment of two years of base salary compensation in the event of termination by the Company without cause. In the case of Dr. Walter, his original contract, dated October 1, 2006, specified a term of five years; no reference is made to payments of severance in the event of termination. As a result the Company deviates from best practice provision II.2.8 for reasons explained above and in the Company's Remuneration Policy.

III.7.1

A supervisory board member shall not be granted any shares and/or rights to shares by way of remuneration.

Shareholders at the General Meeting of Shareholders held in May 2009 approved granting shares to members of the Supervisory Board as part of their remuneration, as further explained in the Company's Remuneration Policy.

III.7.2

Any shares held by a Supervisory Board member in the Company on whose board he sits are long-term investments.

The undertaking by members of the Supervisory Board not to transfer or otherwise dispose of shares in AMG's share capital until the earlier of the third anniversary of the date of the grant and the first anniversary of the date on which such member ceases to be a member of the Supervisory Board is limited to shares granted as part of their annual remuneration and does not extend to any other shares in the Company held by such member.

Conflicts of Interest

Report on Transactions in 2010

In June 2010, the Company acquired 15.4 million common shares of Timminco at a price of C\$0.65 per share (at total cost of \$9.7 million), as part of a C\$13.1 million private placement by Timminco, the balance of which was fully subscribed by other investors. The proceeds of this private placement were used for general corporate purposes, including repayment of funds drawn on Timminco's revolving credit facility.

In December 2010, the Company renegotiated and extended the \$5 million convertible senior subordinated promissory note issued in December 2009 by Bécancour Silicon Inc, a wholly owned subsidiary of Timminco ("BSI"). Under the new terms of this promissory note which is subordinated to the debt owed to Bank of America under Timminco's credit facility, the note carries a 14% interest rate and matures on January 3, 2014 and has a conversion price of C\$ 0.26 per share. The proceeds of this promissory note were used (upon issue in 2009) for working capital purposes.

The transactions listed above ("Transactions") were approved by the Management Board and the Supervisory Board in accordance with articles 11, 12 and 13 of the Rules of Procedure of the Management Board.

Dr. Schimmelbusch, who also serves as Chairman and CEO of Timminco did not participate in the discussion on the vote on the Transactions in the meetings of the Management Board. Mr. Messman, who also serves as a non-executive Director of Timminco, did not participate in the discussion on the vote on the Transactions in the

various meetings of the Supervisory Board. Accordingly, best practice provisions II.3.2 up to and including II.3.4 as well as best practice provisions III.6.1 up to and including III.6.3 of the Code have been complied with.

No further conflicts of interest that were of material significance to the Company and/or members of the Management Board and Supervisory Board were reported in the period starting January 1, 2010 up to and including February 28, 2011 other than the conflicts of interest described above.

Further during the period starting January 1st, 2010 up to and including February 28th, 2011, the Company did not enter into any material transaction with a shareholder holding an interest of 10% or more in the Company's share capital. Accordingly the Company has complied with best practice provision III.6.4 of the Corporate Governance Code.

Corporate Governance Statement

The Decree of December 23, 2004 adopting further rules regarding the contents of the annual report, as amended and extended by the Decree of March 20, 2009 ("Decree") requires that a statement is published annually by the Company on its compliance with Corporate Governance regulations in the Netherlands. The Company hereby submits that it has fully complied with this requirement by way of publication of this Annual Report and the specific references therein notably to the Report of the Management Board, Report of the Supervisory Board, the chapter on Risk Management and Internal Control, the chapter on Sustainable Development and the chapter on Corporate Governance, all of which are deemed to be incorporated by reference into the Company's statement on corporate governance as required by the Decree.

Financial Review

In thousands of US Dollars	Year ended December 31	
	2010	2009
Revenue and expenses		
Advanced Materials revenue	616,267	429,083
Engineering Systems revenue	245,652	320,530
Graphit Kropfmühl revenue	128,576	117,834
Total revenue	990,495	867,447
Cost of sales	811,937	701,860
Gross profit	178,558	165,587
Selling, general and administrative expenses	128,934	137,537
Restructuring and asset impairment expenses	1,025	9,500
Environmental expense	6,421	3,998
Other (income) expense, net	(1,081)	(6,009)
Operating profit	43,259	20,561

Revenue

AMG's revenue improved to \$990.5 million in the year ended December 31, 2010 from \$867.4 million in the year ended December 31, 2009, a 14% increase. 2010 was impacted by the benefits of the rebound in the economy as compared to 2009 which was a year of challenges. The Advanced Materials Division experienced the improvements in revenue and earnings that were expected based on the second half of 2009. Also as expected, the Engineering Systems Division was negatively impacted in the early part of 2010 by the deteriorating market for capital equipment. However, improvements were seen as order intake and order backlog improved throughout the second half. Graphit Kropfmühl continued to deliver consistent results throughout the year, driven by natural graphite volume and pricing.

Advanced Materials' 2010 revenue increased by \$187.2 million, or 44%, from 2009, to \$616.3 million. This was a direct result of increases in average selling prices and volumes for many products, most notably for antimony and titanium alloys.

Engineering Systems' order intake for 2010 was \$280.8 million, up 53% from 2009. Despite this, the Engineering Systems' 2010 revenue decreased by \$74.9 million, or 23%, from 2009, to \$245.7 million as a result of a low order backlog at the beginning of 2010 and time delay of that backlog turning into revenue. Solar silicon systems revenue had the most rapid decline, with revenues declining by 53% year over year. The decline in furnace revenue was somewhat offset by improvements in own and operate revenue, which increased by over 50% due to the rebound in the automotive industry.

Graphit Kropfmühl ("GK") benefited from the natural graphite market in 2010. Revenues for this product line increased by 32%, driven by the improvement in industrial markets. Volumes increased by 25% and prices increased by 5%. Silicon metal revenue remained consistent year over year with volumes improving, but with lower pricing than in 2009 due to fixed price contracts which expired at the end of 2010.

Gross profit

AMG's gross profit increased to \$178.6 million in the year ended December 31, 2010 from \$165.6 million in the year ended December 31, 2009, an 8% improvement. As a percentage of revenue, gross profit was 18.0% in 2010 as compared to 19.1% in 2009. The decline in percentage was the effect of the mix of revenues. Engineering revenues, which historically provide higher gross margin, declined in the period while Advanced Materials revenues, which in total have lower gross margin, improved. The portfolio effect of these two different businesses provides consistency in AMG's operational profitability. Advanced Materials 2010 gross profit increased by \$46.9 million, or 98%, from 2009, to \$94.7 million due to higher average selling prices and an increase in volumes of products, such as aluminum master alloys and antimony. Within Engineering Systems, gross margin decreased from 33% in 2009 to 29% in 2010. 2010 gross profit decreased by \$35.7 million, or 34%, from 2009 to \$70.1 million due to the significantly lower revenue and the resulting effect of diminished economies of scale. The gross margin contributed by Graphit Kropfmühl was \$13.7 million in 2010 as compared to \$11.9 million in 2009 with natural graphite gross profit improving by 47%.

Selling, general and administrative expenses

Selling, general and administrative costs ("SG&A") were \$128.9 million in the year ended December 31, 2010 as compared to \$137.5 million in the year ended December 31, 2009. As a percentage of sales, SG&A costs improved to 13% of sales in 2010 as compared to 16% of sales in 2009. The primary reasons for the decline were lower share-based payment expense, lower research and development ("R&D") expense and the reversal of a bad debt reserve. Those variances accounted for a \$14.5 million decline in SG&A when comparing 2010 to 2009. These declines were offset by higher salaries and bonuses and higher professional fees. Personnel expenses decreased to \$73.8 million in the year ended December 31, 2010 from \$77.0 million in the year ended December 31, 2009. Due to improved performance in the year, salary and bonuses increased to \$48.6 million in 2010 from \$45.0 million in 2009. Those costs were more than offset by the large decline in share-based payment expense. Due to the vesting of the options granted in 2007 and 2008, the largest portion of this expense was recognized through 2009. Equity-settled option costs declined by \$5.3 million year over year. The cash-settled expense also declined from \$3.6 million in 2009 to \$2.0 million in 2010. The Company incurs professional fees from global service providers for services including audit, tax planning and compliance and legal consultation. Professional fees were \$19.2 million in 2010 as compared to \$17.3 million in 2009, an 11% increase. The largest reason for this increase was related to amendments on the AMG credit facility, which increased legal expenses by \$0.8 million. Additional consultants in certain operations also increased other professional fees by \$1.0 million. Research and development expense declined to \$6.0 million in the year ended December 31, 2010 as compared to \$10.0 million in the year ended December 31, 2009. Engineering reduced its R&D spend during the year in order to right-size cash costs for the downturn in the business. All other SG&A expenses, such as travel and entertainment, insurance, occupancy, communication and bank fees decreased to \$29.9 million in the year ended December 31, 2010 from \$33.2 million in the year ended December 31, 2009. The primary reason for this decline was related to the reversal of bad debts. In 2009, a bad debt reserve was taken for a specific Engineering customer. This reserve was able to be reversed in 2010, resulting in a year over year variance of \$3.6 million.

Restructuring and asset impairment expenses

Restructuring and asset impairment charges were \$1.0 million in the year ended December 31, 2010 as compared to \$9.5 million in 2009. In 2009, headcount reductions and facility closures were implemented globally as the businesses adapted to the slowing demand for products. These actions resulted in the \$9.5 million charge. The continuation of one 2009 restructuring plan resulted in the \$1.0 million charge in 2010.

Environmental expense

Environmental expense in 2010 primarily relates to two different environmental issues. The first portion of the expense relates to an adjustment to a purchase accounting reserve at GK. \$3.1 million in expense was booked related to the recultivation provision at GK's German mine. Revisions of estimates related to the decommissioning liability within the Company's US operations accounted for \$2.6 million of expense in 2010 and \$3.8 million of expense in 2009.

Other income

Other income for the year ended December 31, 2009 was primarily government grant income of \$4.0 million within Engineering Systems and Graphit Kropfmühl. The terms of the most significant government grant were met during 2009, which led to the decline in this income in the year ended December 31, 2010.

Operating profit

AMG's operating profit increased to \$43.3 million in the year ended December 31, 2010 from \$20.6 million in the year ended December 31, 2009, a 110% improvement. The 2009 results were severely impacted by the global recession. 2010 saw the Advanced Materials Division completely rebound from its 2009 results while Engineering Systems only started to see its results rebound late in the year.

Finance expenses

The table below sets forth AMG's net finance expense for the periods ended December 31, 2010 and 2009. Finance expense increased slightly during the year due to increasing debt levels offset by lower global rates. Finance income was positively impacted by income on notes receivable, a change in the discounting of a provision and finance income recognized on derivatives.

In thousands of US Dollars	Period ended December 31	
	2010	2009
Finance expense	18,727	18,419
Finance (income)	(5,429)	(3,587)
Foreign exchange loss (income)	(2,799)	2,418
Finance expense, net	10,499	17,250

Income taxes

The provision for income taxes decreased to \$11.2 million for the year ended December 31, 2010 from \$15.2 million for the period ended December 31, 2009. The decline in provision was primarily a result of the Company's tax restructuring which was accomplished in 2009. Certain of the Company's net operating losses were able to be used to offset income in profitable jurisdictions. The effective tax rate remains skewed due to the losses from AMG's associates, primarily Timminco and Silmag. These losses were \$19.4 million in 2010 and no tax benefit can be booked for these losses, which are booked on an equity basis.

Net profit (loss)

The Company recorded net profit attributable to shareholders of \$2.4 million in the year ended

December 31, 2010 as compared to a loss of \$75.6 million in the year ended December 31, 2009. The 2009 results were primarily the result of Timminco's equity losses as well as the loss recorded on discontinued operations.

Liquidity and capital resources

Sources of liquidity

The Company's sources of liquidity include cash and cash equivalents, cash from operations and amounts available under credit facilities. At December 31, 2010, the Company had \$89.3 million in cash and cash equivalents and \$47.8 million available on its revolving credit facility. Changes in the Company's liquidity were due primarily to the investments in working capital, expansion projects and acquisitions for the year.

In thousands of US Dollars	2010	2009
Non-current loans and borrowings	187,813	168,319
Current loans and borrowings	49,276	35,477
Total debt	237,089	203,796
Cash	89,311	117,016
Net debt	147,778	86,780

The table below summarizes the Company's net cash provided by or used in its operating activities, investing activities and financing activities for the years ended December 31, 2010 and 2009.

	2010	2009
Net cash provided by (used in):		
Operating activities	(1,623)	(2,091)
Investing activities	(62,572)	(90,181)
Financing activities	42,352	62,638

Cash Flows

Net cash used in operating activities was \$1.6 million in the year ended December 31, 2010 as compared to cash used of \$2.1 million in the year ended December 31, 2009, a \$0.5 million improvement. Improved EBITDA was entirely utilized by increases in working capital and taxes paid.

Net cash used in investing activities decreased to \$62.6 million in the year ended December 31, 2010 from \$90.2 million in the year ended December 31, 2009, a \$27.6 million decline. 2009 investing activities included the discontinued operations of Timminco of \$32.0 million. This was offset by increased capital expenditures of \$7.5 million. The largest investing activities in the year ended December 31, 2010 included:

- \$16.5 million related the purchase of an antimony mine in Turkey
- \$3.7 million spent to acquire Mono² solar technology
- \$1.1 million invested in Engineering associates in France and India
- \$5.3 million to expand our spent catalyst processing capacity
- \$1.7 million to increase the capacity and efficiency of our own and operate business in Mexico
- \$1.3 million to expand the graphite milling capacity
- \$10.2 million in maintenance capital

The remaining capital expenditures related to other smaller projects.

Cash provided by financing activities was \$42.4 million in the year ended December 31, 2010 as compared to \$62.6 million in the year ended December 31, 2009.

The cash provided by financing activities was lower in

2009 due to exclusion of Timminco which had \$47.6 million of financing in 2009. AMG did have increased borrowing within its core subsidiaries in 2010. Funds were used for working capital and capital projects.

Outlook

AMG improved its market position for a number of materials and metals technologies used in the end markets of Aerospace, Energy, Infrastructure and Specialty Metals and Chemicals during 2010. These activities combined with improving markets should generate continued revenue and earnings growth in 2011. The Advanced Materials division's acquisition of the antimony mine and smelter, cost reductions made in the aerospace master alloys and coatings products, the acquisition of aluminum alloy producer KB Alloys, LLC and rising prices and demand for tantalum and aerospace master alloys should yield double digit percentage revenue growth for this division in 2011. The Engineering Systems division began 2011 with a 13% larger order backlog than it began 2010 due to improved demand in the specialty steel and solar industries. This should result in a revenue growth rate during 2011 similar to the current increase in order backlog; however, margin pressure may increase. We expect strengthening demand for natural graphite and improved pricing to result in revenue growth at Graphit Kropfmühl in 2011. The growth in revenue across all business segments combined with ongoing capital investments to improve efficiencies should result in an increased EBITDA margin in 2011.

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Consolidated Income Statement

For the year ended December 31	Note	2010	2009
In thousands of US Dollars			
Continuing operations			
Revenue	7	990,495	867,447
Cost of sales		811,937	701,860
Gross profit		178,558	165,587
Selling, general and administrative expenses		128,934	137,537
Restructuring expense	27	423	7,782
Asset impairment expense	13	602	1,718
Environmental expense	27	6,421	3,998
Other expenses		260	173
Other income	8	(1,341)	(6,182)
Operating profit		43,259	20,561
Finance expense	10	18,727	18,419
Finance income	10	(5,429)	(3,587)
Foreign exchange (gain) loss	10	(2,799)	2,418
Net finance costs	10	10,499	17,250
Share of loss of associates and joint ventures	15	(19,405)	(31,958)
Profit (loss) before income tax		13,355	(28,647)
Income tax expense	11	11,207	15,205
Profit (loss) for the year from continuing operations		2,148	(43,852)
Loss after tax for the year from discontinued operations	6	–	(54,378)
Profit (loss) for the year		2,148	(98,230)
Attributable to:			
Shareholders of the Company		2,414	(75,642)
Non-controlling interests		(266)	(22,588)
		2,148	(98,230)
Earnings (loss) per share			
Basic earnings (loss) per share	22	0.09	(2.82)
Diluted earnings (loss) per share	22	0.09	(2.82)
Earnings (loss) per share from continuing operations			
Basic earnings (loss) per share from continuing operations	22	0.09	(1.77)
Diluted earnings (loss) per share from continuing operations	22	0.09	(1.77)

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

Consolidated Statement of Comprehensive Income

For the year ended December 31	Note	2010	2009
In thousands of US Dollars			
Profit (loss) for the period		2,148	(98,230)
Exchange differences on translation of foreign operations	21	(4,311)	7,908
Net gain on cash flow hedges, net of tax	21	1,865	13,435
Other comprehensive loss	21	(298)	(76,887)
Attributable to:			
Shareholders of the Company		1,723	(57,731)
Non-controlling interests		(2,021)	(19,156)

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

Consolidated Statement of Financial Position

As at December 31	Note	2010	2009
In thousands of US Dollars			
Assets			
Property, plant and equipment	13	228,612	211,022
Intangible assets	14	27,002	28,253
Investments in associates and joint ventures	15	25,186	34,794
Derivative financial instruments	32	5,199	1,718
Deferred tax assets	11	22,107	10,912
Restricted cash	19	12,528	13,263
Notes receivable	32	322	5,542
Other assets	18	15,372	11,980
Total non-current assets		336,328	317,484
Inventories	16	207,204	193,378
Trade and other receivables	17	175,421	147,787
Derivative financial instruments	32	5,731	4,954
Other assets	18	41,080	30,359
Cash and cash equivalents	20	89,311	117,016
Total current assets		518,747	493,494
Total assets		855,075	810,978
Equity			
Issued capital		741	725
Share premium		381,636	379,518
Other reserves		36,158	31,284
Retained earnings (deficit)		(196,481)	(198,897)
Equity attributable to shareholders of the Company		222,054	212,630
Non-controlling interests		11,911	15,793
Total equity	21	233,965	228,423
Liabilities			
Loans and borrowings	23	187,813	168,319
Employee benefits	25	88,372	91,358
Provisions	27	20,607	14,862
Government grants	28	642	669
Other liabilities	29	5,517	7,984
Derivative financial instruments	32	698	1,339
Deferred tax liabilities	11	25,436	26,395
Total non-current liabilities		329,085	310,926
Loans and borrowings	23	4,254	3,464
Short term bank debt	24	45,022	32,013
Government grants	28	175	234
Other liabilities	29	43,287	46,179
Trade and other payables	30	102,253	69,791
Derivative financial instruments	32	1,754	6,048
Advance payments	7	49,597	54,764
Current taxes payable	11	24,979	36,050
Provisions	27	20,704	23,086
Total current liabilities		292,025	271,629
Total liabilities		621,110	582,555
Total equity and liabilities		855,075	810,978

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

Consolidated Statement of Changes in Equity

In thousands of US Dollars	Equity attributable to shareholders of the parent						
	Issued capital (note 21)	Share premium	Other reserves (note 21)	Retained deficit	Total	Non-controlling interests	Total equity
Balance at January 1, 2009	724	379,297	(2,215)	(123,110)	254,696	57,115	311,811
Foreign currency translation	-	-	4,456	-	4,456	3,452	7,908
Gain (loss) on cash flow hedges, net of tax	-	-	13,455	-	13,455	(20)	13,435
Net income recognized directly in equity	-	-	17,911	-	17,911	3,432	21,343
Results from continuing operations	-	-	-	(47,462)	(47,462)	3,610	(43,852)
Results from discontinuing operations	-	-	-	(28,180)	(28,180)	(26,198)	(54,378)
Loss for the year	-	-	-	(75,642)	(75,642)	(22,588)	(98,230)
Total comprehensive income (loss) for the year	-	-	17,911	(75,642)	(57,731)	(19,156)	(76,887)
Issuance of shares to Supervisory board	1	400	-	-	401	-	401
Share-based payment activity at subsidiary	-	-	1,559	-	1,559	-	1,559
Equity-settled share-based payments	-	-	14,029	-	14,029	-	14,029
Deemed disposal of non-controlling interest	-	-	-	-	-	(22,166)	(22,166)
Other	-	(179)	-	(145)	(324)	-	(324)
Balance at December 31, 2009	725	379,518	31,284	(198,897)	212,630	15,793	228,423
Balance at January 1, 2010	725	379,518	31,284	(198,897)	212,630	15,793	228,423
Foreign currency translation	-	-	(2,556)	-	(2,556)	(1,755)	(4,311)
Gain on cash flow hedges, net of tax	-	-	1,865	-	1,865	-	1,865
Net loss recognized directly in equity	-	-	(691)	-	(691)	(1,755)	(2,446)
Profit (loss) for the year	-	-	-	2,414	2,414	(266)	2,148
Total comprehensive (loss) income for the year	-	-	(691)	2,414	1,723	(2,021)	(298)
Issuance of shares to Supervisory board	1	272	-	-	273	-	273
Issuance of shares for acquisition of non-controlling interest	15	1,846	-	-	1,861	(1,861)	-
Equity-settled share-based payments	-	-	5,565	-	5,565	-	5,565
Other	-	-	-	2	2	-	2
Balance at December 31, 2010	741	381,636	36,158	(196,481)	222,054	11,911	233,965

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

Consolidated Statement of Cash Flows

For the year ended December 31	Note	2010	2009
In thousands of US Dollars			
Cash flows used in operating activities			
Income (loss) for the period from continuing operations		2,148	(43,852)
Loss for the period from discontinued operations	6	–	(54,378)
Income (loss) for the period		2,148	(98,230)
Adjustments to reconcile income (loss) to net cash flows:			
Non-cash:			
Depreciation and amortization	13, 14	25,009	23,758
Restructuring expense	27	423	7,782
Asset impairment expense	13	602	1,718
Environmental expense	27	6,421	3,998
Net finance costs	10	10,499	17,250
Share of loss of associates and joint ventures	15	19,405	31,958
Loss on sale or disposal of property, plant and equipment	13	262	6,253
Equity-settled share-based payment transactions	26	6,362	13,729
Cash-settled share-based payment transactions	26	1,964	3,605
Income tax expense	11	11,207	15,205
Working capital adjustments			
Change in inventories		(23,774)	45,338
Change in trade and other receivables		(40,033)	(564)
Change in prepayments		(12,248)	12,490
Change in trade payables, provisions, and other liabilities		35,488	(97,919)
Change in government grants	28	(17)	(7,783)
Other		3,936	5,934
Interest paid	10	(15,334)	(15,289)
Interest received	10	1,496	2,468
Income tax paid, net	11	(35,439)	(9,711)
Cash flows from discontinued operations	6	–	35,919
Net cash flows used in operating activities		(1,623)	(2,091)
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment	13	983	129
Asset acquisitions	5	(20,154)	–
Acquisition of property, plant and equipment and intangibles	13, 14	(32,973)	(25,532)
Related party loans	36	264	(5,262)
Investments in/acquisition of associates	15	(10,765)	(28,943)
Change in restricted cash	19	151	1,410
Other		(78)	56
Cash flows used in discontinued operations	6	–	(32,039)
Net cash flows used in investing activities		(62,572)	(90,181)
Cash flows from financing activities			
Proceeds from issuance of debt	23, 24	45,546	30,175
Repayment of borrowings	23, 24	(3,432)	(15,785)
Other		238	670
Cash flows from discontinued operations	6	–	47,578
Net cash flows from financing activities		42,352	62,638
Net decrease in cash and cash equivalents		(21,843)	(29,634)
Cash and cash equivalents at January 1		117,016	143,473
Effect of exchange rate fluctuations on cash held		(5,862)	3,177
Cash and cash equivalents at December 31	20	89,311	117,016

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

Notes to the Consolidated Financial Statements

1. Reporting entity

The consolidated financial statements of AMG Advanced Metallurgical Group N.V. (herein referred to as "the Company", "AMG NV" or "AMG") for the year ended December 31, 2010 were authorized for issuance in accordance with a resolution of the Supervisory Board on March 31, 2011.

AMG is domiciled in the Netherlands. The address of the Company's registered office is WTC Amsterdam, Toren C, Strawinskylaan 1343, 1077 XX Amsterdam. The consolidated financial statements of the Company as at and for the year ended December 31, 2010 comprise the Company and the companies that comprise its subsidiaries (together referred to as the "Group") and the Company's interest in associates and jointly controlled entities.

AMG was incorporated in the Netherlands as a public limited liability company on November 21, 2006. In July 2007, the Company completed an initial public offering ("IPO") of 9,333,409 shares, which are listed on Euronext, Amsterdam the Netherlands.

AMG is organized under three reportable segments: Advanced Materials, Engineering Systems and Graphit Kropfmühl.

The subsidiaries that make up these three operating segments are primarily located in Europe, North America and South America. The Advanced Materials segment manufactures and sells high-quality specialty metals, alloys and metallic chemicals which are essential to the production of high-performance aluminum and titanium alloys, superalloys, steel and certain non-metallic materials for various applications in the Energy, Aerospace, Infrastructure, Specialty Metals and Chemicals end markets (see note 4). The Engineering

Systems segment designs, engineers and produces advanced vacuum furnace systems and operates vacuum heat treatment facilities. It sells vacuum furnace systems to customers in the aerospace, energy (including solar and nuclear), transportation, electronics, superalloys and specialty steel industries. This segment also provides vacuum heat processing on a tolling basis to customers through its "Own & Operate" facilities equipped with vacuum heat treatment furnaces. The Graphit Kropfmühl segment manufactures silicon metal which is used in the Energy and Specialty Metals and Chemicals end markets. It also specializes in the extraction, processing and refining of natural crystalline graphite for a wide range of energy saving industrial applications.

Timminco was deconsolidated as of September 28, 2009, when the Company's ownership went from 50.8% to 47.9%. Timminco primarily produces silicon metal, including solar grade silicon, which improves conductivity, provides corrosion resistance and increases harness for the electronic, solar-photovoltaic, chemical and aluminum industries. Timminco's activity prior to the loss of control is recognized as discontinued operations in the comparable periods in the income statement and statement of cash flows. See note 6.

These financial statements represent the consolidated financial statements of the Company. These consolidated financial statements as of December 31, 2010 present the consolidated financial position, results of operations and cash flows of the Company and its subsidiaries.

The parent company financial statements are prepared in accordance with part 9, Book 2, article 362.8 of the Netherlands Civil Code. In accordance with part 9, Book 2, article 402 of the Netherlands Civil Code, the parent company income statement has been condensed.

The consolidated financial statements of the Company include the accounts of all entities when a direct or indirect controlling interest exists through voting rights or qualifying variable interests at the reporting dates. The following table includes all entities in which AMG has any ownership interest.

Name	Country of incorporation	Percentage held (directly or indirectly) by the Company	Percentage held (directly or indirectly) by the Company
		December 31, 2010	December 31, 2009
ABS Apparate-und Behälterbau Staßfurt GmbH	Germany	49	49
ALD Holcroft Vacuum Technologies Co.	United States	50	50
ALD Industrie-und Montagepark Staaken GmbH	Germany	51	51
ALD Own & Operate GmbH	Germany	100	100
ALD Technologies Polska S.z.o.o	Poland	100	100
ALD Thermal Treatment, Inc.	United States	100	100
ALD Thermo Technologies Far East Co., Ltd.	Japan	100	100
ALD Tratamientos Termicos S.A.	Mexico	100	100
ALD Vacuum Technologies GmbH	Germany	100	100
ALD Vacuum Technologies Inc.	United States	100	100
ALD Vacuum Technologies Ltd.	United Kingdom	100	100
ALD Vacuum Technologies Singapore PTE Ltd.	Singapore	100	100
ALD Vakuumpyje Technologii OOO	Russia	100	100
AMG Advanced Metallurgical Group Investment BV	Netherlands	100	100
AMG Brazilian Holding BV	Netherlands	100	100
AMG Coating Technologies GmbH	Germany	100	100
AMG Conversion Ltd	Canada	100	100
AMG Dutch Holdings CV	Netherlands	100	-
AMG Euro Holdings CV	Netherlands	100	100
AMG Idealcast Solar Corporation	United States	100	-
AMG Invest GmbH	Germany	100	100
Benda-Lutz-Alpoco Sp.z o.o.	Poland	51	51
Bogala Graphite Lanka Plc. (a)	Sri Lanka	88	79.52
Bostlan S.A.	Spain	25	25
Branwell Graphite Ltd.	United Kingdom	88	79.52
Companhia Industrial Fluminense Mineracao S.A.	Brazil	100	100
Dynatech Furnaces Private Ltd.	India	30	-
Ecopedras LTA	Portugal	100	-
Edelgraphit GmbH	Germany	88	79.52
EsteR-Technologie GmbH	Germany	50.2	50.2
EsteR-Separation GmbH	Germany	60	60
Fair Deal Trading (Pvt.) Ltd. (a)	Sri Lanka	88	79.52
FNE Forschungsinstitut für Nichteisen-Metalle GmbH	Germany	100	100
Furnaces Nuclear Applications Grenoble S.A.	France	100	100
GfE Fremat GmbH	Germany	100	100
GfE Gesellschaft für Elektrometallurgie mbH	Germany	100	100
GfE Materials Technology Inc.	United States	100	100
GfE Metalle und Materialien GmbH	Germany	100	100
GfE Unterstützungskasse GmbH	Germany	100	100
GK Asia Ltd. (formerly Mutual Sources Ltd)	China	88	79.52
GK Graphit Kropfmühl GmbH	Germany	88	79.52
Grafite Kropfmuehl de Mocambique, Limitada (b)	Mocambique	97.5	-
Graphit Kropfmühl AG	Germany	88	79.52
Graphite Týn spol. s r.o.	Czech Republic	88	79.52
Korin Grundstücks gesellschaft GmbH & Co. Projekt 30 KG	Germany	94.9	94.9
London & Scandinavian Metallurgical Co Limited	United Kingdom	100	100
LSM Brasil S.A. (formerly Companhia Industrial Fluminense)	Brazil	100	100
LSM Holdings BV	Netherlands	100	100

Name	Country of incorporation	Percentage held (directly or indirectly) by the Company	Percentage held (directly or indirectly) by the Company
		December 31, 2010	December 31, 2009
LSM (Jiaxing) Co Ltd	China	100	100
Metallurg Delaware Holding Company	United States	100	100
Metallurg Europe Limited	United Kingdom	100	100
Metallurg European Holdings LLC	United States	100	100
Metallurg Holdings Corporation	United States	100	100
Metallurg Holdings Inc.	United States	100	100
Metallurg, Inc.	United States	100	100
Metallurg International Holdings LLC	United States	100	100
Metallurg Mexico S.A. de C.V.	Mexico	100	100
Metallurg Servicios S.A. de R.L. de C.V.	Mexico	100	100
Metallurg Vanadium Corporation	United States	100	100
New Jersey Renewables Corporation	United States	100	100
Produits Chimiques de Lucette S.A.S.	France	100	100
Qingdao Kropfmuehl I Graphite Co. Ltd.	China	88	79.52
Qingdao Kropfmuehl Trading Co. Ltd.	China	–	79.52
RW silicium GmbH	Germany	88	79.52
Share Investments (Pvt.) Ltd.	Sri Lanka	88	79.52
Shieldalloy Metallurgical Corporation	United States	100	100
Silmag DA	Norway	50	50
Société Industrielle et Chimique de l'Aisne S.A.S.	France	100	100
Suda Maden A.S.	Turkey	99.99	–
Sudamin France S.A.S.	France	100	100
Sudamin Holding SPRL	Belgium	100	100
Sudamin IT S.A.R.L.	France	100	100
Sudamin SPRL	Belgium	100	100
Technologie-und Gründer-zentrum GmbH	Germany	2.5	2.5
The Aluminium Powder Company Limited	United Kingdom	100	100
Thermique Industrie Vide	France	30	–
Timminco Limited (c)	Canada	42.5	42.5
VACUHEAT GmbH	Germany	100	100
VACUHEAT Verwaltungs GmbH	Germany	100	100
Zimbabwe German Graphite Mines, Pvt. Ltd. (d)	Zimbabwe	88	–

- (a) Bogala Graphite and Fair Deal Trading are 90.4% owned by Graphit Kropfmühl, of which the Company owns 88%. Therefore, the Company indirectly holds 79.6% of these companies.
- (b) Graphit Kropfmuehl de Mocambique, Limitada is a holding company 97.5% owned by Graphit Kropfmühl, of which the Company owns 88%. Therefore, the Company indirectly holds 85.8% of this company.
- (c) Timminco is a significant associate. For a complete list of all Timminco subsidiaries, please refer to the Timminco financial statements.
- (d) Zimbabwe German Graphite Mines, Pvt. Ltd. is 50% owned by Graphit Kropfmühl, of which the Company owns 88%. Therefore, the Company indirectly holds 44% of this company. This company is not recognized according to the equity method of accounting as no decisive influence can be exerted on the business and financial policy of the Company due to political reasons.

2. Basis of preparation

(a) Statement of compliance

EU law (IAS Regulation EC 1606/2002) requires that the annual Consolidated Financial Statements of the Company for the year ending December 31, 2010 be prepared in accordance with accounting standards adopted and endorsed by the European Union ("EU") further to the IAS Regulation (EC 1606/2002) (further referred to as "IFRS, as endorsed by the EU").

The consolidated financial statements of AMG NV and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as of December 31, 2010 as adopted by the EU.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and financial instruments held for trading, which are measured at fair value. The carrying value of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at cost, are adjusted to record changes in the fair value attributable to the risks that are being hedged in effective hedge relationships. The methods used to measure fair values are discussed further in note 3.

All amounts included in the consolidated financial statements and notes are presented in US Dollars and rounded to the nearest Dollar in thousands except for share amounts and where otherwise indicated.

(c) Use of estimates and judgments

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.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- note 7—determination of furnace construction contract revenue
- note 11—tax
- note 14—measurement of the recoverable amounts of assets and cash-generating units

- note 25—measurement of defined benefit obligations
- note 26—measurement of share-based payments
- note 27—measurement of provisions
- note 32—measurement of financial instruments

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below or in the relevant note:

Determination of furnace construction contract revenue

Revenue related to furnace construction contracts is recorded based on the estimated percentage of completion of contracts as determined by management. Significant management judgment is required to determine this percentage of completion. Total percentage of completion revenue for the year ended December 31, 2010 was \$141,075 (2009: \$200,522).

Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective subsidiary's domicile.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. The carrying value of recognized tax losses at December 31, 2010 was \$6,105 (2009: \$6,956). There are significant unrecognized tax losses as described in more detail in note 11.

Measurement of the recoverable amounts of assets and cash-generating units

Goodwill

The determination of whether goodwill is impaired requires an estimate of the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill has been allocated. The recoverable amount is defined as the higher of a cash-generating unit's fair value less costs to sell and its value in use. For Advanced Materials, ALD and Graphit Kropfmühl, the recoverable amount was determined as the value in use. The value in use requires the entity to estimate the future cash flows expected to arise from the cash-generating units or group of cash-generating units and to discount these cash flows with a risk adjusted discount rate. The carrying amount of goodwill at December 31, 2010 was \$21,704 (2009: \$23,325).

Measurement of defined benefit obligations

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability at December 31, 2010 was \$88,372 (2009: \$91,358).

Measurement of share-based payments

The group measures the cost of cash-settled and equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs into the valuation model including the expected life of the option, volatility, and dividend yield and making assumptions about them. Equity-settled transactions maintain the same fair value throughout the life of the option, while the fair value of cash-settled transactions are remeasured at each reporting date. The assumptions and model used in determining the fair value of share-based payments are disclosed in note 26.

Measurement of provisions

Provisions have been recorded with respect to environmental, restructuring, warranties, project costs, partial retirement and other liabilities. These provisions require management's judgment with respect to the amounts recorded and the expected timing of payments. Amounts or timing of payments may change due to

changes in circumstances or execution of plans related to these liabilities. As at December 31, 2010, the provisions balance was \$41,311 (2009: \$37,948).

Measurement of financial instruments

Fair value of non-derivative financial instruments, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Management's judgment is used to determine the appropriate discount rates used for these calculations.

3. Significant accounting policies

(a) Basis of consolidation

(i) Consolidation Principles

Basis of consolidation from January 1, 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Company retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained

- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to January 1, 2010

The consolidated financial statements of the Company include the accounts of all entities when a direct or indirect controlling interest exists through voting rights or other contractual rights at the reporting dates and therefore the results of operations and cash flows of the subsidiaries of the Company are presented on a consolidated basis under the control of the Company.

Profit (loss) for the year is allocated to the shareholders of the Company and non-controlling interests. Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill. The non-controlling interests are disclosed separately in the consolidated income statement and in the equity section of the consolidated statement of financial position.

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions that are recognized in assets, are eliminated in full.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Company retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

If the Company lost control over a subsidiary prior to January 1, 2010, it:

- Derecognized the assets and liabilities of the subsidiary
- Derecognized the carrying amount of any non-controlling interest
- Derecognized cumulative translation differences recorded in equity, based on the change in ownership percentage
- Maintained the book value of the retained investment
- Recognized the differences between the previous investment value and the revised investment value as part of the loss on discontinued operations

(ii) Associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Associates are accounted for using

the equity method ("equity accounted investees"). The consolidated financial statements include the Company's share of the profit and loss and other comprehensive income of equity accounted investees from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee. Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. See note 15 for further details.

(iii) Joint Ventures

A joint venture is a contractual arrangement where two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Company recognizes its interest in joint ventures under the equity method. The consolidated financial statements include the Company's share of the profit and loss and other comprehensive income of jointly controlled investees from the date that joint control commences until the date that joint control ceases. When the Company's share of losses exceeds its interest in a jointly controlled investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

When the Company contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognized based on the substance of the transaction. When the Company purchases assets from the joint venture, the Company does not recognize its share of the profits of the joint venture from the transaction until it resells the assets to an independent party.

(b) Foreign currency

(i) Functional and presentation currency

The local currency is the functional currency for the Company's significant operations outside the US, except certain operations in the United Kingdom and Brazil, where the US Dollar is used as the functional currency. The determination of functional currency is based on appropriate economic and management indicators.

These consolidated financial statements are presented in US Dollars, which is the Company's functional and presentation currency.

All financial information is presented in US Dollars and has been rounded to the nearest thousand, unless otherwise stated.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to US Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US Dollars at the average exchange rates calculated at the reporting date. On consolidation, exchange differences arising from the translation of the net investments in foreign operations are taken directly to other comprehensive income.

Since January 1, 2005, the Company's date of transition to IFRS, such differences have been recognized in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

The Company treats certain intra-group loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. When a foreign entity is sold, such exchange differences are recognized in the income statement as a part of gain or loss on the sale.

The Company has no foreign operations in hyperinflationary economies. The Company does not hedge its net investments in foreign operations.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, restricted cash, investments in associates and joint ventures, investment in equity instruments, notes receivable, loans and borrowings, short term bank debt, and trade and other payables. The Company does not have any non-derivative financial instruments which are classified as held-to-maturity investments or available-for-sale financial assets.

Trade and other receivables are initially recorded at fair value, which is the invoiced amount, and are subsequently measured at amortized cost. The Company provides an allowance for impairment for known and estimated potential losses arising from sales to customers based on a periodic review of these accounts. Impaired debts are derecognized when it is probable that they will not be recovered.

Cash and cash equivalents comprise cash balances and call deposits with maturities of 90 days or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank drafts.

Restricted cash, which in whole or in part is restricted for specific purposes including guarantees, is included in a separate line item within non-current assets in the statement of financial position. Restricted cash is measured at amortized cost.

The investments in associates and joint ventures of the Company are accounted for using the equity method of accounting. Associates and joint ventures are entities in which the Company has significant influence and which are not subsidiaries. Under the equity method, these investments are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate or joint venture. The income statement reflects the share of the results of operations of the associate or joint venture. Where there has been a change recognized directly in the equity of an associate or joint venture, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

Investments in equity instruments whose fair value cannot be reliably measured and must be settled by delivery of those equity instruments are measured at cost less any impairment. If a reliable fair value measurement becomes available, the investment will be remeasured at that fair value and the gain or loss reported in profit and loss.

Notes receivable are financial instruments with fixed and determinable payments that are not quoted in an active

market. They are initially recorded at the fair value of the note plus direct issuance costs, if any. After initial recognition, notes receivable are subsequently measured at amortized cost using the effective interest method. Convertible notes receivable are bifurcated, if necessary, into the note receivable and the derivative instrument. The derivative instrument is valued first at inception, with the remaining balance being attributed to the note. If bifurcated convertible notes receivable are amended, the derivative instrument is valued at amendment, with the remaining balance being attributed to the note.

Loans and borrowings are initially recorded at the fair value of the proceeds received less direct issuance costs. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Short term bank debt, trade and other payables are accounted for at amortized cost.

Fair value of non-derivative liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

(ii) Derivative financial instruments

The Company views derivative instruments as risk management tools and does not use them for trading or speculative purposes. The Company uses derivative instruments, primarily forward contracts, swaps and caps, to manage certain foreign currency, commodity price and interest rate exposures. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value, with gains or losses that do not qualify for hedge accounting taken directly to profit or loss. Such derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For the purpose of hedge accounting, all hedges are classified as:

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk).

At the inception of a cash flow hedge relationship, the Company formally designates and documents the hedge

relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedge effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial periods for which they were designated.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while any ineffective portion is recognized immediately in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement.

For fair value hedges, the change in value of the hedging derivative is recognized immediately in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recorded in the income statement.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to market values for similar instruments. The fair value of forward commodity contracts is calculated by reference to current forward prices on the London Metals Exchange ("LME") for commodity contracts with similar maturity profiles.

If the hedging instrument expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains there until the forecast transaction or firm commitment occurs. If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in other comprehensive income are transferred to the income statement.

The Company enters into certain derivatives that economically hedge monetary assets and liabilities that do not qualify for hedge accounting. Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement. They are categorized as financial assets or financial liabilities at fair value through profit or loss.

(d) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Company retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- The Company retains the right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of

dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs associated with developing mine reserves are recognized in property, plant and equipment when they are established as commercially viable. These costs can include amounts that were previously recognized as intangible assets during the evaluation phase of the mine development.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Company capitalizes borrowing costs for all eligible assets where construction was commenced on or after January 1, 2009. The Company continues to expense borrowing costs relating to construction projects that commenced prior to January 1, 2009.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment and the costs of major inspections are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is generally recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and construction in progress are not depreciated. Mining costs are depreciated on a units of production basis and are discussed below.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|--|------------|
| • buildings and leasehold improvements | 2-50 years |
| • machinery | 2-20 years |
| • mining costs | 4-20 years |
| • office furniture and equipment | 2-13 years |
| • transportation equipment | 2-7 years |
| • finance leases | 4-34 years |

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

The depreciation of certain mining costs is linked to the production levels from the mine. Therefore, these assets are amortized using a units of production basis. Using that basis currently approximates a 7 year life of the mine. Other mining assets are depreciated on a straight-line basis ranging from 4-20 years, depending on the useful life.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

(f) Business Combinations and Goodwill

Goodwill (negative goodwill) may arise on the acquisition of subsidiaries, associates and joint ventures.

Business combinations from January 1, 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the Company completes a transaction that does not meet the definition of a business combination due to the acquiree not meeting the definition of a business, the Company:

- identifies and recognizes the individual identifiable assets acquired and liabilities assumed; and
- allocates the cost of the group of assets and liabilities to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase

Acquisitions on or after January 1, 2005 prior to January 1, 2010

For acquisitions on or after January 1, 2005 prior to January 1, 2010, goodwill represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in profit or loss.

Fair value of identifiable assets is determined as follows:

(i) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant and equipment is based on the quoted market prices for similar items.

(ii) Intangible assets

The fair value of intangible assets acquired in a business combination is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction based on active markets or the discounted cash flows generated by the respective asset.

(iii) Inventory

The fair value of work in process and finished goods inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the acquisition date. For short term trade and other receivables, discounting is not required.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(g) Intangible assets

(i) Patents and technology

The Company has patents for certain manufacturing processes. Patents and technology are carried at cost less any amortisation and impairment losses. The patents are being amortized over a life of 10 years.

(ii) Development Costs

Development costs are capitalized if and only if the Company can meet the following criteria:

- the intangible asset is clearly identified and the related costs are individualized and reliably monitored;
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- there is a clear intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset arising from the project;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset

Research costs are expensed as incurred.

Every cost recognized as an asset is amortized on the basis of the expected life of the sales related to the project. The amortization period is reviewed at least annually. The development costs are carried at cost less any amortization and impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. These intangible assets have useful lives of 3 – 5 years or rights of use that have lives of 5 years.

(h) Leased assets

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, capitalized lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Minimum lease payments made under finance leases are apportioned between finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The Company also enters into operating leases under which the leased assets are not recognized on the Company's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(i) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined based on the average cost and specific identification methods, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of finished goods inventory and work in process, cost includes materials and labor as well as an appropriate share of production overhead based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and necessary selling expenses. The Company estimates the net realizable value of its inventories at least quarterly and adjusts the carrying amount of these inventories as necessary.

Cost of inventories includes the transfer from other comprehensive income of gains and losses on qualifying cash flow hedges in respect of purchases of raw materials.

(j) Deferred stripping costs

Within the Company's mining operations, advanced stripping costs incurred during the production stage of operations are recognized in prepaid inventory using the specific identification approach. This methodology is based on the variability of stripping costs over the course of a stripping campaign. The ability to strip the mine is largely seasonal. These amounts are included in prepaid expenses when the costs are directly attributable to a specific section of ore body that becomes accessible as a result of the stripping campaign. Amortization of the stripping costs into cost of goods sold occurs as the ore body, to which the stripping has been allocated, is processed.

(k) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit or group of cash-generating units is the greater of its value in use and its fair value less costs to sell. In testing goodwill for impairment, the value in use is determined by the Company for the cash-generating unit or group of cash-generating units to which the goodwill has been assigned. However if tangible assets with a definite remaining useful life have to be tested for impairment and the value in use is below the corresponding carrying amount, a fair value less costs to sell methodology is utilized. Fair value differs from value in use. Fair value reflects the knowledge and estimates of knowledgeable, willing buyers and sellers. In contrast, value in use reflects the entity's estimates, including the effects of factors that may be specific to the entity and not applicable to entities in general. Thus, in assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(iii) Associates and joint ventures

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in its associates and joint ventures. The Company determines at each reporting date whether there is any objective evidence that an investment in any associate or

joint venture is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the higher of fair value less cost to sell and value in use of the associate or joint venture and its carrying amount and recognizes the amount in the income statement.

(l) Employee benefits

(i) Defined contribution plans

Certain subsidiaries provide defined contribution pension plans for their employees. Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the period in which the obligation was incurred.

(ii) Defined benefit plans

The Company maintains defined benefit plans for its employees in the United States, Germany, France, and the United Kingdom.

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized actuarial net gains (losses), unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is based on the appropriate corporate bond yields for the maturity dates in the country where the obligation exists. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to creditors of the Company nor can they be paid directly to the Company. Fair value is based on market price information and in the case of quoted securities, it is the published bid price. The value of any plan asset recognized is restricted to the sum of any unrecognized actuarial net gains (losses), unrecognized past service costs and the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

All actuarial gains and losses as at January 1, 2005, the date of transition to IFRS, were recognized. Subsequent to January 1, 2005 a corridor approach is used for actuarial gains and losses that arise in calculating the Company's obligation in respect of a plan. To the extent

that any cumulative unrecognized actuarial gain or loss exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

The Company also has supplemental executive retirement plans ("SERPs") with five current and previous officers of the Company (see note 25). The liability for these plans is accounted for using the same methodology as other defined benefit plans, with more specific assumptions related to the people who are the beneficiaries of the SERP.

(iii) Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based payment transactions

AMG has share-based compensation plans, which are described in note 26.

Equity-settled plans

The cost of equity-settled transactions, related to these share-based compensation plans, is measured by reference to the fair value at the date on which they are granted. Estimating the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield, and other assumptions. The assumptions and models used are described in note 26.

The cost of these equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled using a graded vesting methodology, ending on the date on which the relevant employees (or other benefactors) become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement charge for the period represents

the movement in cumulative expense recognized as at the beginning and end of the period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is canceled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the canceled award, and designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share, when appropriate (further details are provided in note 22).

Cash-settled plans

In May 2009, the Annual General Meeting of Shareholders approved and the Company implemented a performance share unit plan ("PSUP") for certain members of the Company's management. Under the PSUP, each manager receives an award of an approved value of performance share units ("PSUs"). The issue price of each PSU is equal to the weighted average share price at which common shares of the Company trade on the Euronext Amsterdam Stock Exchange during the 10-day period subsequent to the annual earnings release. The PSUs vest after three years, except in the first two years where transitional vesting provisions are in place. The vesting is subject to certain return on capital employed ("ROCE") performance requirements. The value of the PSUs, when converted to cash, will be equivalent to the market value of the common shares at the time the conversion takes place. The value of the outstanding PSUs, remeasured to fair

value as at December 31, 2010 and 2009 was \$3,681 and \$3,639, respectively.

(m) Provisions

Provisions are recognized when:

- the Company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made for the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(i) Environmental remediation costs and recoveries

Certain subsidiaries of the Company are faced with a number of issues relating to environmental cleanup requirements, largely resulting from historical solid and hazardous waste handling and disposal practices at their facilities. In accordance with the Company's environmental policy and applicable legal requirements, provisions associated with environmental remediation obligations are accrued when such losses are deemed probable and reasonably estimable. Such accruals generally are recognized no later than the completion of the remedial feasibility study and are adjusted as further information develops or circumstances change.

A provision is made for shutdown, restoration and environmental rehabilitation costs in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the reporting date. The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is included in finance costs. The provision is reviewed on an annual basis for changes to obligations, legislation or discount rates that may lead to changes in cost estimates or the expected timeline for payments.

Where the Company expects some or all of an environmental provision to be reimbursed, for example using a trust account, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. The subsidiaries of the Company have been required, in certain instances, to create trust funds for the environmental rehabilitation. Once established,

the subsidiaries have a 100% interest in these funds. Rehabilitation and restoration trust funds holding monies committed for use in satisfying environmental obligations are included on a discounted basis within other non-current assets on the statement of financial position, only to the extent that a liability exists for these obligations.

Environmental expense recoveries are generally recognized in profit upon final settlement with the Company's insurance carriers.

Additional environmental remediation costs and provisions may be required, if the Company were to decide to close certain of its sites. Certain of the Company's restructuring programs have involved closure of several sites to date. Remediation liabilities are recognized when the site closure has been announced. In the opinion of the Company, it is not possible to estimate reliably the costs that would be incurred on the eventual closure of its continuing sites, where there is no present obligation to remediate, because it is neither possible to determine a time limit beyond which the sites will no longer be operated, nor what remediation costs may be required on their eventual closure.

(ii) Restructuring

A provision for restructuring is recognized when the Company or a subsidiary of the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Provisions are not made for future operating costs.

(iii) Warranty

A provision for warranty is recognized when the Company or a subsidiary of the Company has determined that it has a basis for recording a warranty provision based on historical returns for warranty work.

(iv) 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, the Company's German subsidiaries have made provisions for those employees who are eligible per their employment contracts. According to German law, the Company is required to pay a deposit for partial retirements to secure payments to the employees in the case of insolvency. The Company records the related deposits and provisions on a net basis.

(v) Cost estimates

As part of its process to provide reliable estimations of profitability for long-term contracts, the Company makes provisions for cost estimates. These provisions are developed on a contract by contract basis and are based on contractor estimates.

(n) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue from product sales to the Company's customers is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfer of risks and rewards usually occurs when title and risk of loss pass to the customer. In the case of export sales, title may not pass until the product reaches a foreign port.

(ii) Furnace construction contracts

Certain furnace construction contracts are reported using the percentage of completion ("POC") method. Cumulative work and services performed to date, including the Company's share of profit, is reported on a pro rata basis according to the percentage completed. The percentage of completion is measured as the ratio of contract costs incurred for work performed so far to total contract costs (cost-to-cost method). Contracts are reported in trade receivables and advance payments, as "gross amount due to / from customers for/from contract work (POC)". If cumulative work performed to date (contract costs plus contract net profit) of contracts in progress exceeds progress payments received, the difference is recognized as an asset and included in trade and other receivables in the consolidated statement of financial position. If the net amount after deduction of progress payments received is negative, the difference is recognized as a liability and included in advance payments in the consolidated statement of financial position. Anticipated losses on specific contracts are estimated taking account of all identifiable risks and are accounted for using the POC method. Contract income is recognized according to the income stipulated in the contract and/or any change orders confirmed in writing by the client.

(iii) Commissions

In certain instances, the Company arranges sales for which the supplier invoices the customer directly. In such

cases, the Company receives commission income, in its role as agent, which is recognized when the supplier passes title to the customer. The Company assumes no significant credit or other risk with such transactions. When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Company.

(o) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred. Development costs are expensed until the following occur: technical feasibility; both the intention and ability to complete for internal use or as an external sale; probable generation of future economic benefits; marketability existence; and the reliable measurements of expenditures accumulated during development. Research and development costs are shown within selling, general and administrative expenses in the consolidated income statement.

(p) Finance income and expenses

Finance income comprises interest income on funds invested, interest recognized on loans to related parties, interest recognized on notes receivable, changes in the discount on provisions, foreign currency gains and derivative income gains on hedging instruments. Interest income is recognized as it is earned, using the effective interest method.

Finance expenses comprise interest expense on borrowings, finance charges on finance leases, changes in the discount on provisions, foreign currency losses, losses on hedging instruments, and any loss recorded on debt extinguishment. All borrowing costs are recognized in profit or loss using the effective interest method.

(q) Government grants

Certain subsidiaries receive government grants related to early retirement provisions and workforce creation. Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. There are two types of grants. For grants that relate to expense items, they are recognized as income over the period necessary to match the grant on a systematic basis to the costs for which they are intended to compensate. For grants that relate to investment in property, they are recognized as a liability and the liability is then reduced as money is spent on capital expansion.

(r) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. These amounts are calculated using tax rates enacted or substantively enacted at the reporting date, in the countries where the Company generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the taxes bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforwards of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to the extent that it has become probable or is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

(s) Segment reporting

IFRS 8 defines an operating segment as: a component of an entity (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess

its performance, and (c) for which discrete financial information is available.

(t) New and amended standards

The accounting policies and improvement to IFRSs adopted are consistent with those of the previous financial year except as follows:

The following new standards, amendments to standards and interpretations are effective for the year ended December 31, 2010. If applicable, these standards and interpretations have been applied in preparing these consolidated financial statements:

- IFRS 2 *Share-based Payment: Company Cash-settled Share-based Payment Transactions* clarifies the scope and accounting for company cash-settled share-based payment transactions. The Company adopted this amendment as of January 1, 2010. It did not have a material impact on the financial position or performance of the Company.
- IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)* introduce significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of a non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after January 1, 2010. The change in accounting policy was applied prospectively and had no material impact on earnings per share.
- IFRIC 17 *Distributions of Non-cash Assets to Owners* provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the Company.

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

- IAS 17 *Leases*

(u) Future changes in accounting policies

The following new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2010. They may, however, be implemented in future years.

- IAS 24 *Related Party Disclosures (Amendment)* is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Company does not expect any impact on its financial position or performance.
- IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues (Amendment)* is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Company after initial application.
- IFRS 9 *Financial Instruments: Classification and Measurement* reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of

the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- IFRIC 14 *Prepayments of a minimum funding requirement (Amendment)* effective for annual periods beginning on or after January 1, 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is not expected to have any impact on the financial statements of the Company.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011. The amendments listed below, are considered to have a possible impact on the Company's disclosures:

- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*
- IFRIC 13 *Customer Loyalty Programmes*

The Company, however, expects no impact from the adoption of the amendments on its financial position or performance.

4. Segment reporting

For management purposes, the Company is organized under three separate operating segments: Advanced Materials, Engineering Systems and Graphit Kropfmühl ("GK"). Advanced Materials produces specialty metals, alloys and chemicals and has major production facilities in the United Kingdom, United States, Germany, Brazil, Turkey and France. The Engineering Systems Division provides specialty engineering services through its development and manufacturing of vacuum furnace systems and has production facilities that are located in Germany, France, Singapore, Mexico and the United States. GK produces specialty graphite and silicon metal and is located mainly in Germany, Czech Republic, China, Zimbabwe and Sri Lanka.

As at September 28, 2009, the Company's ownership of Timminco went from 50.8% to 47.9%, resulting in a deemed disposal. Timminco's activity prior to the loss of control is recognized as discontinued operations in the comparable period income statement and statement of cash flows.

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

Advanced Materials – This division manufactures and sells high-quality specialty metals, alloys and metallic chemicals which are essential to the production of high-performance aluminum and titanium alloys, superalloys, steel and certain non-metallic materials for various applications in the Energy, Aerospace, Infrastructure, Specialty Metals and Chemicals end markets. Within Advanced Materials, seven operating units are aggregated to create one reportable segment.

Engineering Systems – This division is the leading global supplier of processes and services supplying technologically advanced vacuum furnace systems to

customers in the aerospace, energy (including solar and nuclear), transportation, electronics, superalloys and specialty steel industries. Core specialties of the Engineering Systems Division are the development of processes and the design of plants, which are made to concept by partners in the supplier industry. Engineering Systems has three operating units and those three operating units are aggregated to create one reportable segment.

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

AMG headquarters costs and assets are allocated sixty percent to Advanced Materials and forty percent to Engineering Systems in 2010 and 2009 based on an estimation of services provided to the segments.

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

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

Year ended December 31, 2010	Advanced Materials	Engineering Systems	GK	Other and eliminations	Total
Revenue					
Revenue from external customers	616,267	245,652	128,576	-	990,495
Intersegment revenue	524	1,983	-	(2,507)	-
Total revenue	616,791	247,635	128,576	(2,507)	990,495
Segment results					
Operating profit (loss)	20,678	22,916	(335)	-	43,259
Finance income	10,920	6,311	869	(12,671)	5,429
Finance expense	9,605	12,164	9,629	(12,671)	18,727
Share of loss of associates and joint ventures	(3,066)	(4,880)	-	(11,459)	(19,405)
Profit (loss) before income tax	17,910	15,667	(8,763)	(11,459)	13,355
Income tax expense	1,862	9,028	317	-	11,207
Profit (loss) for the year	16,048	6,639	(9,080)	(11,459)	2,148
Statement of financial position					
Segment assets	633,979	368,863	78,476	(251,429)	829,889
Investments in associates and joint ventures	2,439	5,041	-	17,706	25,186
Total assets	636,418	373,904	78,476	(233,723)	855,075
Segment liabilities	290,828	240,237	194,085	(233,723)	491,427
Employee benefits	45,626	29,977	12,769	-	88,372
Provisions	17,003	19,368	4,940	-	41,311
Total liabilities	353,457	289,582	211,794	(233,723)	621,110
Other information					
Capital expenditures for expansion – tangible assets	14,420	5,651	2,682	-	22,753
Capital expenditures for maintenance – tangible assets	5,826	1,173	1,507	-	8,506
Capital expenditures – intangible assets	238	1,053	423	-	1,714
Intangible assets acquired		100			100
Depreciation and amortization	12,977	7,604	4,428	-	25,009
Asset impairment	-	602	-	-	602

Year ended December 31, 2009	Advanced Materials	Engineering Systems	GK	Other and eliminations	Total continuing operations	Timminco* (discontinued)	Total
Revenue							
Revenue from external customers	429,083	320,530	117,834	–	867,447	–	867,447
Intersegment revenue	3,363	5,834	–	(9,197)	–	–	–
Total revenue	432,446	326,364	117,834	(9,197)	867,447	–	867,447
Segment results							
Operating (loss) profit	(28,761)	48,015	1,307	–	20,561	–	20,561
Finance income	5,816	6,283	99	(8,611)	3,587	–	3,587
Finance expense	9,153	12,282	5,595	(8,611)	18,419	–	18,419
Share of loss of associates and joint ventures	(2,758)	(1,702)	–	(27,498)	(31,958)	–	(31,958)
(Loss) profit before income tax	(34,929)	37,886	(4,106)	(27,498)	(28,647)	–	(28,647)
Income tax (benefit) expense	(1,365)	17,851	(1,281)	–	15,205	–	15,205
(Loss) profit for the year	(33,564)	20,035	(2,825)	(27,498)	(43,852)	–	(43,852)
Discontinued operations	–	–	–	–	–	(54,378)	(54,378)
(Loss) profit for the year	(33,564)	20,035	(2,825)	(27,498)	(43,852)	(54,378)	(98,230)
Statement of financial position							
Segment assets	546,829	374,549	100,731	(245,925)	776,184	–	776,184
Investments in associates and joint ventures	5,772	9,562	–	19,460	34,794	–	34,794
Total assets	552,601	384,111	100,731	(226,465)	810,978	–	810,978
Segment liabilities	231,969	289,455	177,750	(245,925)	453,249	–	453,249
Employee benefits	47,609	30,888	12,861	–	91,358	–	91,358
Provisions	15,509	19,815	2,624	–	37,948	–	37,948
Total liabilities	295,087	340,158	193,235	(245,925)	582,555	–	582,555
Other information							
Capital expenditures for expansion – tangible assets	7,161	4,961	6,096	–	18,218	–	18,218
Capital expenditures for maintenance – tangible assets	4,141	1,173	850	–	6,164	–	6,164
Capital expenditures – intangible assets	244	601	305	–	1,150	–	1,150
Depreciation and amortization	12,247	7,167	4,344	–	23,758	–	23,758
Asset impairment	–	1,718	–	–	1,718	–	1,718

* As at September 28, 2009, the Company's ownership of Timminco went from 50.8% to 47.9%, resulting in a deemed disposal. Timminco's activity prior to the loss of control is recognized as discontinued operations and the comparable periods in the income statement and statement of cash flows have been restated to reflect this change. See note 6.

Geographical Information

Geographical information for the Company is provided below. Revenues are based on the shipping location of the customer while non-current assets are based on the physical location of the assets.

	2010		2009	
	Revenues	Non-current assets	Revenues	Non-current assets
Germany	218,623	95,943	187,101	103,673
US	171,079	48,040	142,238	40,059
Canada	8,779	6,711	4,562	6,746
UK	43,026	21,822	30,088	19,974
Brazil	44,277	31,687	28,341	28,523
France	46,417	17,250	37,576	17,909
Norway	34,595	3	42,373	–
Italy	44,403	–	39,131	–
China	96,012	3,927	110,968	3,985
Japan	28,201	–	17,895	23
Mexico	15,981	19,588	9,983	18,305
Russia	16,218	7	16,725	–
Austria	25,862	74	19,104	–
Belgium	18,943	27	9,705	29
Other Countries	178,079	25,907	171,657	12,029
Total	990,495	270,986	867,447	251,255

Non-current assets for this purpose consist of property, plant and equipment, intangible assets and other non-current assets.

5. Acquisitions

Acquisition of additional shares of Graphit Kropfmühl

On December 22, 2010 the Company acquired additional shares in Graphit Kropfmühl. The acquisition of shares caused the ownership percentage to increase from 79.5% to 88.0%. The Company chose to measure the non-controlling interest ("NCI") at its proportionate share of the recognized amount of the GK's net identifiable assets at the acquisition date. This methodology is allowed as per IFRS 3R.19. Upon obtaining additional ownership interests, no additional goodwill was recognized and the transaction was measured as an equity transaction.

The following is the calculation of the equity transaction:

Non-controlling interest at December 22, 2010	4,502
Transfer to AMG (8.5%)	1,861
12% interest carried forward	2,641
Adjustment to equity:	
Fair value of consideration ¹	6,431
Change to NCI (as per above)	1,861
Dilution in AMG equity from purchase of NCI	4,570

¹ calculated as 575,529 AMG shares issued * €8.50 per share

Acquisition of solar silicon cast technology

On December 20, 2010, the Company acquired intellectual property and manufacturing assets related to the Mono²™ suite of solar casting technologies from BP Solar for \$4,000. In addition to acquiring intellectual property and equipment, an experienced team of scientists and engineers with significant expertise in silicon casting were transferred to AMG. AMG will continue research and development activities, using manufacturing operations at the BP Solar facility in Frederick, Maryland USA. This acquisition does not qualify as a business combination since operational assets and intellectual property were acquired rather than an existing business. Therefore, this purchase is being accounted for as an asset acquisition. The purchase price was allocated as follows based on the relative fair values at the date of purchase:

	Allocated Value
Equipment	3,600
Inventory	300
Patents	100
Total acquired	4,000

Acquisition of mine in Turkey

On August 31, 2010, the Company signed an agreement to acquire significant antimony mining rights and an adjacent antimony metal smelter in Turkey for a total investment of \$17,200, including the assumption of certain liabilities, other operational improvements, and options to acquire additional mining rights. The Company acquired 100% of the shares in Ecopedras LTA from Rolden LLC ("Rolden"), for a total purchase price of \$12,200. Ecopedras then acquired the 99.99% of the shares in Suda Maden A.S. in Turkey along with certain operational assets including inventory, machinery and equipment for \$5,000. Suda Maden A.S. holds certain mining rights over land in Turkey. This acquisition does not qualify as a business combination since operational assets were acquired rather than an existing business. Therefore, this purchase is being accounted for as an asset acquisition. The purchase price was allocated as follows based on the relative fair values at the date of purchase:

	Allocated Value
Building	202
Equipment	1,201
Construction in progress – mining	1,041
Inventory	1,788
Furniture	5
Value added tax receivable	763
Licenses	12,200
Total acquired	17,200

Acquisition of Dynatech Furnaces Private Ltd.

On June 24, 2010, ALD GmbH entered into a share purchase contract to make an investment of \$443 to purchase 30% ownership in Dynatech Furnaces Private Ltd. ("Dynatech") from its current ownership. Dynatech is the largest vacuum heat treatment furnace manufacturer in India. Dynatech has been in business since 1985 with a manufacturing and assembly facility in Ambarnath, near Mumbai. The Company is accounting for this investment as an associate.

Acquisition of additional shares of Timminco Limited

In the first quarter of 2010, Timminco issued 16.2 million shares to settle a customer contract termination as well as trade payables. These issuances lowered AMG's ownership of Timminco to 38.6%. Between May 13, 2010 and June 14, 2010, Timminco issued 20.2 million shares in a private placement. The Company acquired 15.4 million of these private placement shares at a cost of \$9,705. After the private placement, AMG had 42.5% ownership in Timminco. The Company continues to account for this investment as an associate.

Acquisition of Thermique Industrie Vide

On March 31, 2010, the Company acquired a 30% interest in Thermique Industrie Vide ("TIV"), a French engineering company which specializes in the design, manufacturing and maintenance of vacuum furnaces for \$617. TIV is being accounted for as an associate.

6. Discontinued operations

On September 28, 2009, one of Timminco's lenders, Safeguard International Fund ("SIF"), exercised its option to convert debt into equity. AMG had the right to retain its ownership interest upon SIF's conversion but opted not to exercise this option. This conversion reduced AMG's ownership percentage from 50.8% to 47.9%, thus triggering a deemed disposal. The loss of control is accounted for under IFRS 5 guidelines as a discontinued operation.

The results of Timminco for the discontinued operations related to the nine months in 2009 are presented below:

	2009
Revenue	67,868
Expenses	119,066
Gross profit	(51,198)
Finance costs	500
Share of loss of associates	-
Impairment loss recognized on the remeasurement to fair value	-
Loss before tax from a discontinued operation	(51,698)
Tax expense:	(1,549)
Related to current pre-tax loss	(1,549)
Loss for the year from a discontinued operation	(53,247)

Net cash flows incurred by Timminco are as follows:

	2009
Operating	(18,459)
Investing	(32,039)
Financing	47,578
Net cash outflow	(2,920)

Loss per share:	2009
Basic, from discontinued operations	(1.05)
Diluted, from discontinued operations	(1.05)

All assets and liabilities of Timminco were deconsolidated as at September 28, 2009 and are now accounted for under the equity method of accounting.

	2009
Assets	
Non-current assets	192,650
Current assets, excluding cash and cash equivalents	60,820
Cash and cash equivalents	4,914
Liabilities	
Non-current liabilities	67,066
Current liabilities	103,818
Net assets	87,500

Following the classification, a loss on deemed disposal resulting from the dilution of the share in Timminco of \$1,131 was recognized to reduce the carrying amount of the net assets and was recognized in the consolidated income statement in the line item Loss after tax for the year from discontinued operations.

7. Revenue

	2010	2009
Sales of goods	990,042	866,869
Rendering of services (commissions)	453	578
Total	990,495	867,447

For construction contracts, the following has been recognized using the percentage of completion revenue recognition method:

	2010	2009
Contract revenue recognized	141,075	200,522
Contract expenses recognized	100,470	142,834
Recognized profits	40,605	57,688
Contract costs incurred and recognized profits	183,714	258,144
Progress billings and advances received	190,367	272,325
Net amount due to customers	(6,653)	(14,181)
Gross amount due from customers for contract work (note 17)	42,944	40,583
Gross amount due to customers for contract work (shown as advance payments in consolidated statement of financial position)	(49,597)	(54,764)
Net amount due to customers	(6,653)	(14,181)

8. Other income

	Note	2010	2009
Grant income	i	216	4,030
Gains from asset sales	ii	-	84
Release of unused provisions	iii	254	824
Rental income	iv	244	238
Other miscellaneous income	v	627	1,006
Total		1,341	6,182

In 2010, other income of \$1,341 consisted of: (i) government grant income of \$216 associated with Graphit Kropfmühl; (ii) income from asset sales of nil; (iii) release of unused provisions of \$254; (iv) rental income of \$244 at two subsidiaries which rent out unused space and (v) other miscellaneous income of \$627.

In 2009, other income of \$6,182 consisted of: (i) government grant income of \$4,030 associated with our Berlin operation and at Graphit Kropfmühl; (ii) income from asset sales of \$84; (iii) release of unused provisions of \$824; (iv) rental income of \$238 at two subsidiaries which rent out unused space and (v) other miscellaneous income of \$1,006.

9. Personnel expenses

	Note	2010	2009
Wages and salaries		129,413	118,117
Contributions to defined contribution plans	25	2,210	2,320
Expenses related to defined benefit plans	25	8,777	8,164
Social security and other benefits		26,756	24,989
Performance share units	26	1,964	3,605
Equity-settled share-based payments	26	6,362	13,729
Total		175,482	170,924
Included in the following lines of the consolidated income statement:			
Cost of sales		101,724	93,884
Selling, general and administrative expenses		73,758	77,040
Total		175,482	170,924

10. Finance income and expense

	2010	2009
Interest income on bank deposits	525	2,670
Interest income on notes receivable	1,401	470
Gain on valuation of convertible note	371	-
Finance income on derivatives	1,474	49
Discount on provisions	832	-
Other	826	398
Finance income	5,429	3,587
Foreign exchange (gain) loss	(2,799)	2,418
Amortization of loan issuance costs	1,849	1,781
Amortization of rate cap instrument	-	99
Finance lease expense	53	6
Loss on valuation of convertible note	-	187
Interest expense on loans and borrowings	10,884	11,682
Interest expense on interest rate swap	1,375	1,673
Discount for provisions	161	72
Guarantees	1,107	918
Finance costs on derivatives	153	750
Amendment fees	1,675	-
Commitment/unutilized fees	490	551
Other	980	700
Finance expense	18,727	18,419
Net finance costs	10,499	17,250

On May 27, 2010, the Company amended its term loan and revolving credit facility agreement to change several provisions including certain financial covenants. The Company incurred fees of \$1,675 related to the amendments. See note 23 for further details.

11. Income tax

Significant components of income tax expense for the years ended:

	2010	2009
Current tax expense		
Current period	27,953	31,266
Adjustment for prior periods	(4,775)	(2,089)
Total current taxation charges for the year	23,178	29,177
Deferred tax expense		
Origination and reversal of temporary differences	(13,733)	(23,719)
Changes in previously unrecognized tax losses, tax credits and unrecognized temporary differences	(1,245)	19,818
Changes in previously recognized tax losses, tax credits and recognized temporary differences for changes in enacted tax rates	(1,579)	(5,066)
Adjustment for prior periods	4,586	(5,005)
Total deferred taxation for the year	(11,971)	(13,972)
Total income tax expense reported in the income statement	11,207	15,205

The deferred tax related to the net gain on revaluation of cash flow hedges in the amount of \$873 (2009: \$707) is the only tax charged or credited directly to equity during the year.

Reconciliation of effective tax rate

A reconciliation of income tax expense applicable to accounting profit (loss) before income tax at the weighted average statutory income tax rate of 40.42% to the Company's effective income tax rate for the years ended is as follows:

	2010	2009
Profit (loss) before income tax from continuing operations	13,355	(28,647)
Income tax using the Company's weighted average tax rate	5,398	(5,650)
Non-deductible expenses	8,822	10,336
Current year losses for which no deferred tax asset was recognized and changes in unrecognized temporary differences	(847)	20,084
Recognition of previously unrecognized tax losses, tax credits and temporary differences of a prior year	(397)	(266)
Changes in previously recognized tax losses, tax credits and recognized temporary differences for changes in enacted tax rates	(1,579)	(5,066)
Under (over) provided in prior periods	(190)	(7,094)
Other	-	2,861
Income tax expense reported in consolidated income statement	11,207	15,205
Income tax attributable to discontinued operations	-	-
Total income tax expense	11,207	15,205

The weighted average statutory income tax rate is the average of the statutory income tax rates applicable in the countries in which the Company operates, weighted by the profit (loss) before income tax of the subsidiaries in the respective countries as included in the consolidated accounts. Some entities have losses for which no deferred tax assets have been recognized.

During the year ended December 31, 2010, the income tax benefits related to the current year losses of certain US, German, and Dutch subsidiaries as well as a Dutch joint venture were not recognized. During the year ended December 31, 2009 the income tax benefits related to the current year losses of certain US, German, Dutch, UK subsidiaries and a Norwegian joint venture were not recognized. In total, (\$847) and \$20,084 were not recognized in 2010 and 2009, respectively, as it is not probable that these amounts will be realized.

During the year ended December 31, 2010, certain income tax benefits related to previously unrecognized tax losses and temporary differences related to a German subsidiary were recognized. During the year ended December 31, 2009, certain income tax benefits related to previously unrecognized tax losses and temporary differences related to a Brazilian subsidiary were recognized. In total, \$397 and \$266 were recognized in 2010 and 2009, respectively, through an increase to the net deferred tax

asset. The income tax benefits were recognized since it is probable the amounts will be realized.

In 2009, the Canadian magnesium business was a part of Timminco and therefore was moved to discontinued operations. The tax effect of the 2009 discontinued operation loss is \$1,550 which is reflected in loss after tax for the year from discontinued operations.

Also during the years ended December 31, 2010 and 2009, the net recognized deferred tax assets (liabilities) were adjusted for changes in the enacted tax rates in Canada, Mexico and Germany. The net recognized deferred tax asset/(liabilities) were also adjusted to reflect accurate tax rates. The impact of the tax rate changes was a decrease to income tax expense of \$1,579 and \$5,066 for 2010 and 2009, respectively.

There were no income tax consequences attached to the payment of dividends in either 2010 or 2009 by AMG to its shareholders, as no dividend payments were made.

The main factors considered in assessing the realizability of deferred tax benefits were improved profitability, higher forecast profitability and the indefinite carryforwards period of the tax losses. After assessing these factors, the Company determined that it is probable that the deferred tax benefit of the tax losses and temporary differences will be realized.

Deferred tax assets and liabilities

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as tax loss and tax credit carry-forwards.

Deferred tax assets are recognized to the extent it is probable that the temporary differences, unused tax

losses and unused tax credits will be realized. The realization of deferred tax assets is reviewed each reporting period and includes the consideration of historical operating results, projected future taxable income exclusive of reversing temporary differences and carryforwards, the scheduled reversal of deferred tax liabilities and potential tax planning strategies.

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities have been recognized in respect of the following items:

	Consolidated statement of financial position				Consolidated income statement	
	Assets		Liabilities		2010	2009
	2010	2009	2010	2009		
Inventories	35,625	39,599	17	25	989	(18,890)
Long-term contracts	–	–	51,217	68,095	(11,814)	23,336
Prepays and other current assets	1,454	80	11	4	(1,376)	(191)
Property, plant and equipment	2,046	1,921	5,126	6,153	(1,039)	662
Deferred charges and non-current assets	114	445	4,718	2,767	2,361	585
Accruals and reserves	8,331	9,171	1,646	1,213	(48)	7,832
Environmental liabilities	173	65	468	1,233	(783)	(111)
Retirement benefits	6,090	5,854	–	–	(677)	(937)
Tax loss and tax credit carryforwards	6,105	6,956	64	84	416	1,686
Tax assets and liabilities	59,938	64,091	63,267	79,574		
Set off of tax	(37,831)	(53,179)	(37,831)	(53,179)		
Net tax assets and liabilities	22,107	10,912	25,436	26,395		
Deferred tax (benefit) provision					(11,971)	13,972

Unrecognized deferred tax assets and liabilities

Certain deferred tax assets and liabilities have not been recognized in respect of tax loss carryforwards and temporary differences as they may not be used to offset taxable profits elsewhere in the Company and they have arisen in subsidiaries that have been loss-making for some time.

At December 31, 2010 there were gross unrecognized tax loss carryforwards of \$99,842 from US operations

which expire through 2030, and \$29,909 from German operations, which do not expire, \$5,505 from Canadian operations which expire through 2030 and \$93,587 from Dutch operations which expire through 2019. At December 31, 2009 there were gross unrecognized tax loss carryforwards of \$112,102 from US operations which expire through 2029, and \$112,105 from German operations, which do not expire and \$81,992 from Dutch operations which expire through 2018.

Deferred tax assets and liabilities have not been recognized in respect of the following items:

	Assets		Liabilities	
	2010	2009	2010	2009
Inventories	309	477	25	47
Prepays and other current assets	14	708	-	9
Property, plant and equipment	998	75	2,299	2,568
Accruals and provisions	4,498	3,806	55	809
Deferred charges and non-current assets	17,060	906	285	65
Environmental liabilities	4,750	3,723	-	-
Retirement benefits	10,136	10,805	-	-
Tax loss and tax credit carryforwards	73,970	91,633	-	-
Tax assets and liabilities	111,735	112,133	2,664	3,498
Set off of tax	(1,567)	(2,202)	(1,567)	(2,202)
Net tax	110,168	109,931	1,097	1,296

12. Exceptional items

Operating profit is adjusted for exceptional items. Exceptional items comprise income and expense items that, in the view of management, do not arise in the normal course of business and items that, because of

their nature and / or size, should be presented separately to enable a better analysis of the results.

In the years ended December 31, 2010 and 2009, operating profit was adjusted for exceptional items which arose during the year.

Operating profit includes the exceptional items noted in the following reconciliation:

	2010	2009
Operating profit	43,259	20,561
Asset impairment of fixed assets	602	1,718
Environmental expense	6,421	3,998
Restructuring expense	423	7,782
Adjusted operating profit	50,705	34,059

13. Property, plant and equipment

Cost	Mining costs	Land and buildings	Machinery and equipment	Furniture and fixtures	Construction in progress	Finance leases	Total
Balance at January 1, 2009	10,261	148,880	397,226	24,876	29,558	965	611,766
Discontinued operations in opening	-	(46,804)	(139,615)	-	(210)	(426)	(187,055)
Additions	400	1,747	9,925	1,244	11,066	-	24,382
Retirements and transfers	4,042	1,494	20,355	(3,301)	(27,517)	-	(4,927)
Effect of movements in exchange rates	185	2,134	3,771	566	50	16	6,722
Balance at December 31, 2009	14,888	107,451	291,662	23,385	12,947	555	450,888
Balance at January 1, 2010	14,888	107,451	291,662	23,385	12,947	555	450,888
Additions	-	1,261	11,340	2,181	15,252	1,225	31,259
Acquisition	12,200	202	4,801	5	1,041	-	18,249
Retirements and transfers	274	(1,553)	3,791	(4,675)	(4,854)	(257)	(7,274)
Effect of movements in exchange rates	(493)	(5,051)	(6,357)	(1,314)	(101)	(43)	(13,359)
Balance at December 31, 2010	26,869	102,310	305,237	19,582	24,285	1,480	479,763
Depreciation and impairment							
Balance at January 1, 2009	(138)	(53,074)	(229,591)	(15,163)	-	(330)	(298,296)
Discontinued operations in opening	-	15,780	64,132	-	-	269	80,181
Depreciation for the year	(690)	(3,566)	(15,357)	(1,939)	-	(36)	(21,588)
Retirements and transfers	(3,052)	89	4,848	2,863	-	-	4,748
Impairments	-	(439)	(1,279)	-	-	-	(1,718)
Effect of movements in exchange rates	(79)	(776)	(2,002)	(333)	-	(3)	(3,193)
Balance at December 31, 2009	(3,959)	(41,986)	(179,249)	(14,572)	-	(100)	(239,866)
Balance at January 1, 2010	(3,959)	(41,986)	(179,249)	(14,572)	-	(100)	(239,866)
Depreciation for the year	(1,142)	(2,926)	(17,461)	(1,850)	-	(128)	(23,507)
Retirements and transfers	-	2,934	(1,543)	4,380	-	129	5,900
Impairments	-	-	(602)	-	-	-	(602)
Effect of movements in exchange rates	205	1,845	4,059	807	-	8	6,924
Balance at December 31, 2010	(4,896)	(40,133)	(194,796)	(11,235)	-	(91)	(251,151)
Carrying amounts							
At January 1, 2009	10,123	95,806	167,635	9,713	29,558	635	313,470
At December 31, 2009	10,929	65,465	112,413	8,813	12,947	455	211,022
At January 1, 2010	10,929	65,465	112,413	8,813	12,947	455	211,022
At December 31, 2010	21,973	62,177	110,441	8,347	24,285	1,389	228,612

Mining costs

The Company expanded its tantalum mine during 2008. The mine expansion included developmental stripping costs of \$4,698. Depreciation of these costs began in 2009 using the units of production methodology. During the years ended December 31, 2010 and 2009, \$755 and \$297 of these costs have been depreciated. Additional mining assets exist from the acquisition of GK. Depreciation of the acquired assets was \$387 during the year ended December 31, 2010 (2009: \$393).

Property, plant and equipment under construction

During the year ended December 31, 2010, the subsidiaries of the Company embarked on several different expansion projects as well as certain required maintenance projects. Costs incurred up to December 31, 2010, which are included in construction in progress, totaled \$24,285 (2009: \$12,947).

Borrowing costs

The Company had no capitalized borrowing costs incurred during the years ended December 31, 2010 and 2009.

Finance leases

At December 31, 2010, the Company had \$1,389 (2009: \$455) of finance leases for equipment and software.

Depreciation of property, plant and equipment

Depreciation expense for the year ended December 31, 2010 was \$23,507 (2009: \$21,588). Depreciation expense is recorded in the following line items in the consolidated income statement:

	2010	2009
Cost of sales	20,887	20,064
Selling, general and administrative expenses	2,620	1,524
Total	23,507	21,588

Sale of equipment

Certain equipment was sold in the years ended December 31, 2010 and 2009. In those years, the Company received proceeds of \$983 and \$129, respectively. The proceeds were less than the book value of the assets and losses on disposal of equipment were \$262 and \$6,253 in 2010 and 2009, respectively.

Impairment testing

Impairment losses were recorded at certain locations in 2010 and 2009 due to the discontinued use of certain assets.

In the year ended December 31, 2010, asset impairment charges in the amount of \$602 were recorded due to impairment of equipment at a subsidiary in the United States. These charges were incremental to the impairment charges of \$1,718 taken at the same subsidiary for a building and equipment in the year ended December 31, 2009. These impairment charges are included in the asset impairment expense line of the consolidated income statement.

Security

At December 31, 2010 properties with a carrying amount of \$131,425 (2009: \$116,357) are pledged as collateral to secure certain bank loans of subsidiaries.

14. Intangible assets

Cost	Goodwill	Customer relationships	Supply contracts	Capitalized development costs	Other intangible assets	Total
Balance at January 1, 2009	47,273	9,494	4,145	–	22,572	83,484
Discontinued operations in opening	(14,431)	–	–	–	(4,752)	(19,183)
Acquisitions	18	–	–	–	–	18
Additions	–	–	–	–	1,150	1,150
Disposals, reversals and transfers	–	–	–	–	–	–
Effect of movements in exchange rates	930	283	123	–	558	1,894
Balance at December 31, 2009	33,790	9,777	4,268	–	19,528	67,363
Balance at January 1, 2010	33,790	9,777	4,268	–	19,528	67,363
Acquisitions	–	–	–	–	100	100
Additions	–	–	–	645	1,069	1,714
Disposals, reversals and transfers	–	–	–	1,369	(993)	376
Effect of movements in exchange rates	(2,406)	(737)	(322)	(53)	(1,353)	(4,871)
Balance at December 31, 2010	31,384	9,040	3,946	1,961	18,351	64,682
Amortization and impairment						
Balance at January 1, 2009	(10,165)	(9,494)	(4,145)	–	(12,620)	(36,424)
Discontinued operations in opening	–	–	–	–	681	681
Amortization	–	–	–	–	(2,170)	(2,170)
Disposals and reversals	–	–	–	–	(8)	(8)
Impairment	–	–	–	–	–	–
Effect of movements in exchange rates	(300)	(283)	(123)	–	(483)	(1,189)
Balance at December 31, 2009	(10,465)	(9,777)	(4,268)	–	(14,600)	(39,110)
Balance at January 1, 2010	(10,465)	(9,777)	(4,268)	–	(14,600)	(39,110)
Amortization	–	–	–	(464)	(1,038)	(1,502)
Disposals and reversals	–	–	–	–	(8)	(8)
Effect of movements in exchange rates	785	737	322	1	1,095	2,940
Balance at December 31, 2010	(9,680)	(9,040)	(3,946)	(463)	(14,551)	(37,680)
Carrying amounts						
At January 1, 2009	37,108	–	–	–	9,952	47,060
At December 31, 2009	23,325	–	–	–	4,928	28,253
At January 1, 2010	23,325	–	–	–	4,928	28,253
At December 31, 2010	21,704	–	–	1,498	3,800	27,002

Intangible assets are comprised of goodwill, customer relationships, supply contracts, capitalized development costs and other intangible assets. For goodwill, there is no amortization recorded and instead, impairment tests are performed. The Company performs goodwill impairment tests annually in accordance with IFRS guidelines.

The other intangibles amount represents certain licenses, including software licenses. During 2009, there was an acquisition of a small trading company for \$25 of which \$18 was goodwill.

Research costs

Research costs are expensed as incurred. Development costs are expensed until they meet the following criteria: technical feasibility; both the intention and ability to complete for internal use or as an external sale; probable

generation of future economic benefits; and marketability existence. Research and development expense are included in selling, general and administrative expenses and were \$6,017 and \$9,967 in the years ended December 31, 2010 and 2009, respectively.

Amortization of intangible assets

Amortization expense for year ended December 31, 2010 was \$1,502 (2009: \$2,170). Amortization expense is recorded in the following line items in the consolidated income statement:

	2010	2009
Costs of sales	871	964
Selling, general and administrative expenses	631	1,206
Total	1,502	2,170

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill and indefinite-lived intangible assets are allocated to the Company's operating divisions that represent the lowest level within the Company at which the goodwill is monitored for internal management purposes. Sudamin and LSM are included in the Advanced Materials segment, while ALD is included in the Engineering Systems segment. GK is included in its similarly named segment.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2010	2009
Sudamin cash-generating unit (France)	10,484	11,339
LSM cash-generating unit (UK)	1,510	1,510
ALD cash-generating unit (including Furnaces Nuclear Applications Grenoble)	9,669	10,458
GK cash-generating unit	41	18
Goodwill at cash-generating units	21,704	23,325

Key assumptions

The calculations of value in use are most sensitive to the following assumptions:

- Global metals pricing
- Discount rate
- Growth rate used to extrapolate cash flows beyond the business plan period

Global metals pricing – Estimates are obtained from published indices. The estimates are evaluated and used to the extent that they meet management's expectations of future pricing.

Discount rates – Discount rates reflect management's estimate of risks specific to each unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the Company.

Growth rate assumptions – Rates are based on management's interpretation of published industry research. As most businesses follow economic trends, an inflationary factor was utilized.

It is possible that the key assumptions related to metals pricing that were used in the business plan will differ from actual results. However, management does not believe that any possible change in pricing will cause the carrying amount to exceed the recoverable amount. The values assigned to the key assumptions represent management's assessment of future trends in the metallurgical industry and are based on both external sources and internal sources (historical data).

For the impairment tests for Sudamin, LSM and ALD's cash-generating units, the recoverable amounts are the higher of the fair value less costs to sell and the

value in use. The value in use was determined using the discounted cash flow method. In 2010 and 2009, the carrying amounts of the Sudamin, LSM and ALD units were determined to be lower than their recoverable amounts and impairment losses were not recognized.

(1) Sudamin's value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the 3-year business plan, which covers the next three calendar years following the impairment test date.
- The growth rate of 2% was used to extrapolate cash flow projections beyond the period covered by the most recent business plans. Management believes that this growth rate does not exceed the long-term average growth rate for the metallurgical industry in France.
- Revenue projections are based on an internal 3-year business plan.
- Discount rates of 10.29% and 9.18% were applied in determining the recoverable amount of the unit for the years ended December 31, 2010 and 2009, respectively. The discount rates were derived from a group of comparable companies (peer group) and have been compared to external advisor reports for reasonableness.
- Sudamin's value in use exceeds its carrying value at December 31, 2010 by \$77,918.

(2) LSM's value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the 3-year business plan, which covers the next three calendar years following the impairment test date.
- The growth rate of 2% was used to extrapolate cash flow projections beyond the period covered by the most recent business plans. Management believes that this growth rate does not exceed the long-term average growth rate for the metallurgical industry in the UK.
- Revenue projections are based on an internal 3-year business plan.
- Discount rates of 8.40% and 9.60% were applied in determining the recoverable amount of the unit for the years ended December 31, 2010 and 2009, respectively. The discount rates were derived from a group of comparable companies (peer group) and have been compared to external advisor reports for reasonableness.
- LSM's value in use exceeds its carrying value at December 31, 2010 by \$40,745.

(3) ALD's value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the 3-year business plan, which covers the next three calendar years following the impairment test date.
- The growth rate of 2% was used to extrapolate cash flow projections beyond the period covered by the most recent business plans. Management believes that this growth rate does not exceed the long-term average growth rate for the metallurgical and alternative energy industry.
- Revenue projections are based on an internal 3-year business plan.
- Discount rates of 8.00% and 8.98% were applied in determining the recoverable amount of the unit for the years ended December 31, 2010 and 2009, respectively. The discount rates were derived from a group of comparable companies (peer group) and have been compared to external advisor reports for reasonableness.
- ALD's value in use exceeds its carrying value at December 31, 2010 by \$282,583.

GK purchased a small subsidiary in the year ended December 31, 2009 and recognized goodwill of \$18 upon acquisition. This balance has only changed due to currency. AMG assessed the fair value of GK as at December 31, 2010 and 2009. The fair value of GK approximated the carrying value and therefore, no adjustment to goodwill value was made in 2010 or 2009.

Impairment of equity investment in Timminco Ltd. ("Timminco")

Impairment tests for the Company's 42.5% equity investment in Timminco were based on its fair value less costs to sell. The carrying amount of this individual asset as of December 31, 2010 was \$17,706 (2009: \$19,460). The carrying amounts were determined to be lower than the investment's recoverable amounts and no impairment was necessary in 2010 nor 2009. Timminco's fair value was determined by using quoted market prices for the shares of Timminco, as the shares are publicly traded on the Toronto Stock Exchange.

Impairment of equity investment in Bostlan S.A. ("Bostlan")

Impairment tests for LSM's 25% equity investment in Bostlan, an entity located in Spain, were based on its value in use. The carrying amount of this individual asset as of December 31, 2010 and 2009 was \$2,439 and \$2,155, respectively. The carrying amounts were determined to be

lower than the investment's recoverable amounts and no impairment was necessary in 2010 nor 2009.

Bostlan's value in use was determined by discounting the future cash flows generated from the continuing use of the asset and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the 3-year business plan, covering the next three years following the impairment test date.
- The growth rate of 2% was used to extrapolate cash flow projections beyond the period covered by the most recent business plans. Management believes that this growth rate does not exceed the long-term average growth rate for the metallurgical industry in Spain.
- Revenue projections are based on an internal 3-year business plan.
- Discount rates of 8.40% and 9.60% were applied in determining the recoverable amount of the asset for the years ended December 31, 2010 and 2009, respectively. The discount rates were derived from a group of comparable companies (peer group) and have been compared to external advisor reports for reasonableness.
- Bostlan's value in use exceeds its carrying value at December 31, 2010 by \$3,234.

15. Associates and joint ventures

The Company's share of loss in its associates and joint ventures for 2010 was \$19,405 (2009: \$31,958).

Acquisition of Dynatech Furnaces Private Ltd.

On June 24, 2010, ALD GmbH entered into a share purchase contract to make an investment of \$443 to purchase 30% ownership in Dynatech Furnaces Private Ltd. ("Dynatech") from its current ownership. Dynatech is the largest vacuum heat treatment furnace manufacturer in India. Dynatech has been in business since 1985 with a manufacturing and assembly facility in Ambernath, near Mumbai. The Company is accounting for this investment as an associate.

Acquisition of Thermique Industrie Vide

On March 31, 2010, the Company acquired a 30% interest in Thermique Industrie Vide ("TIV"), a French engineering company which specializes in the design, manufacturing and maintenance of vacuum furnaces for \$617. TIV is being accounted for as an associate.

During the year ended December 31, 2009, the owners of Heidenreich and Harbeck AG ("H&H") exercised their call option to convert the Company's shares of H&H into shares of ABS Apparaté und Behälterbau Staßfurt GmbH ("ABS"). Prior to the conversion, the Company owned 19% of H&H and accounted for it at cost. The share for share exchange increased the Company's share ownership in ABS from 24.9% to 49%. No additional consideration was

included in this exchange. This transaction had no material impact on the net investment position of the Company.

On December 18, 2008, a wholly owned subsidiary of the Company invested \$10,432 (including \$118 of acquisition costs) to acquire 50% of Silmag DA. Silmag DA is a joint venture with Norsk Hydro that was established to develop a unique process to produce silica and magnesium at a low cost from olivine, a raw material abundant in Norway. During 2010, the carrying amounts for this investment were determined to be greater than the investment's recoverable amounts, which were determined to be nil and the asset was fully impaired. As the asset balance has been reduced to nil, there will be no additional impairment recorded in the future related to this investment.

Investment in Timminco

On September 28, 2009, the Company reduced its ownership percentage of Timminco from 50.8% to 47.9%. This loss of control resulted in a deemed disposal. Timminco is therefore, no longer consolidated and is

recorded as an associate in the consolidated statement of financial position. Effective from the date of the deemed disposal, all losses of Timminco are recorded in the share of loss of associates line in the income statement.

In the first quarter of 2010, Timminco issued 16.2 million shares to settle a customer contract termination as well as trade payables. These issuances lowered AMG's ownership of Timminco to 38.6%. Between May 13, 2010 and June 14, 2010, Timminco issued 20.2 million shares in a private placement. The Company acquired 15.4 million of these private placement shares at a cost of \$9,705. After the private placement, AMG had 42.5% ownership in Timminco. The Company continues to account for this investment as an associate. Timminco has disclosed various risks to its ability to continue as a going concern in its 2010 and 2009 financial statements. Those risks include its ability to remain in compliance with its debt covenants. It is noted that the continued support of lenders is required or Timminco may not be able to realize its assets or discharge its liabilities.

Summary financial information for associates, adjusted for the percentage ownership held by the Company:

	Country	Ownership	Total assets	Total liabilities	Net equity	Revenues	Expense	Recognized profit or loss	Carrying amount
2010									
Bostlan S.A.	Spain	25.0%	8,004	5,883	2,121	12,141	11,858	283	2,439
ALD Holcroft Vacuum Technologies Co.	United States	50.0%	1,518	855	663	1,176	1,086	90	310
ABS Apparaté und Behälterbrau Staßfurt GmbH	Germany	49.0%	3,532	553	2,979	5,623	8,361	(2,738)	3,658
Silmag DA	Norway	50.0%	3,824	127	3,697	–	5,581	(5,581)	–
Timminco Ltd.	Canada	42.5%	66,060	40,493	25,567	53,985	65,444	(11,459)	17,706
Thermique Industrie Vide	France	30.0%	2,872	2,100	772	3,860	3,860	–	630
Dynatech Furnaces Private Ltd.	India	30.0%	469	495	(26)	822	822	–	443
Total								(19,405)	25,186
2009									
Bostlan S.A.	Spain	25.0%	5,662	3,224	2,438	6,988	6,995	(7)	2,155
ALD Holcroft Vacuum Technologies Co.	United States	50.0%	1,373	1,131	242	2,557	2,617	(60)	238
ABS Apparaté und Behälterbrau Staßfurt GmbH	Germany	49.0%	3,638	401	3,237	3,196	3,006	190	6,913
Silmag DA	Norway	50.0%	8,317	1,337	6,980	–	4,583	(4,583)	6,028
Timminco Ltd.	Canada	42.5%	85,108	61,311	23,797	10,242	37,740	(27,498)	19,460
Total								(31,958)	34,794

For the entities which are joint ventures, additional financial information is as follows:

	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
2010						
ALD Holcroft Vacuum Technologies Co.	1,446	72	1,518	855	–	855
Silmag DA	122	3,702	3,824	127	–	127
2009						
ALD Holcroft Vacuum Technologies Co.	1,334	39	1,373	1,131	–	1,131
Silmag DA	2,142	6,175	8,317	1,337	–	1,337

16. Inventories

	2010	2009
Raw materials	84,867	79,471
Work in process	36,270	38,231
Finished goods	83,164	73,151
Other	2,903	2,525
Total	207,204	193,378

Other inventory primarily includes spare parts that are maintained for operations.

In 2010 raw materials, changes in finished goods and work in process contributed to cost of sales by \$591,536 (2009: \$498,312). In the year ended December 31, 2010, the net adjustment to net realizable value amounted to a write-up of \$773 (2009: write-down \$14,244) and was included in cost of sales.

Inventory in the amount of \$164,793 (2009: \$134,531) is pledged as collateral to secure the bank loans of certain subsidiaries (see note 23).

17. Trade and other receivables

	2010	2009
Trade receivables, net of allowance for doubtful accounts	125,432	101,482
Notes receivable	7,045	5,721
Gross amount due from customers for contract work (POC)	140,582	224,162
Less: progress payments received	(97,638)	(183,578)
Net POC receivables	42,944	40,584
Total	175,421	147,787

At December 31, 2010, trade receivables include receivables from customers who have received direct shipments or services from the Company and receivables from customers who have utilized inventory on consignment. Amounts billed to percentage of completion customers are also included in the trade and other receivables line item in the statement of financial position. The carrying amount of trade receivables approximates their fair value due to their short term nature. Trade receivables are generally non-interest bearing and are generally on 30-90 day terms.

At December 31, 2010, receivables in the amount of \$169,048 (2009: \$138,760) are pledged as collateral to secure the term loan and multicurrency credit facility of the Company and the credit facilities of certain subsidiaries (see note 23).

As at December 31, the analysis of trade receivables that were past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30–60 days	60–90 days	90–120 days	> 120 days
2010	175,421	141,643	19,666	6,062	1,025	447	6,578
2009	147,787	119,287	20,237	1,917	735	3,023	2,588

At December 31, 2010, trade receivables are shown net of an allowance for impairment of \$3,130 (2009: \$4,864) arising from customer unwillingness or inability to pay. During the year ended December 31, 2010 and 2009, impairment losses in the amount of \$19 and \$2,498, respectively, have been recorded.

Movements in the provision for impairment of receivables were as follows:

	2010	2009
At January 1	4,864	2,539
Discontinued operations in opening	–	(39)
Charge for the year	19	2,498
Amounts written off	(92)	(154)
Amounts recovered / collected	(1,329)	–
Unused amounts reversed	–	(89)
Foreign currency adjustments	(332)	109
At December 31	3,130	4,864

18. Other assets

Other assets are comprised of the following:

	2010	2009
Prepaid taxes (income and indirect)	22,278	15,884
Prepaid inventory	9,994	5,041
Investments in equity securities	887	970
Pension prepayments	5,279	4,553
Supplier prepayments	1,340	1,860
Insurance	3,775	1,531
Deposits	2,425	2,614
Prepaid tooling	1,926	527
Other miscellaneous assets	8,548	9,359
Total	56,452	42,339
Thereof:		
Current	41,080	30,359
Non-current	15,372	11,980

The Company has a strategic investment in a growth-based company in Iceland. The equity investment cannot be reliably measured at fair value and is therefore accounted for using a cost basis. As of December 31, 2010 and 2009, the investment amounted to \$887 and \$970 respectively. During the year ended December 31, 2009,

the owners of one of the equity investments, Heidenreich and Harbeck AG ("H&H") exercised their call option to convert the Company's shares of H&H into shares of ABS Apparaté und Behälterbrau Staßfurt GmbH. See note 15 for more details.

19. Restricted cash

Restricted cash at December 31, 2010 is \$12,528 and is comprised of \$3,188 security deposits to secure leasing activities and \$9,178 which provides security to financial institutions who issue letters of credit on behalf of the Company. These letters of credit serve two primary purposes: to provide financial backing for advance payments made by our customers of the Engineering Systems Division and to provide financial assurance to vendors and regulatory agencies to whom the Company is obligated. Additionally, there is restricted cash related to import and export allowances in the amount of \$162.

Restricted cash at December 31, 2009 is \$13,263 and is comprised of \$3,546 security deposits to secure leasing activities and \$9,554 which provides security to financial institutions who issue letters of credit on behalf of the Company. These letters of credit serve two primary purposes: to provide financial backing for advance payments made by our customers of the Engineering Systems Division and to provide financial assurance to vendors and regulatory agencies to whom the Company is obligated. Additionally, there is restricted cash related to import and export allowances in the amount of \$163.

20. Cash and cash equivalents

	2010	2009
Bank balances	72,192	84,876
Call deposits	17,119	32,140
Total	89,311	117,016

Bank balances earn interest at floating rates based on daily bank deposit rates. Call deposits have maturities of approximately three months or less depending on the immediate cash needs of the Company, and earn interest at the respective short term rates.

At December 31, 2010, the Company had \$47,800 of available liquidity (2009: \$79,906) on undrawn committed borrowing facilities.

The above chart is also representative of the consolidated cash flow statement, cash and cash equivalents with no bank overdrafts as of December 31, 2010 (2009: nil).

21. Capital and reserves

Share capital

At December 31, 2010, the Company's authorized share capital was comprised of 65,000,000 ordinary shares (2009: 100,000,000) with a nominal share value of €0.02 (2009: €0.02) and 65,000,000 preference shares (2009: nil) with a nominal share value of €0.02.

At December 31, 2010, the issued and outstanding share capital was comprised of 27,503,885 ordinary shares (2009: 26,899,548), with a nominal value of €0.02 (2009: €0.02) which were fully paid. No preference shares were outstanding at December 31, 2010.

A rollforward of the total shares outstanding is noted below:

Balance at January 1, 2009	26,855,586
Shares issued to Supervisory Board	43,962
Balance at December 31, 2009	26,899,548
Balance at January 1, 2010	26,899,548
Shares issued to Supervisory Board	28,808
Shares issued to purchase additional shares of GK	575,529
Balance at December 31, 2010	27,503,885

Supervisory Board remuneration

During the years ended December 31, 2010 and 2009, 28,808 and 43,962 shares were issued, respectively, as compensation to its Supervisory Board members as compensation for services provided in 2010 and 2009. These shares were awarded as part of the remuneration policy approved by the Annual General Meeting.

Shares issued to purchase additional shares of Graphit Kropfmühl

On December 22, 2010, the Company issued 575,529 additional shares in order to acquire an additional 8.5% of Graphit Kropfmühl. This purchase raised the Company's ownership in GK from 79.5% to 88.0%. The Company chose to measure the non-controlling interest ("NCI") at its proportionate share of the recognized amount of the GK's net identifiable assets at the acquisition date.

The following is the calculation of the equity transaction:

Non-controlling interest at December 22, 2010	4,502
Transfer to AMG (8.5%)	1,861
12% interest carried forward	2,641
Adjustment to equity:	
Fair value of consideration ¹	6,431
Change to NCI (as per above)	1,861
Dilution in AMG equity from purchase of NCI	4,570

¹ calculated as 575,529 AMG shares issued * €8.50 per share

The negative movement in AMG equity denoted above represents the discount to fair value at which the AMG shares were issued in the share for share exchange.

Other reserves

	Net unrealized gains (losses) reserve	Foreign currency translation reserve	Share-based payment reserve	Total
Balance at January 1, 2009	(12,688)	(10,115)	20,588	(2,215)
Currency translation differences	-	4,456	-	4,456
Net movement on cash flow hedges	14,162	-	-	14,162
Tax effect on net movement on cash flow hedges	(707)	-	-	(707)
Share-based payment activity at subsidiary	-	-	1,559	1,559
Equity-settled share-based payments	-	-	14,029	14,029
Balance at December 31, 2009	767	(5,659)	36,176	31,284
Balance at January 1, 2010	767	(5,659)	36,176	31,284
Currency translation differences	-	(2,556)	-	(2,556)
Net movement on cash flow hedges	2,736	-	-	2,736
Tax effect on net movement on cash flow hedges	(871)	-	-	(871)
Share-based payment activity at subsidiary	-	-	-	-
Equity-settled share-based payments	-	-	5,565	5,565
Balance at December 31, 2010	2,632	(8,215)	41,741	36,158

Net unrealized gains (losses) reserve

The net unrealized gains (losses) reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. For further discussion of the cash flow hedges and the amounts that were realized in the income statement, see note 32.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries. There are two primary functional currencies used within the Company: the US Dollar and the Euro. There are additional functional currencies used at small companies within the organization with limited impact to the consolidated financial statements which are listed below:

British Pound Sterling
Chinese Renminbi
Czech Koruna
Hong Kong Dollar
Japanese Yen
Mexican Peso
Mozambican Metical
Polish Zloty
Turkish Lira
Singapore Dollar
Sri Lankan Rupee

Resulting translation adjustments were reported in a separate component of equity.

The Company did not record any share of comprehensive income related to associates or joint ventures in the years ended December 31, 2010 and 2009.

Share-based payment reserve

The share-based payment reserve is comprised of the value of equity-settled share-based payments provided to employees (and outside consultants), including key management personnel, as part of their remuneration. Refer to note 26 for details regarding these plans.

Dividends

No dividends have been paid or proposed in the years ended December 31, 2010 and 2009.

22. Earnings per share

Basic earnings per share

Basic earnings per share amounts are calculated by dividing net profits for the year attributable to ordinary equity holders of the parent by the weighted average of ordinary shares outstanding during the year. As of December 31, 2010 and 2009, the calculation of basic earnings per share is performed using the weighted average shares outstanding for 2010 and 2009, respectively.

Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit (loss) attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The only category of potentially dilutive shares at December 31, 2010 and 2009 are AMG's share options. The diluted earnings per share calculation includes the number of shares that could have been acquired at fair value given the exercise price attached to the outstanding options. The calculated

number of shares is then compared with the number of shares that would have been issued assuming the exercise of the share options. In years when there is a net loss attributable to shareholders, the dilutive effect of potential shares is not taken into effect.

Earnings	2010	2009
Net profit (loss) attributable to equity holders for basic and diluted earnings per share	2,414	(75,642)
Number of shares (in 000's)		
Weighted average number of ordinary shares for basic earnings per share	26,918	26,861
Dilutive effect of share-based payments	-	-
Weighted average number of ordinary shares adjusted for effect of dilution	26,918	26,861

As documented in note 6, the loss per share from discontinued operations for the year ended December 31, 2009 was 1.05. This loss per share can be deducted from the total loss per share for 2009 in order to arrive at the loss per share from continuing operations.

23. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate and foreign currency risk, see notes 31.

Non-current	Effective interest rate	Maturity	2010	2009
€71,003 Term Loan	EURIBOR + 2.25%	08/2012	90,460	95,835
\$175,000 Term Loan Revolver	EURIBOR + 2.25%	08/2012	69,000	39,000
€13,225 GK SPK Passau	3.75%-5.85%	03/2013-03/2018	6,151	8,551
€4,000 GK Unicredit	5.08%-6.58%	09/2013-12/2014	2,863	4,473
€1,400 GK Landesbank	4.65%	03/2017	1,275	1,630
€2,200 GFE bank loan	4.95%	12/2023	2,071	2,374
€3,466 GfE subsidiary debt	4.05-6.30%	03/2013-03/2023	1,722	2,346
€9,825 ALD subordinated loan	8.04%	08/2012	13,105	14,082
Capital lease obligations	4.60%-11.90%	07/2014-06/2015	1,166	28
Total			187,813	168,319

Current	Effective interest rate	Maturity	2010	2009
€13,225 GK SPK Passau	3.75-5.85%	03/2013-03/2018	1,761	1,377
€4,000 GK Unicredit	5.08%-6.58%	09/2013-12/2014	1,313	1,141
€1,400 GK Landesbank	4.65%	03/2017	232	251
€2,200 GFE bank loan	4.95%	12/2023	123	126
€3,466 GfE subsidiary debt	4.05-6.30%	03/2013-03/2023	465	500
Capital lease obligations	4.60%-11.90%	07/2014-06/2015	360	69
Total			4,254	3,464

Term loan and revolving credit facility

On August 30, 2007, the Company entered into a \$275,000 term loan and revolving credit facility ("Credit Facility"). This facility provides the Company with a \$100,000 term loan and up to \$175,000 in revolver borrowings, which are subject to certain affirmative and negative covenants. Borrowings under the revolving credit facility may be used for general corporate purposes of the Company. As of December 31, 2010, \$69,000 was outstanding under the revolving credit facility (2009: \$39,000). At December 31, 2010, there was unused availability of \$47,800 (December 31, 2009: \$79,906). The facility terminates in August 2012.

Interest on the 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 December 31, 2010, the margin was 2.25 (2009: 1.50). To mitigate risk, the Company entered into an interest rate swap to fix the interest rate on the term loan at 3.67%.

The Credit Facility is subject to several affirmative and negative covenants including, but not limited to, the following:

- EBITDA to Net Finance Charges: Not to be less than 3.00:1
- Net Debt to EBITDA: Not to exceed 3.75:1
- Senior Net Debt to EBITDA: Not to exceed 3.00:1

EBITDA, Net Finance Charges, Net Debt and Senior Net Debt are defined in the Credit Facility agreement.

On May 27, 2010, the Company amended and restated the Credit Facility in order to adjust certain provisions for the strategic plans of the Company. Included in the amendments was a change to the Senior Net Debt to EBITDA covenant. Previously, the maximum ratio for this covenant was 2.00:1. The amendment increased the maximum ratio to 3.00:1. Fees related to this amendment were \$1,675 and are included in finance expense.

Mandatory repayment of the credit facility is required upon the occurrence of (i) a change of control or (ii) the sale of all or substantially all of the business and/or assets of the Company whether in a single transaction or a series of related transactions.

Debt issuance costs

In connection with the term loan which commenced in 2007, the Company incurred issuance costs of \$9,405 which were deducted from the proceeds of the debt from the term loan. These amounts are shown net against the outstanding term loan balance and are amortized using the effective interest method using a rate of 8.50%.

The Company also has a Subordinated Loan Agreement with HSBC Trinkhaus & Burkhardt KGaA. The principal amount of the subordinated loan is \$13,105 (2009: \$14,082). The subordinated loan bears interest at 7.27%. A disagio of 4.0% was applied on the subordinated loan; therefore the effective rate of interest is 8.04%. The term of the subordinated loan is unlimited. The Agreement can be terminated no earlier than August 10, 2012.

A German subsidiary maintains a loan agreement with Sparkasse Nuremberg which was originated on December 1, 2003 and requires annual payments of approximately \$123. This loan is secured by land and buildings.

Graphit Kropfmühl ("GK") debt

A subsidiary of GK maintains a government subsidized loan agreement with Bayerische Landesbank and various other loan agreements with HypoVereinsbank, Unicredit and Sparkasse Passau. The loans carry various interest rates and were recognized by the Company upon the acquisition of GK. Those with floating interest rates have been fixed through interest rate swaps. See note 32. These loans are secured by GK's property, plant and equipment.

Capital leases

As of December 31, 2010, AMG subsidiaries had three capital leases outstanding to finance machinery. Monthly payments under these three leases are \$40. The leases mature in 2014 and 2015.

On May 1, 2005, ALD entered into a 60 month capital lease for a software program. Annual payments under this lease are approximately \$1. The lease expired during 2009.

There are no outstanding balances as of December 31, 2010.

Debt repayments

The Company made capital lease and debt repayments of \$3,432 during 2010. Payments included GK paying \$2,703 and GfE paying \$579 to various banks and the remaining \$150 relates to capital lease and other debt repayments.

The Company made various capital lease and debt repayments of \$15,785 during 2009. Of this amount, AMG repaid \$12,000 on its Term Loan revolver, which it had previously borrowed in 2009, and GK made \$2,639 payments to various banks offset by additional borrowings in the amount of \$6,013. The remaining \$1,146 relates to various capital lease and other debt repayments.

24. Short term bank debt

The Company's Brazilian subsidiary maintains short term secured and unsecured borrowing arrangements with various banks. Borrowings under these arrangements are included in short term debt on the consolidated statement of financial position and aggregated \$30,565 at December 31, 2010 (2009: \$20,981) at a weighted-average interest rate of 5.70%.

GK maintains short term secured and unsecured credit facilities with various banks to fund short term operating activities and capital projects. This short term debt carries both floating and fixed interest rates. The balance of these facilities at December 31, 2010 was \$14,421 (2009: \$11,032) at a weighted-average interest rate of 3.75%.

The Company's French subsidiary had additional short term borrowings of \$36 as of December 31, 2010.

25. Employee benefits

Defined contribution plans

Certain of the Company's subsidiaries maintain US tax qualified defined contribution plans covering substantially all of the Company's salaried and hourly employees at US subsidiaries. All contributions, including a portion that represents a company match, are made in cash into mutual fund accounts in accordance with the participants' investment elections. The assets of the plans are held separately from the assets of the subsidiaries under the control of trustees. Where employees leave the plans prior to vesting fully in the Company contributions, the contributions or fees payable by the Company are reduced by the forfeited contributions.

In Europe, the employees are members of state-managed retirement benefit plans operated by the government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the

subsidiaries with respect to the retirement benefit plan is to make the specified contributions.

The total expense as of December 31, 2010 recognized in the consolidated income statement of \$2,210 (2009: \$2,320) represents contributions paid and payable to these plans.

Defined benefit plans

North American plans

US plans (Metallurg)

Certain of the Company's US subsidiaries have tax-qualified, noncontributory defined benefit pension plans covering substantially all salaried and certain hourly paid employees. The plans generally provide benefit payments using a formula based on an employee's compensation and length of service. These plans are funded in amounts equal to the minimum funding requirements of the US Employee Retirement Income Security Act. Substantially all plan assets are invested in cash and short term investments or listed stocks and bonds.

On May 20, 2010, the Company entered into an additional Supplemental Executive Retirement Plan ("2010 SERP") with William Levy, its Chief Financial Officer. Pursuant to the terms of the 2010 SERP, Mr. Levy will earn additional retirement benefits for continued service with the Company. The maximum retirement benefit payment under the 2010 SERP is equal to 50% of the final three year average compensation reduced by retirement benefits as determined in accordance with the Company's defined contribution plan and payable from age 65 until age 88. The maximum retirement benefit payment will also be reduced in the case of the commencement of benefit payments prior to age 65 as a result of early termination and/or early retirement. Under the terms of the 2010 SERP, the Company has no obligation to set aside, earmark or entrust any fund or money with which to pay the obligations thereto.

On June 1, 2005, Metallurg entered into a Supplemental Executive Retirement Plan ("SERP") with Eric E. Jackson, its President and Chief Operating Officer. This SERP was amended in May 2010. Pursuant to the terms of the SERP and its amendments, Mr. Jackson will earn additional retirement benefits for continued service with the Company. The maximum retirement benefit payment under the SERP is equal to 50% of the final three year average compensation reduced by Mr. Jackson's retirement benefits under the Company's defined contribution plan as well as reduced by benefits determined in accordance with Metallurg's US defined benefit plan and payable from age 65 until age 88. The maximum retirement benefit payment will also be reduced in the case of the commencement of benefit payments prior to age 65 as a result of Mr. Jackson's early

termination and/or early retirement. Under the terms of the SERP, Metallurg has no obligation to set aside, earmark or entrust any fund or money with which to pay the obligations thereto.

On April 1, 2007, Metallurg entered into an additional Supplemental Executive Retirement Plan ("Executive SERP") with Heinz Schimmelbusch and Arthur Spector, its Chief Executive Officer and former Deputy Chairman, respectively. Pursuant to the terms of the agreements, these officers earn additional retirement benefits for continued service with the Company. The maximum retirement benefit under these Executive SERP agreements is 50% of their final average compensation with a maximum per annum of \$600 and \$500 for Dr. Schimmelbusch and Mr. Spector, respectively. One-third of the benefit was recorded as of April 7, 2007 and the remaining two-thirds were accrued ratably on the first day of each of the following twenty-four months. Pension expense related to the Executive SERP in 2010 totaled \$575 (2009: \$1,118). Under the terms of the Executive SERP, Metallurg has no obligation to set aside, earmark or entrust any fund or money with which to pay the obligations thereto. However, the amounts are guaranteed by AMG. Mr. Spector left the employ of AMG effective September 30, 2009 and initiated payments from his Executive SERP on November 1, 2010.

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages) are presented below.

	2010	2009
	% per annum	% per annum
Expected return on plan assets at January 1	8.00	8.25
Inflation	N/A	N/A
Salary increases	N/A	N/A
Rate of discount at December 31	5.63	6.13
Taxable wage base increases	N/A	N/A
IRC Section 401(a)(17) and 415 limits increases	N/A	N/A

The actual return on plan assets for the year ending December 31, 2010 was 14.8% and the actual return on plan assets for the year ending December 31, 2009 was 22.46%. The investment strategy of the subsidiaries is to achieve long-term capital appreciation, while reducing risk through diversification in order to meet the obligations of the plans. The expected return on plan assets assumption, reviewed annually, reflects the average rate of earnings expected on the funds invested using weighted average historical returns of approximately 9.0% for equities, 5.0% for debt, 7.4% for other and 4.0% for cash. The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the

period over which the obligation is to be settled. The expectation used for 2010 was 8.0% (2009: 8.25%) for the US plans.

Assumptions regarding future mortality are based on published statistics and the RP-2000 Combined Healthy Mortality table. The valuation was prepared on a going-plan basis. The valuation was based on members in the Plan as of the valuation date and did not take future members into account. No provision has been made for contingent liabilities with respect to non-vested terminated members who may be reemployed. No provisions for future expenses were made.

Medical cost trend rates are not applicable to these plans.

The best estimate of contributions to be paid to the plans for the year ending December 31, 2011 is \$1,446.

European plans

LSM plans

The Company sponsors the LSM 2006 Pension Plan and the LSM Additional Pension Plan, which are defined benefit arrangements. LSM's defined benefit pension plans cover all eligible employees in the UK.

Benefits under these plans are based on years of service and the employee's compensation. Benefits are paid either from plan assets or, in certain instances, directly by LSM.

Substantially all plan assets are invested in listed stocks and bonds. The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the reporting date. The expected rate of return on equities have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the reporting date. The expected long-term return on cash is equal to bank base rates at the reporting date.

The expected long-term rates of return on plan assets are as follows:

	2010	2009
	% per annum	% per annum
Equities	8.50	9.60
Bonds	4.15–5.50	3.90–6.70
Cash	2.00	2.00
Other	3.90	3.90
Overall for LSM plans	6.30	7.41

The actual return on plan assets for the year ending December 31, 2010 was 21.5% (2009: 13.3%) for the primary and 4.1% (2009: 11.7%) for the additional defined benefit plan.

Actuarial assumptions

	2010	2009
	% per annum	% per annum
Inflation	3.50	3.60
Salary increases	N/A	N/A
Rate of discount at December 31	5.40	5.65
Allowance for pension in payment increases of the Retail Prices Index ("RPI") or 5% p.a. if less	3.40	3.50
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.50	3.60
Allowance for commutation of pension for cash at retirement	nil	nil

Assumptions regarding future mortality are based on published statistics and mortality tables.

The best estimate of contributions to be paid to the primary plan for the year ending December 31, 2011 is \$1,127. In the additional pension plan, only payments for expenses to run the plan, together with the levy for the Pension Protection Fund, are expected to be made in 2011.

ALD plans

ALD has defined benefit plans that cover employees in Germany. The benefits are based on years of service and average compensation.

On March 30, 2010, the Company entered into an additional Supplemental Executive Retirement Plan ("German SERP") with Dr. Reinhard Walter, President of Engineering Systems. Pursuant to the terms of the German SERP, Dr. Walter will earn additional retirement benefits for continued service with the Company. The maximum retirement benefit payment under the German SERP is \$315 per annum reduced by retirement benefits as determined in accordance with the Company's ALD plans and payable from age 65 until age 88. The maximum retirement benefit payment will also be reduced in the case of the commencement of benefit payments prior to age 65 as a result of early termination and/or early retirement. Under the terms of the German SERP, the Company has no obligation to set aside, earmark or entrust any fund or money with which to pay the obligations thereto.

Actuarial assumptions

Principal actuarial assumptions at the reporting date are presented below.

	2010	2009
	% per annum	% per annum
Expected return on plan assets at January 1	3.75	3.75
Inflation	N/A	N/A
Salary increases	2.00	2.00
Rate of discount at December 31	5.28	5.41
Pension payments increases	1.75	1.75

Assumptions regarding future mortality are based on published statistics and mortality tables ("Richttafeln 2005G").

The best estimate of contributions to be paid to the plans for the year ending December 31, 2011 is approximately \$1,111.

GfE plans

GfE has two defined benefit plans that cover all of the employees who were considered plan participants prior to 2005. Each plan has been closed to new participants – one was closed in 1992 and the other was closed in 2005. The plan benefits are funded by insurance contracts which are managed by Swiss Life Group. Benefits are paid by the insurance contracts and are based on years of service and average compensation.

An additional defined benefit plan covers two former managing directors from a previous acquisition. The plan benefits are funded by insurance contracts. Benefits are paid by the insurance contracts and are based on individual agreements with the managing directors.

Actuarial assumptions

Principal actuarial assumptions at the reporting date are presented below.

	2010	2009
	% per annum	% per annum
Inflation	2.25	2.25
Salary increases	3.00	3.00
Rate of discount at December 31	4.86	5.20
Pension payments increases	2.25	2.25

Assumptions regarding future mortality are based on published statistics and mortality tables ("Richttafeln 2005G" and "Heuback 2005G").

GfE plan assets consist of insurance contracts, and the expected long term rates of return are 4.5%(2009: 5.0%).

The best estimate of contributions to be paid to GfE's plans for the year ending December 31, 2011 is approximately \$2,285.

Sudamin Plans

The French office and operations of Sudamin have defined benefit pension plans which cover all employees. Sudamin funds the pension plans through an external insurance company but there are no plan assets. Benefits under the plans are based on the beginning of service for all employees; however, employees must be employed by Sudamin at retirement in order to obtain any benefits as vesting is only upon retirement. Benefits are paid by the external insurance company.

Actuarial assumptions

Principal actuarial assumptions at the reporting date are presented below.

	2010	2009
	% per annum	% per annum
Inflation	N/A	N/A
Salary increases	2.50	2.50
Rate of discount at December 31	3.59	3.90

The discount rate used is based on the yields of AA rated euro zone corporate bonds plus 10 years.

Assumptions regarding future mortality are based on published statistics and mortality tables ("2006-2008 INSEE").

The best estimate of contributions to be paid to Sudamin's plans for the year ending December 31, 2011 is approximately \$46.

Graphit Kropfmühl ("GK") plans

Graphit Kropfmühl has two defined benefit plans that cover all of the employees in Germany. The plan benefits are not funded. Benefits are paid by insurance contracts and are based on years of service and average compensation.

Actuarial assumptions

Principal actuarial assumptions at the reporting date are presented below.

	2010	2009
	% per annum	% per annum
Inflation	2.00	1.50
Salary increases	2.50	1.80
Rate of discount at December 31	4.95	5.25
Pension payment increases	2.00	1.50

Assumptions regarding future mortality are based on published statistics and mortality tables ("Heuback 2005G").

The best estimate of contributions to be paid to GK's plans for the year ending December 31, 2011 is approximately \$1,296.

Presented below are employee benefits disclosures for plans aggregated by geographical location into the North American and European groups.

	North American plans		European plans	
	2010	2009	2010	2009
Present value of unfunded obligations	12,699	9,794	1,306	1,032
Present value of funded obligations	25,920	24,266	176,594	179,099
Total present value of obligations	38,619	34,060	177,900	180,131
Fair value of plan assets	(19,160)	(17,127)	(95,812)	(93,076)
Unrecognized actuarial losses	(6,799)	(5,727)	(10,934)	(10,872)
Net liability for defined benefit obligations	12,660	11,206	71,154	76,183

Movement in employee benefits

	North American plans		European plans	
	2010	2009	2010	2009
Recognized liability for defined benefit obligations at January 1	11,206	27,432	76,183	73,157
Discontinued operations in opening	–	(18,245)	–	–
Expense recognized in profit and loss (see below)	2,635	2,191	6,142	5,973
Benefits paid directly by the employer	(65)	–	(3,711)	(3,926)
Employer contributions	(1,116)	(172)	(1,430)	(1,328)
Effect of movements in foreign exchange rates	–	–	(6,030)	2,307
Net liability for defined benefit obligations at December 31	12,660	11,206	71,154	76,183
Asset for defined benefit obligations at December 31	–	–	4,558	3,969
Liability for defined benefit obligations at December 31	12,660	11,206	75,712	80,152

Plan assets consist of the following

	North American plans		European plans	
	2010	2009	2010	2009
Equity securities	10,312	9,209	23,830	22,065
Debt securities	8,082	7,233	65,245	64,374
Cash	383	343	3,633	77
Other	383	342	3,104	6,560
Total	19,160	17,127	95,812	93,076

Movement in present value of defined benefit obligations

	North American plans		European plans	
	2010	2009	2010	2009
Present value of defined benefit obligations at January 1	34,060	88,865	180,131	146,640
Discontinued operations in opening	–	(57,376)	–	–
Benefits paid directly by the employer or from the plan assets	(1,528)	(1,422)	(8,840)	(10,733)
Contributions from plan participants	–	–	–	–
Past service cost	1,250	–	–	607
Current service costs and interest (see below)	2,385	2,832	11,669	11,135
Unrecognized actuarial losses	2,452	1,161	4,089	19,734
Effect of movements in foreign exchange rates	–	–	(9,149)	12,748
Present value of defined benefit obligations at December 31	38,619	34,060	177,900	180,131

Movement in fair value of plan assets

	North American plans		European plans	
	2010	2009	2010	2009
Fair value of plan assets at January 1	17,127	47,245	93,076	77,433
Discontinued operations in opening	–	(32,254)	–	–
Employer contributions	1,115	172	1,430	1,328
Contributions from plan participants	–	–	–	–
Benefits paid from the plan assets	(1,462)	(1,422)	(5,051)	(6,807)
Expected return on plan assets	1,364	1,196	5,511	5,669
Unrecognized actuarial gains	1,016	2,190	5,284	4,359
Effect of movements in foreign exchange rates	–	–	(4,438)	11,094
Fair value of plan assets at December 31	19,160	17,127	95,812	93,076

Expense recognized in profit or loss

	North American plans		European plans	
	2010	2009	2010	2009
Current service costs	328	913	2,352	2,052
Past service costs	1,250	–	–	607
Interest on obligation	2,057	1,919	9,317	9,083
Expected return on plan assets	(1,364)	(1,196)	(5,511)	(5,669)
Recognized actuarial losses (gains)	364	555	(16)	(100)
Amortization of vested past service cost	–	–	–	–
Expense recognized in profit and loss	2,635	2,191	6,142	5,973

Net expense recognized in profit and loss

The expense is recognized in the following line items in the income statement:

	North American plans		European plans	
	2010	2009	2010	2009
Cost of sales	166	229	2,195	2,939
Selling, general and administrative expenses	2,469	1,962	3,947	3,034
Total	2,635	2,191	6,142	5,973

Amounts for the current and previous four periods are as follows:

North American Plans

	2010	2009	2008	2007	2006
Defined benefit obligation	38,619	34,060	88,865	101,922	88,319
Plan assets	19,160	17,127	47,245	67,347	59,460
Deficit	(19,459)	(16,933)	(41,620)	(34,575)	(28,859)
Experience adjustments on plan liabilities	116	59	6,713	1,167	(762)
Experience adjustments on plan assets	1,017	2,190	(1,420)	(3,541)	1,251

European Plans

	2010	2009	2008	2007	2006
Defined benefit obligation	177,900	180,131	146,640	178,989	186,267
Plan assets	95,812	93,076	77,433	126,497	120,123
Deficit	(82,088)	(87,055)	(69,207)	(52,492)	(66,144)
Experience adjustments on plan liabilities	10,988	(6,567)	(26,073)	(246)	(8,250)
Experience adjustments on plan assets	1,149	15,360	(50,411)	1,660	5,541

26. Share-based payments

Equity-settled share-based payments

On May 13, 2009, the Annual General Meeting approved a new option plan for the Management Board, the 2009 AMG Option Plan ("2009 Plan"). Each option issued under the 2009 Plan entitles the holder to acquire shares at a future date at a price equal to the fair market value of the share at the date on which the option was granted. One half of the options granted to each option holder on any date 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. The options expire on the tenth anniversary of their grant date.

On June 26, 2007, the Management Board established the AMG Option Plan ("2007 Plan"), which is eligible to members of the Management Board, Supervisory Board, employees, and consultants of the Company. Each option issued under the plan entitles the holder to acquire shares at a future date at a price equal to the fair market value of the share at the date on which the option was granted. One quarter of the options granted to each option holder on any date will vest on each of the first four anniversaries of the grant date. This vesting is not subject to any performance conditions. The options expire on the tenth anniversary of their grant date.

Total grants under the 2009 Plan during 2010 were 112,640 (2009: 182,927). During the years ended December 31, 2010 and 2009, there were no grants exercised, expired or forfeited. All options under the 2009 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 these awards has been calculated at the date of grant of the award. The fair value, adjusted for an estimate of the number of awards that will eventually vest, is expensed using a graded vesting methodology. The fair value of the options granted was calculated using a binomial expected life model. The assumptions used in the calculation are set out below.

As detailed below during 2009, total grants under the 2007 Plan were 439,833. The options granted in 2009 had special provisions, due to the fact that they were issued in lieu of salary. These options vested on December 31, 2009 as that was the end of the salary replacement period. During the year ended December 31, 2010, there were no grants exercised (2009: nil) and grants expired or forfeited were 143,750 (2009: 338,333). All options under the 2007 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 these awards has been calculated at the date of grant of the award. The fair value, adjusted for an estimate of the number of awards that will eventually vest, is expensed using a graded vesting methodology. The fair value of the options granted was calculated using a binomial expected life model. The assumptions used in the calculation are set out below.

During the year ended December 31, 2010, AMG, in conjunction with the AMG Option Plan, recorded compensation from equity-settled share-based payment transactions amounted to \$6,362 (2009: \$13,729) which is included in selling and administrative expenses and cost of goods sold in the income statement.

Movements

	2010		2009	
In thousands of options	Number of options (in 000s)	Weighted average exercise price (in €)	Number of options (in 000s)	Weighted average exercise price (in €)
Outstanding at January 1	2,573	23.24	2,288	27.65
Granted during the year	113	7.99	623	8.54
Forfeited or expired during the year	(144)	28.75	(338)	26.03
Exercised during the year	-	-	-	-
Outstanding at December 31	2,542	22.25	2,573	23.24
Exercisable at December 31	1,607	21.87	1,275	20.30

1,607,333 options were exercisable as of December 31, 2010. 1,274,833 options were exercisable as of December 31, 2009.

At December 31, 2010, the number of common shares subject to options outstanding and exercisable was as follows:

Price Range	Outstanding options	Weighted average exercise price	Weighted average remaining life	Exercisable options	Weighted average exercisable price
€7.99 to €9.84	735,400	8.46	8.64	439,833	8.00
€12.70 to €24.00	1,242,500	21.82	6.76	866,250	22.43
€29.45 to €40.50	503,750	38.85	3.18	271,250	38.25
€44.00 to €64.31	60,000	61.06	7.41	30,000	61.06

At December 31, 2009, the number of common shares subject to options outstanding and exercisable was as follows:

Price Range	Outstanding options	Weighted average exercise price	Weighted average remaining life	Exercisable options	Weighted average exercisable price
€8.00 to €9.84	622,760	8.54	9.51	439,833	8.00
€12.70 to €24.00	1,347,500	21.99	7.77	650,000	22.96
€29.45 to €40.50	530,000	38.93	8.42	157,500	37.95
€44.00 to €64.31	72,500	58.12	7.07	27,500	53.30

The maximum number of options that can be granted under the Plan is 10% of total shares outstanding up to a maximum of 50,000,000.

Assumptions

The following table lists the inputs into the binomial model used to calculate the fair value of the share-based payment options that were granted in 2010 and 2009 under the 2009 Plan:

	2010	2009
Exercise price	€7.99	€9.84
Share price at date of grant	€7.99	€9.84
Contractual life (years)	10	10
Dividend yield	nil	nil
Expected volatility	79.78%	79.12%
Risk-free interest rate	1.27%	1.71%
Expected life of option (years)	3-4	3-4
Weighted average share price	€7.57	€6.96
Expected departures	10%	4%

The following table lists the inputs into the binomial model used to calculate the fair value of the share-based payment options that were granted in 2009 under the 2007 Plan. No options were granted under the 2007 Plan in 2010.

	2009
Exercise price	€8.00
Share price at date of grant	€4.24
Contractual life (years)	10
Dividend yield	nil
Expected volatility	79.12%
Risk-free interest rate	1.33%
Expected life of option (years)	1
Weighted average share price	€6.96
Expected departures	4%

The expected volatility was calculated using the average historical share volatility of the Company's peers (over a period equal to the expected term of the options). The expected volatility reflects the assumption that the calculated volatility of the Company's peers would be indicative of future trends, which may not be the actual outcome. The expected life is the time at which options are expected to vest, however this also may not be indicative of exercise patterns that may occur. The 2007 Plan options

vest in four equal tranches on the first, second, third and fourth anniversaries of the grant date, and therefore continued employment is a non-market condition for options to vest. The 2009 Plan options vest 50% each on the third and fourth anniversary of the grant date. There are performance requirements for vesting of these options. The risk free rate of return is the yield on zero coupon three and five-year Dutch government bonds.

AMG's option expense is recorded in the share-based payment reserve (refer to note 21). The cumulative amount recorded in the share-based payment reserve in shareholders equity was \$41,741 as of December 31, 2010 (2009: \$36,176).

Cash-settled share-based payments

In May 2009, the Annual General Meeting approved a remuneration policy that utilizes cash-settled share-based payments as a part of compensation. In the year ended December 31, 2010, the Company issued 269,977 performance share units ("PSUs") to certain employees which are cash-settled. 505,574 PSUs were issued in the year ended December 31, 2009. Fair value is determined using the binomial method using the following assumptions:

	2010	2009
Contractual life (years)	2-3	1-3
Dividend yield (%)	nil	nil
Expected volatility (%)	36.10-88.41%	79.12%
Risk-free interest rate (%)	0.29-0.85%	0.85-1.65%
Expected life of option (years)	2-3	1-3
Expected departures (%)	10%	10%
The rollforward of the PSU liability is noted below:		
Balance as at December 31, 2009	3,639	
Expense recorded in year ended December 31, 2010	1,964	
Vesting and payments on first tranche 2009 grant	(1,810)	
Currency / other	(112)	
Balance as at December 31, 2010	3,681	

As of December 31, 2010, the fair value of the PSUs issued in 2009 was €8.0-€8.81, depending on the vesting term. The fair value of PSUs issued in 2010 was €7.28-€8.01, depending on the vesting term.

27. Provisions

	Environmental remediation	Restructuring	Warranty	Project costs	Partial retirement	Other	Total
Balance at January 1, 2009	13,860	3,589	9,291	4,307	1,211	2,928	35,186
Discontinued operations in opening (a)	(4,805)	(1,673)	–	–	–	–	(6,478)
Provisions made during the period	3,998	7,782	6,462	2,256	397	440	21,335
Provisions used during the period	(1,352)	(2,971)	(567)	(1,458)	(585)	(1,420)	(8,353)
Increase due to discounting	1,923	–	–	–	–	–	1,923
Currency and reversals	284	(1,611)	(1,529)	(1,541)	29	(1,297)	(5,665)
Balance at December 31, 2009	13,908	5,116	13,657	3,564	1,052	651	37,948
Balance at January 1, 2010	13,908	5,116	13,657	3,564	1,052	651	37,948
Provisions made during the period	6,421	423	5,869	4,022	1,421	283	18,439
Provisions used during the period	(664)	(3,950)	(1,421)	(1,238)	(1,745)	(337)	(9,355)
Decrease due to discounting	(671)	–	–	–	–	–	(671)
Currency, transfers and reversals	1,088	(283)	(5,902)	(1,425)	1,537	(65)	(5,050)
Balance at December 31, 2010	20,082	1,306	12,203	4,923	2,265	532	41,311
Non-current	13,641	401	–	–	522	298	14,862
Current	267	4,715	13,657	3,564	530	353	23,086
Balance at December 31, 2009	13,908	5,116	13,657	3,564	1,052	651	37,948
Non-current	18,415	693	–	–	1,288	211	20,607
Current	1,667	613	12,203	4,923	977	321	20,704
Balance at December 31, 2010	20,082	1,306	12,203	4,923	2,265	532	41,311

(a) See Note 6 for detail of discontinued operations.

Environmental remediation

The Company makes provisions for environmental cleanup requirements, largely resulting from historical solid and hazardous waste handling and disposal practices at its facilities. Environmental remediation provisions exist at the following sites and are discounted according to the timeline of expected payments:

Cambridge, OH USA

The largest issues at the Cambridge, Ohio site relate to a 1997 permanent injunction consent order (“PICO”) entered into with the State of Ohio and Cyprus Foote Mineral Company, the former owner of the site. While AMG’s US subsidiary and Cyprus Foote are jointly liable, the Company has agreed to perform and be liable for the remedial obligations. The site contains two on-site slag piles that are the result of many years of production. Under the PICO, these slag piles were required to be capped, thereby lowering the radioactive emissions from the piles.

Remediation plans were finalized with the State of Ohio during 2003 and the Company completed all work for this remediation in 2009. In addition to the capital spending required for the actual cap on the slag piles, the Company has reserved for ongoing operations and maintenance expenses (“O&M”) at the site. This O&M is required

to be provided for 1,000 years and is expected to cost \$44,700 on an undiscounted basis. Other environmental items requiring provision include: wetlands remediation, stormwater remediation and maintenance. These projects are expected to create cash outflows of \$695, on an undiscounted basis, and are expected to be completed within the next 15 years.

Newfield, NJ USA

Another one of the Company’s US subsidiaries has entered into administrative consent orders with the New Jersey Department of Environmental Protection (“NJDEP”) under which the US subsidiary must conduct remediation activities at the Newfield facility. Since the initial administrative consent order was signed in 1997, many of the obligations have been completed.

In January 2006, the US subsidiary entered into a fixed price remediation contract with TRC Companies Inc. (“TRC”), whereby TRC assumes primary responsibility for all non-radiological groundwater environmental remediation obligations at the Newfield facility, with certain exceptions for one contaminant, perchlorate. The initiation of this remediation contract also led to a new Administrative Consent Order (“ACO”) that was signed in February 2006. This ACO specifically designated TRC as the entity primarily responsible for the non-radiological contamination and also specifically cited the US subsidiary

as responsible for the clean-up associated with any perchlorate contamination. This agreement was approved by the NJDEP and received final approval by the US Environmental Protection Agency in March 2006. Under the terms of this agreement, payments totaling \$16,900 were made between 2006 and 2008 in order to complete the risk transfer to TRC.

Similar to the Cambridge, Ohio facility, Newfield also conducted operations that created a substantial slag pile with low-level radioactive materials. After the production that created this slag ceased, the Nuclear Regulatory Commission ("NRC") was notified and preparation of the decommissioning plan commenced. This plan has been through technical review with the NRC. The decommissioning plan is currently being re-worked to meet the NRC's expectations. Based on this plan, the costs to cap the slag pile are estimated to be \$7,263 and are expected to be paid over the next 3 to 5 years. In addition, operations and maintenance for the site will be required for 1000 years, estimated to cost \$49,700 on an undiscounted basis. During the year ended December 31, 2009, a revised decommissioning plan was submitted to address the review comments of the NRC. This revised decommissioning plan included revised estimates for both capping and O&M requirements. An additional provision of \$3,824 was recorded in the year ending December 31, 2009 to adjust for the latest decommissioning plan. Until the capping is completed, the US subsidiary is required to pay the NRC for its oversight costs. It is expected that the capping will take longer than previously anticipated and that the NRC will require changes to the currently submitted decommissioning plan. Since the NRC is paid on a time and materials basis, the expectation of these costs was increased and an additional provision of \$2,630 was recorded in the year ended December 31, 2010.

Remediation trust funds

The Company's US subsidiaries have established trust funds to accumulate funds for future environmental remediation payments. Amounts are paid out from the trust fund following completion and approval of rehabilitation work. The contributions to the trust funds were placed with investment banks which are responsible for making investments in equity and money market instruments. The trust funds are to be used according to the terms of the trust deed which require that these funds be used for the 1,000-year O&M at the sites. The assets are not available for general use. The trust funds are discounted and are shown within other non-current assets in the consolidated statement of financial position. The discounted values of the trust funds at December 31, 2010

are \$2,402 (2009: \$2,231). The undiscounted amounts in the trust funds as of December 31, 2010 are \$5,055 (2009: \$4,931).

Sao Joao del Rei, Brazil

In the year ended December 31, 2010, our Brazilian subsidiary recorded an expense of \$54 (2009: \$42) related to a decommissioning liability at its mine. The total provision amount of \$308 has been recorded after taking into effect the Brazilian laws that are in place related to decommissioning. The provision is based on the amount of ore removed from the mine and the expected cost to bring the mine back to government regulations in the case of a decommissioning.

In addition to the decommissioning liability at the mine, the aluminum plant facility has waste from its operations that have accumulated over time. Management is in negotiations with the Brazilian government on the best way to dispose of the waste material. During the year ended December 31, 2010, a provision of \$90 was recorded related to the waste disposal. The liability for removal of material as at December 31, 2010 was \$526.

Hauzenberg, Germany

A recultivation provision was recorded on GK's books as it relates to its graphite mine in Germany and was recorded at fair value as part of the purchase accounting performed for this acquisition in 2008. In 2010, German mining authorities met with management and developed a timeline for completion of the recultivation. Based on the meetings held, management's best estimate of the cost to complete the recultivation increased and an additional provision of \$3,146 was recorded. The value of this provision as of December 31, 2010 and 2009 was \$4,278 and \$2,267, respectively. Payments are not expected to occur on this provision until 2015.

Nuremburg, Germany

A provision for sewer rehabilitation in Germany has been recorded. Over time, damage to the sewer lines from the plant in Nuremburg has occurred. Management is working with German authorities in order to clean up the leakage from the sewer and repair the line to cease any future leakage. Expense in the amount of \$265 was recorded in the year ended December 31, 2010 related to this provision and the expected liability for continued work on the sewer rehabilitation project is \$896. Payments for this project are expected to be \$298 in 2011, \$338 in 2012, \$196 in 2013 and are expected to end in 2014 with payments of \$130.

Restructuring

As a result of the global economic downturn, AMG and its subsidiaries recorded restructuring costs of \$423 and \$7,782 in the years ended December 31, 2010 and 2009, respectively. Amounts paid related to current and previous years' restructurings were \$3,857. During 2009, \$6,634 of the costs related to severance due to the reduction of 155 people within the group. Additional amounts related to the termination of certain contracts.

Warranty

Engineering Systems offers certain warranties related to their furnace operations. These warranties are only provided on certain contracts and the provisions are made on a contract by contract basis. Each contractual warranty is expected to be utilized or derecognized within 12 months. The provisions for these warranties are based on the historical return percentages. There were \$5,723 of additional provisions during 2010 (2009: \$5,684) and payments of \$1,087 (2009: \$531).

Another German subsidiary provides for warranties for certain products. The provision is based on actual claims made by customers. There were \$146 of additional provisions during 2010 (2009: \$778) and payments of \$334 (2009: \$36).

Project costs

Engineering Systems builds a project cost provision on its percentage of completion contracts. The provision is developed on a contract by contract basis. The amounts 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. Provision of \$4,022 were recorded in 2010 related to projects that are currently in process while \$1,238 of provisions were used.

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 2010, there were additional provisions of \$1,421 (2009: \$397) and payments of \$1,745 (2009: \$585).

Other

Other is comprised of additional accruals including certain guarantees made to various customers.

28. Government grants

	Government grants
Balance at January 1, 2009	8,651
Provisions made during the period	619
Provisions used during the period	(8,402)
Currency and reversals	35
Balance at December 31, 2009	903
Balance at January 1, 2010	903
Provisions made during the period	199
Provisions used during the period	(216)
Currency and reversals	(69)
Balance at December 31, 2010	817
Non-current	669
Current	234
Balance at December 31, 2009	903
Non-current	642
Current	175
Balance at December 31, 2010	817

The Engineering Systems entered into a grant in 2007 related to its site in Berlin. The State of Berlin obligated that at least 70 permanent jobs be maintained at the site by the end of 2007 and an additional 80 by the end of 2008 maintaining these 150 permanent jobs until the end of 2009. There were 157 employees at the Berlin site as of December 31, 2009 which successfully completed the terms of the grant. Under government grant accounting, ALD established a provision for the personnel expenses which was reduced by the income from the government grant over the expected term that these expenses were incurred. The initial estimate of personnel expenses and revisions to those estimates led to income recognition of \$3,820 in the year ended December 31, 2009. As of December 31, 2009, the entire Berlin grant was utilized.

GK has government grant obligations related to retention of personnel and its capital investment in the state of Bavaria, Germany. According to the grants received, GK is expected to create or maintain a certain number of employees over the course of the grant. The liability for the grant is being reduced as money is spent on capital expansion. As of December 31, 2010, the current and non-current portions of the grants were \$175 and \$642, respectively. As of December 31, 2009, the current and non-current portions of the grants were \$234 and \$669, respectively.

29. Other liabilities

Other liabilities are comprised of the following:

	2010	2009
Accrued bonus	7,230	5,555
Accrued interest	3,617	3,361
Accrued professional fees	5,099	5,913
Accrued employee payroll expenses	3,604	4,690
Accrual for performance share units	3,681	3,639
Accruals for operational costs	2,511	2,632
Claims	1,540	3,261
Fiscal contingency	188	1,686
Other benefits and compensation	6,318	10,663
Taxes, other than income	6,543	2,780
Other miscellaneous liabilities	8,473	9,983
Total	48,804	54,163
Thereof:		
Current	43,287	46,179
Non-current	5,517	7,984

30. Trade and other payables

	2010	2009
Trade payables	92,520	58,468
Trade payables – percentage of completion	9,733	11,323
Total	102,253	69,791

The Company has limited exposure to payables denominated in currencies other than the functional currency, and where significant exposure exists enters into appropriate foreign exchange contracts.

- Trade payables are generally non-interest bearing and are normally settled on 30 or 60 day terms with the exception of payables related to percentage of completion contracts that settle between one month and twelve months.
- Other payables are non-interest bearing and have an average term of six months
- Interest payable is normally settled quarterly or semi-annually throughout the financial year
- For terms and conditions relating to related parties, refer to note 36

31. Financial risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, are comprised of loans and borrowings, short term bank debt and trade payables. The main purpose of these financial instruments is to provide capital for the Company's operations, including funding working capital, capital maintenance and expansion. The Company has various financial assets such as trade and other receivables and (restricted) cash, which arise directly from its operations.

The Company enters into derivative financial instruments, primarily interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The purpose of these instruments is to manage interest rate, currency and commodity price risks. The Company does not enter into any contracts for speculative purposes.

The Supervisory Board has overall responsibility for the establishment of the Company's risk management framework while the Management Board is responsible for oversight and compliance within this framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The main risks arising from the Company's financial instruments are: credit, liquidity and market.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's exposure to credit risk with respect to trade and other receivables is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. No single customer accounts for more than 10% of the Company's revenue and geographically, there are no concentrations of credit risk. The Company trades only with creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures which ensure their creditworthiness. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to impairment losses is not significant. Collateral is generally not required for trade receivables, although the Company's percentage of completion contracts do often require advance payments.

The Company's maximum exposure is the carrying amount as discussed in note 17.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and certain derivative instruments, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of the instruments. The Company's Treasury function monitors the location of cash and cash equivalents and the counterparties to hedges and monitors the strength of those banks. Bank strength is presented to the Supervisory Board at least annually. This review is set to minimize the concentration of risks and therefore mitigate potential financial loss through counterparty failure.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2010 based on contractual undiscounted payments. The financial derivatives obligations are presented on a net basis for balances in a net obligation position for the respective period.

2010	Contractual cash flows	< 3 months	3-12 months	2012	2013	2014	2015	> 2016
Term loan/revolver	163,100	–	–	163,100	–	–	–	–
Cash interest on term loan	13,160	470	7,427	5,263	–	–	–	–
Fixed rate loans and borrowings	31,229	477	3,404	17,140	3,239	1,761	1,085	4,123
Floating rate loans and borrowings	2,997	–	–	2,997	–	–	–	–
Cash interest on loans and borrowings	4,537	443	1,415	1,195	409	301	227	547
Financial derivatives	1,945	–	–	847	639	249	150	60
Financial lease liabilities	1,815	114	365	466	438	357	75	–
Trade and other payables	102,253	87,234	15,019	–	–	–	–	–
Short term bank debt	42,025	20,620	21,405	–	–	–	–	–
Other	36,560	16,553	12,347	3,067	1,742	1,415	1,429	7
Total	399,621	125,911	61,382	194,075	6,467	4,083	2,966	4,737

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2009 based on contractual undiscounted payments.

2009	Contractual cash flows	< 3 months	3-12 months	2011	2012	2013	2014	> 2014
Term loan/revolver	140,769	–	–	–	140,769	–	–	–
Cash interest on term loan	8,697	305	915	4,401	3,076	–	–	–
Fixed rate loans and borrowings	37,137	638	2,740	4,184	18,527	3,493	1,894	5,661
Cash interest on loans and borrowings	10,248	861	2,459	3,093	2,188	456	326	865
Financial derivatives	8,812	(92)	5,820	1,144	952	636	166	186
Financial lease liabilities	104	65	24	15	–	–	–	–
Trade and other payables	69,791	56,521	13,270	–	–	–	–	–
Short term bank debt	32,013	20,373	11,640	–	–	–	–	–
Other	46,161	22,534	11,487	3,375	2,805	2,302	2,041	1,617
Total	353,732	101,205	48,355	16,212	168,317	6,887	4,427	8,329

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors cash flows at varying levels. At the Company level, this monitoring is done on a weekly basis. However, at certain subsidiaries, this type of monitoring is done daily. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of eight weeks, including the servicing of financial obligations. In addition, the Company maintains the following lines of credit:

- \$175,000 revolving credit facility with a syndicate of banks that is secured by the assets of the material subsidiaries of the Company. Interest is payable at a base rate plus a spread based on a coverage ratio.

Interest on financial instruments classified as floating rate is generally repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The financial instruments of the Company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The difference between the contractual cash flows and the carrying amount of the term loan noted above is attributable to issuance costs in the amount of \$3,640 and \$5,934 as of December 31, 2010 and 2009, respectively, which are offset against the carrying amount of the debt.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate, foreign currency, and commodity price risk. Financial instruments affected by market risk include loans and borrowings and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at December 31, 2010 and 2009.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at December 31, 2010.

The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2010 and 2009 including the effect of hedge accounting

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. The Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Company's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not exposed to interest rate risk.

The Company's current policy is to maintain approximately 60% of its borrowings as fixed rate borrowings. The Company either enters into fixed rate debt or strives to limit the variability of certain floating rate instruments through the use of interest rate caps or interest rate swaps. These are designed to hedge underlying debt obligations. At December 31, 2010, after taking into account the effect of interest rate swaps, approximately 57% of the Company's borrowings are at a fixed rate of interest (2009: 71%).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates adjusting for multiple interest rate swaps effective as at December 31, 2010 and 2009, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). Changes in sensitivity rates reflect various changes in the economy year-over-year. There is no impact on the Company's equity.

	Increase/ decrease in basis points	Effect on profit before tax
2010		
USD ***		(137)
Euro	+10	(11)
USD ***		85
Euro	-10	11

	Increase/ decrease in basis points	Effect on profit before tax
2009		
USD ***		(87)
Euro	+10	(8)
USD ***		50
Euro	-10	8

*** Historic volatility on certain USD short term debt varies across a wide range from +100 basis points to - 25 basis points. Sensitivities are calculated on the actual volatility for each debt instrument.

See note 23 for loans and borrowings explanations.

At December 31, 2010, the Company's interest rate swaps had a fair value of (\$1,092) (2009: (\$4,780)). Per the agreements, the Company pays a fixed rate and receives a floating rate based on the six month, three month or one month USD EURIBOR. The following table demonstrates the sensitivity to a reasonably possible change in interest rates using the EURIBOR swap curve with all other variables held constant, of the Company's equity and profit before tax. There is an impact in the income statement for one ineffective interest rate swap in the years ended December 31, 2010 and 2009. Changes in sensitivity rates reflect various changes in the economy year-over-year.

	Increase/ decrease in basis points	Effect on equity	Effect on profit before tax
2010			
USD	+5	112	6
USD	-10	(158)	(9)

	Increase/ decrease in basis points	Effect on equity	Effect on profit before tax
2009			
USD	+5	(79)	9
USD	-10	(312)	(17)

Foreign currency risk

Foreign currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. Many of the Company's subsidiaries are located outside the US. Individual subsidiaries execute their operating activities in their respective functional currencies which are primarily comprised of the US Dollar and Euro. Since the financial reporting currency of the Company is US Dollar, the financial statements of those non US Dollar operating subsidiaries are translated so that the financial results can be presented in the Company's consolidated financial statements.

Each subsidiary conducting business with third parties that leads to future cash flows denominated in a currency other than its functional currency is exposed to the risk from changes in foreign exchange rates. It is the Company's policy to use forward currency contracts to minimize the currency exposures on net cash flows. For certain subsidiaries, this includes managing balance sheet positions in addition to forecast and committed transactions. For these contracts, maturity dates are established at the end of each month matching the net cash flows expected for that month. Another subsidiary hedges all sales transactions in excess of a certain threshold. For this subsidiary, the contracts mature at the anticipated cash requirement date. Most forward exchange contracts mature within twelve months and are predominantly denominated in US Dollars, British Pound Sterling, Brazilian Reals and Euros. When established, the forward currency contract must be in the same currency as the hedged item. It is the Company's policy to negotiate the terms of the hedge derivatives to closely match the terms of the hedged item to maximise hedge effectiveness. The Company seeks to mitigate this risk by hedging at least 70% of transactions that occur in a currency other than the functional currency.

In respect of monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances.

The Company deems its primary currency exposures to be in US Dollars and Euros. The following table demonstrates the sensitivity to a reasonably possible change in the two functional currencies of the Company: US Dollar and Euro exchange rates with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Company's equity (due to changes in the fair value of forward exchange contracts). Changes in sensitivity rates reflect various changes in the economy year-over-year.

	Strengthening/ weakening in functional rate	Effect on profit before tax	Effect on equity before tax
2010			
US Dollar	+5%	(825)	93
Euro	+5%	(296)	(214)
US Dollar	-5%	825	(93)
Euro	-5%	296	214

	Strengthening/ weakening in functional rate	Effect on profit before tax	Effect on equity before tax
2009			
US Dollar	+5%	(227)	515
Euro	+5%	(182)	(80)
US Dollar	-5%	227	(515)
Euro	-5%	182	80

Commodity price risk

Commodity price risk is the risk that certain raw materials prices will increase and negatively impact the gross margins and operating results of the Company. The Company is exposed to volatility in the prices of raw materials used in some products and uses forward contracts to manage these exposures. For certain metals, the Company aims to maintain a greater than 50% hedged position in order to avoid undue volatility in the sales prices and purchase costs attained in the normal course of business. Commodity forward contracts are generally settled within twelve months of the reporting date. Changes in sensitivity rates reflect various changes in the economy year-over-year.

	Change in price	Effect on profit before tax	Effect on equity before tax
2010			
Aluminum	+5%	424	68
Nickel	+5%	12	-
Copper	+5%	7	-
Aluminum	-10%	(849)	(136)
Nickel	-10%	(25)	-
Copper	-10%	(14)	-

	Change in price	Effect on profit before tax	Effect on equity before tax
2009			
Aluminum	+5%	218	60
Nickel	+5%	(19)	-
Copper	+5%	(5)	22
Aluminum	-10%	(436)	(121)
Nickel	-10%	38	-
Copper	-10%	11	(45)

Capital Management

The primary objective of the Company is to maintain strong capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of economic conditions. Its policy is to ensure that the debt levels are manageable to

the Company and that they are not increasing at a level that is in excess of the increases that occur within equity. During the planning process, the expected cash flows of the Company are evaluated and the debt to equity and debt to total capital ratios are evaluated in order to ensure that levels are improving year-over-year. Debt to total capital is a more appropriate measure for the Company due to its initial equity values of the subsidiaries from the combination in 2007. Management deems total capital to include all debt (including short term and long term) as well as the total of the equity of the Company, including non-controlling interests.

The Company's policy is to try to maintain this ratio below 50%. The ratio is slightly above the policy level for the year-ended December 31, 2010 however, management is focused on cash management and intends to bring the ratio back into policy compliance.

	2010	2009
Loans and borrowings	192,067	171,783
Short term bank debt	45,022	32,013
Trade and other payables	102,253	69,791
Less cash and cash equivalents	89,311	117,016
Net debt	250,031	156,571
Net debt	250,031	156,571
Total equity	233,965	228,423
Total capital	483,996	384,994
Debt to total capital ratio	0.52	0.41

32. Financial instruments

Fair values

Set out below is a comparison by category of the carrying amounts and fair values of all of the Company's financial instruments that are presented in the financial statements:

	Note	2010		2009	
		Carrying amount	Fair value	Carrying amount	Fair value
Current financial assets					
Derivatives in effective hedges	32	5,390	5,390	4,403	4,403
Financial assets at fair value through profit or loss	32	341	341	551	551
Investments in equity securities	15	887	887	970	970
Trade and other receivables	17	175,421	175,421	147,787	147,787
Cash and cash equivalents	20	89,311	89,311	117,016	117,016
Total		271,350	271,350	270,727	270,727
Non-current financial assets					
Embedded derivative	32	5,113	5,113	1,718	1,718
Derivatives in effective hedges	32	86	86	-	-
Notes receivable	32	322	322	5,542	5,542
Restricted cash	19	12,528	12,528	13,263	13,263
Total		18,049	18,049	20,523	20,523
Current financial liabilities					
Derivatives in effective hedges	32	839	839	4,683	4,683
Financial current liabilities at fair value through profit or loss	32	915	915	1,365	1,365
Fixed rate loans and borrowings	23	4,254	4,254	3,464	3,464
Short term bank debt	24	45,022	45,022	32,013	32,013
Trade and other payables	30	102,253	102,253	69,791	69,791
Total		153,283	153,283	111,316	111,316
Non-current financial liabilities					
Derivatives in effective hedges	32	698	698	965	965
Financial non-current liabilities at fair value through profit or loss	32	-	-	374	374
Fixed rate loans and borrowings	23	122,240	118,681	129,496	127,632
Floating rate loans and borrowings	23	65,573	65,573	38,823	38,823
Total		188,511	184,952	169,658	167,794

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

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

- Floating rate loans and borrowings and notes receivable maintain a floating interest rate and therefore approximate fair value.
- The fair value of fixed rate loans and borrowings are estimated by discounting future cash flows using rates currently available for debt.
- The fair value of embedded derivatives is estimated using an option pricing model. The embedded derivative represents a conversion feature in a note from an associate. See note 36 for details.

The Company made a strategic investment in a growth-based company in Iceland in 2008. This investment cannot be reliably measured at fair value and are therefore accounted for using a cost basis. At December 31, 2010, this investment was \$887 (2009: \$970) and is included in other non-current assets in the statement of financial position.

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 December 31, 2010, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	December 31, 2010	Level 1	Level 2	Level 3
Financial assets				
Forward contracts – hedged	5,642	–	5,642	–
Forward contracts – non-hedged	175	–	175	–
Embedded derivative	5,113	–	5,113	–

Liabilities measured at fair value

	December 31, 2010	Level 1	Level 2	Level 3
Financial liabilities				
Forward contracts – hedged	941	–	941	–
Forward contracts – non-hedged	419	–	419	–
Interest rate swaps	1,092	–	1,092	–

As of December 31, 2009, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	December 31, 2009	Level 1	Level 2	Level 3
Financial assets				
Forward contracts – hedged	4,403	–	4,403	–
Forward contracts – non-hedged	551	–	551	–
Embedded derivative	1,718	–	1,718	–

Liabilities measured at fair value

	December 31, 2009	Level 1	Level 2	Level 3
Financial assets				
Forward contracts – hedged	1,242	–	1,242	–
Forward contracts – non-hedged	1,365	–	1,365	–
Embedded derivative	4,780	–	4,780	–

During the years ended December 31, 2010 and 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Hedging activities

Interest rate hedges

In October 2010, the Company entered into an interest rate hedge agreement for the entire drawdown of the term loan which was €71,003 (see note 23). This interest rate swap was executed as a replacement to the expiring contract so that the Company could continue to hedge its exposure to changes in the benchmark interest rate on the term loan. This swap agreement provides for a fixed annual interest rate of 1.416% (exclusive of the margin) paid semi-annually by AMG and a semi-annual payment by the counterparty of EURIBOR expiring in 2010. Management has designated the interest rate swap as a cash flow hedge of the forecasted interest payments on the debt. At December 31, 2010, the fair value of the interest rate swap was (\$74). This compares to the fair value of the interest rate swap which expired in 2010 which had a fair value at December 31, 2009 of (\$3,441). The interest rate swap expires upon maturity of the term loan which is in August 2012.

GK entered into five interest rate hedges for a variety of floating rate debt instruments to minimize interest rate risk. The swap agreements provide for fixed interest rates paid either monthly or quarterly by the Company and a payment made by the counterparty of EURIBOR. The contracts expire between 2011 and 2017 depending on each contract's underlying debt maturity. Management has designated the interest rate swaps as cash flow hedges of the forecasted interest payments on each respective debt. At December 31, 2010, the fair value of the various interest rate swaps was (\$1,018) (2009: (\$1,339)).

There is one ineffective interest rate swap contract as at December 31, 2010 and 2009. Therefore, all amounts related to this contract are directly recognized in the income statement. The amount from effective interest rate swap cash flow hedges included in equity is (\$566) and (\$3,083) in the years ended December 31, 2010 and 2009, respectively. During the years ended December 31, 2010 and 2009, \$1,365 and \$1,672, respectively, were transferred from equity to the income statement as increases to interest expense.

Commodity forward contracts

The Company is exposed to volatility in the prices of raw materials used in some products and uses commodity forward contracts to manage these exposures. Such contracts generally mature within twelve months. Commodity forward contracts have been designated as cash flow hedges.

The open commodity forward contracts as at December 31, 2010 are as follows:

US Dollar denominated contracts to purchase commodities:	Metric tons	Average price	Fair value
Aluminum forwards	4,625	2,325	634
US Dollar denominated contracts to sell commodities:	Metric tons	Average price	Fair value
Aluminum forwards	1,075	2,351	(121)

The open commodity forward contracts as at December 31, 2009 are as follows:

US Dollar denominated contracts to purchase commodities:	Metric tons	Average price	Fair value
Aluminum forwards	4,050	1,904	1,327
Copper forwards	125	6,106	160
US Dollar denominated contracts to sell commodities:	Metric tons	Average price	Fair value
Aluminum forwards	925	2,108	43
Copper	25	6,982	12

Due to the economic recession, there were less purchases and sales of commodities at the beginning of 2009 than originally planned. Therefore, some contracts no longer received hedge accounting treatment. The amount of ineffectiveness recognized in profit or loss that arose from the commodity cash flow hedges in the year ended December 31, 2009 was an increase of \$453 to cost of sales. There was no ineffectiveness during the year ended December 31, 2010. The amount from the commodity cash flow hedges included in equity was \$519 and \$1,432 in the years ended December 31, 2010 and 2009, respectively. During the years ended December 31, 2010 and 2009, (\$612) and \$2,072, respectively, were transferred from equity to the income statement as (decreases) increases to cost of sales.

Foreign currency forward contracts

At any point in time, the Company also uses foreign exchange forward contracts to hedge a portion of its estimated foreign currency exposure in respect of forecasted sales and purchases, and intergroup loans that will be repaid in different functional currencies. These contracts are negotiated to match the terms of the commitments and generally mature within one year. When necessary, these contracts are rolled over at maturity. Some foreign exchange forward contracts have been designated as cash flow hedges, while other contracts, although part of the risk management strategy, have not met the documentation requirements for hedge accounting and are therefore treated as economic hedges.

The open foreign exchange forward sales contracts as at December 31, 2010 are as follows:

Exposure	Notional amount	Contract rate	Fair value assets	Fair value liabilities
Cash Flow Hedges				
Euro (versus USD)	€20.3 million	1.365	573	(206)
USD (versus Euro)	\$45.2 million	1.324	653	(143)
PLZ (versus USD)	Zł 9.0 million	4.042	7	(1)
MXN (versus USD)	MXN123.2 million	16.961	121	(155)
Economic Hedges				
USD (versus Euro)	\$0.8 million	1.331	8	-
CAD (versus USD)	CAD3.6 million	0.981	-	(57)
Euro (versus USD)	€21.0 million	1.344	164	(361)

The open foreign exchange forward sales contracts as at December 31, 2009 are as follows:

Exposure	Notional amount	Contract rate	Fair value assets	Fair value liabilities
Cash Flow Hedges				
Euro (versus USD)	€17.9 million	1.438	272	(162)
USD (versus Euro)	\$22.0 million	1.445	515	(179)
GBP (versus USD)	£1.5 million	1.663	102	-
Economic Hedges				
USD (versus Euro)	\$3.4 million	1.447	-	(27)
CAD (versus USD)	CAD 3.6 million	0.928	-	(93)
Euro (versus USD)	€19.1 million	1.420	527	(829)

The open foreign exchange forward purchase contracts as at December 31, 2010 are as follows:

Exposure	Notional amount	Contract rate	Fair value assets	Fair value liabilities
Cash Flow Hedges				
USD (versus Euro)	\$4.9 million	1.366	155	(12)
GBP (versus USD)	£13.3 million	1.499	862	(303)
BRL (versus USD)	R\$57.0 million	1.905	2,637	-
Economic Hedges				
USD (versus Euro)	\$0.6 million	1.314	3	(1)

The open foreign exchange forward purchase contracts as at December 31, 2009 are as follows:

Exposure	Notional amount	Contract rate	Fair value assets	Fair value liabilities
Cash Flow Hedges				
USD (versus Euro)	\$4.1 million	1.502	165	-
GBP (versus USD)	£16.8 million	1.646	-	(845)
BRL (versus USD)	R\$39.4 million	1.965	1,863	-
Euro (versus USD)	€110.6 million	1.471	18	(408)
Economic Hedges				
USD (versus Euro)	\$1.9 million	1.447	6	(9)

Due to the economic recession, some contracts were ineffective and no longer received hedge accounting treatment. The amount of ineffectiveness recognized in profit or loss that arose from the foreign currency cash flow hedges in the year ended December 31, 2009 was an increase of \$410 to cost of sales. There was no ineffectiveness recognized in profit or loss as of

December 31, 2010. The amounts from the foreign currency cash flow hedges included in equity were \$2,608 and \$2,375 in the years ended December 31, 2010 and 2009, respectively. During the years ended December 31, 2010 and 2009, \$2,143 and \$6,211, respectively, were transferred from equity to the income statement as increases to cost of sales.

Notes receivable

On December 11, 2009, the Company loaned \$5,000 to Timminco's wholly-owned subsidiary, Bécancour Silicon Inc. ("Bécancour"), in exchange for a convertible promissory note ("Initial Convertible Note"). On December 15, 2010, the Company amended the terms of the loan, through an amended convertible promissory note ("Amended Convertible Note"). As the amendments to the debt agreement were considered substantial, the transaction was accounted for as an extinguishment of the Initial Convertible Note and issuance of new debt in accordance with IAS 39. The Initial Convertible Note had an annual interest rate of 12%, payable quarterly in arrears starting December 31, 2009 and maturing on January 3, 2011. The Amended Convertible Note bears interest at 14%, payable quarterly in arrears starting December 31, 2010 and matures on January 3, 2014. The full principal amount is convertible into common shares of Timminco at the conversion price, at AMG's option at any time, subject to customary anti-dilution adjustments. The conversion price was amended from C\$1.58 per share under the Initial Convertible Note to a conversion price of C\$0.26 per share under the Amended Convertible Note.

Both the Initial and Amended Convertible notes were accounted for as hybrid instruments with the note and the equity option being valued separately. The value of the Amended Convertible Note was \$71 as of December 31, 2010. The value of the Initial Convertible Note was \$3,095 as of December 31, 2009. The value of the equity option on the Amended Convertible Note was \$5,113 as of December 31, 2010. The value of the equity option on the Initial Convertible Note was \$1,718 as of December 31, 2009. The Company recorded finance income of \$371 during the year ended December 31, 2010 as a result of a gain recognized on the amendment. The Company also recorded finance income of \$100 for an amendment fee charged in conjunction with the amendment. Interest income from the convertible notes was \$600 the year ended December 31, 2010. Interest income from the Initial Convertible Note was \$32 the year ended December 31, 2009. All interest for 2010 was paid as of December 31, 2010. Interest receivable related to the Initial Convertible Note was \$34 as of December 31, 2009.

On July 22, 2008, the Company loaned \$5,000 to Millinet Solar Co., Ltd., a Korean manufacturer of solar silicon. The note was issued with a maturity date of July 22, 2010 and carried interest at a rate of 5% if Millinet went public and 10% if Millinet did not go public. The principal balance was not repaid on July 22, 2010 and the Company entered into default negotiations. The final amendment agreement was signed on March 10, 2011. According to the agreement, Millinet agrees to repay all amounts, including

default interest and penalties, by February 21, 2012.

As of December 31, 2010, the Company shows interest receivable \$1,000 and the note receivable of \$5,000.

In addition to the amendment agreement, a guarantee agreement was signed by Millinet Co, Ltd. (Millinet Solar's parent company) and its managing director. The Company believes book value approximates fair value due to the short duration and recent negotiations.

33. Leases

Operating leases as lessee

The Company has entered into leases for office space, facilities and equipment. The leases generally provide that the Company pays the tax, insurance and maintenance expenses related to the leased assets. These leases have an average life of 5-7 years with renewal terms at the option of the lessee and lease payments based on market prices at the time of renewal. There are no restrictions placed upon the lessee by entering into these leases.

The Company also holds a hereditary land building right at its Berlin location. This building right requires lease payments to be made annually and does not expire until 2038.

Future minimum lease payments under non-cancelable operating leases as at December 31 are as follows:

	2010	2009
Less than one year	7,121	8,133
Between one and five years	19,739	24,389
More than five years	8,606	9,742
Total	35,466	42,264

During the year ended December 31, 2010 \$7,942 was recognized as an expense in the income statement in respect of operating leases (2009: \$9,069).

Finance leases as lessee

Certain subsidiaries of the Company have finance leases for equipment and software. These non-cancelable leases have remaining terms between one and five years. Future minimum lease payments under finance leases are as follows:

	2010	2009
Less than one year	479	88
Between one and five years	1,336	16
Total minimum lease payments	1,815	104
Less amounts representing finance charges	(289)	(6)
Present value of minimum lease payments	1,526	98

34. Capital commitments

The Company's capital expenditures include projects to improve the Company's operations and productivity, replacement projects and ongoing environmental

requirements (which are in addition to expenditures discussed in note 27). As of December 31, 2010, the Company had committed to capital requirements in the amount of \$6,269 (2009: \$17,769).

35. Contingencies

Guarantees

The following table outlines the Company's off-balance sheet credit-related guarantees and business-related guarantees for the benefit of third parties as of December 31, 2010 and 2009:

	Business-related guarantees	Credit-related guarantees	Letters of credit	Total
2010				
Total amounts committed:	63,563	254	5,080	68,897
Less than 1 year	41,209	254	303	41,766
2-5 years	5,170	-	-	5,170
After 5 years	17,184	-	4,777	21,961
2009				
Total amounts committed:	49,735	552	5,215	55,502
Less than 1 year	19,966	552	438	20,956
2-5 years	15,377	-	-	15,377
After 5 years	14,392	-	4,777	19,169

In the normal course of business, the Company has provided indemnifications in various commercial agreements which may require payment by the Company for breach of contractual terms of the agreement. Counterparties to these agreements provide the Company with comparable indemnifications. The indemnification period generally covers, at maximum, the period of the applicable agreement plus the applicable limitations period under law. The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote.

As discussed in note 28, the Engineering Systems Division had an obligation for personnel expenses relating to its investment site in Berlin. The State of Berlin required that at least 70 permanent jobs be maintained at the site by the end of 2007 and an additional 80 by the end of 2008 with 150 of these permanent jobs being maintained until the end of 2009. In the event of a breach of this contract, the Company would be required to pay a penalty of €50,000 multiplied by the number of jobs less than 150 at the site at that time. There were 157 employees at the Berlin site as of December 31, 2009 and therefore, the obligation has been fulfilled and the contingency has been effectively eliminated.

The Company has agreed to indemnify its current and former directors and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counter parties. The Company has \$75,000 in directors' and officers' liability insurance coverage.

Environmental

As discussed in note 27, a US subsidiary of the Company entered into a fixed price remediation contract with an environmental consultant, whereby that consultant became primarily responsible for certain aspects of the environmental remediation. This subsidiary of the Company is still a secondary obligor for this remediation, in the event that the consultant does not perform.

The Company has other contingent liabilities related to certain environmental regulations at certain locations. A UK subsidiary may be subject to certain regulations on accidents and hazardous substances with which the site does not currently comply. These regulations could impose compliance costs over a five-year period in the range of \$500-\$2,000. Environmental regulations in France

require monitoring of wastewater and potential clean-up to be performed at one of the French subsidiary's plant sites in Chauny. Although the extent of these issues is not yet known, there is a possibility that the Company could incur remediation costs approximating \$1,000. At a US subsidiary, a provision has been recorded for the low-level radioactive slag pile (see note 27) which assumes that the Company will be able to remediate the pile using a long-term control license. In 2009, the governing party responsible for this site changed and the new governing party determined that this remediation is not satisfactory and is requesting the Company to remediate using a second alternative. The second alternative is an offsite disposal alternative which could potentially cost up to \$70,000. The Company challenged this decision and the court agreed with the Company that the new governing party did not have the ability to change the plan which has previous approval. Although the second alternative is still possible, it is a more remote possibility given the ruling by the court. In 2010, a US subsidiary was named as a potentially responsible party in the Macalloy Superfund site in South Carolina. The total claim for the site is \$1,200 but it is unclear how many potentially responsible parties ("PRPs") will be identified. Currently, the Company is aware of three PRPs but additional PRPs are expected to be identified. Based on the claim and the known number of viable PRPs, the maximum exposure for this case is \$400. The Company has not recorded a liability at December 31, 2010 due to the limited information provided by the environmental authorities and several mitigating factors identified in the case.

Litigation

In addition to the environmental matters, which are discussed above and in note 27, the Company and its subsidiaries defend, from time to time, various claims and legal actions arising in the normal course of business. Management believes, based on the advice of counsel, that the outcome of such matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. There can be no assurance, however, that existing or future litigation will not result in an adverse judgment against the Company that could have a material adverse effect on the future results of operations or cash flows.

Contingencies of associates and joint ventures

Timminco and certain of its directors and officers, as well as certain third parties, have been named as defendants in a potential class action lawsuit filed in the Ontario Superior Court of Justice on May 14, 2009. This lawsuit was commenced by the plaintiff Ravinder Kumar Sharma on behalf of shareholders who acquired Timminco's common shares between March 17, 2008 and November 11, 2008 and claims damages exceeding \$540 million. The plaintiff alleges that Timminco and others made certain misrepresentations about the Company's solar grade silicon production process.

There has been no provision made for these matters in Timminco's accounts as of December 31, 2010. AMG and Timminco each have insurance policies which will provide for reimbursement of costs and expenses incurred in connection with the lawsuit, including legal and professional fees, as well as damages awarded, if any, subject to certain policy limits and deductibles. Timminco intends to vigorously defend these allegations and the plaintiff's attempt to get court approval to proceed. However, no assurance can be given with respect to the ultimate outcome of the proceedings, and the amount of any damages awarded in such lawsuits could be substantial.

Silmag DA is currently in the process of determining whether it will owe any value added tax in Norway. The Company received a start-up company exemption, but the exemption may expire if the venture fails. This is currently still under investigation, but the Company's share of this potential liability could approximate \$2,016.

36. Related parties

Transactions with key management personnel

Key management personnel compensation

As at December 31, 2010 and 2009, Dr. Schimmelbusch is the Chief Executive Officer for the Company, and in his position receives salary, benefits and perquisites from the Company.

Mr. Spector left the employ of the Company on September 30, 2009.

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf.

The compensation of the management board of the Company comprised:

For the year ended December 31, 2010	Salaries and bonus	Option compensation	Performance share units	Post- employment benefits including contributions to defined contribution plans	Other remuneration (b)	Total
Dr. Heinz Schimmelbusch (a)	2,461	1,081	854	314	87	4,797
Eric Jackson	1,250	398	256	973	49	2,926
Dr. Reinhard Walter	1,222	398	256	358	17	2,251
William J. Levy	973	340	171	644	23	2,151
Total	5,906	2,217	1,537	2,289	176	12,125

For the year ended December 31, 2009	Salaries and bonus	Option compensation	Performance share units	Post- employment benefits including contributions to defined contribution plans	Other remuneration (b)	Total
Dr. Heinz Schimmelbusch (a)	1,293	2,004	1,056	561	44	4,958
Arthur Spector	730	259	–	611	–	1,600
Eric Jackson	676	862	317	178	31	2,064
Dr. Reinhard Walter	699	880	317	43	23	1,962
William J. Levy	527	755	211	33	33	1,559
Total	3,925	4,760	1,901	1,426	131	12,143

(a) Dr. Schimmelbusch also received compensation in 2010 and 2009 from Graphit Kropfmühl in his capacity as Supervisory Board member in the amount of \$40 and \$50, respectively.

(b) Other remuneration also includes car expenses, country club dues and additional insurance paid for by the Company.

Each member of the management board has an employment contract with the Company which provides for severance in the event of termination without cause. The maximum severance payout is limited to two years base salary and two years of target annual bonus.

During the year ended December 31, 2009, the Deputy Chairman of the Company, Mr. Spector left the employ of the Company. As compensation, Mr. Spector's separation agreement requires the following payments:

- From the US subsidiary, payments totaling \$1,400 in the year ended December 31, 2010
- From the Dutch company, payments totaling €0.6 million starting in 2010 and ending in 2011
- Initiation of supplemental executive retirement plan from the US subsidiary in the amount of \$500 per annum beginning in November 2010

The compensation of the Supervisory Board of the Company comprised:

For the year ended December 31, 2010	Cash remuneration	Share-based remuneration	Total compensation
Pedro Pablo Kuczynski	95	66	161
Jack Messman	90	45	135
General Wesley Clark	60	40	100
Norbert Quinkert	80	40	120
Guy de Selliers	80	40	120
Dr. Martin Hoyos	60	40	100
Total	465	271	736

For the year ended December 31, 2009	Cash remuneration	Share-based remuneration	Total compensation
Pedro Pablo Kuczynski	95	69	164
Jack Messman	90	47	137
General Wesley Clark	60	42	102
Norbert Quinkert	80	42	122
Guy de Selliers	80	42	122
Dr. Martin Hoyos	34	23	57
Total	439	265	704

Total compensation for key management, including both the Management Board and the Supervisory Board was \$12,861 in the year ended December 31, 2010 (2009: \$12,847).

Entities with significant influence over the Company

Safeguard International Fund ("SIF" or "Safeguard") previously owned approximately 26.6% of the voting shares of the Company. During the year ended December 31, 2010, all shares were distributed by Safeguard to its members and therefore SIF's ownership percentage is now nil. One current and one former member of the management board of the Company are also managing directors of Safeguard and receive compensation for their role as managing directors. The relatives of Directors hold only a de minimus portion of the voting shares.

A number of key management personnel, or their related parties, hold positions in other group entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel and their related parties on an arm's length basis.

Foundation

In July 2010, the foundation "Stichting Continuïteit AMG" ("Foundation") was established following the resolution

adopted at its Annual Meeting on May 12, 2010. The board of the Foundation consists of three members, all of whom are independent of AMG. The purpose of the Foundation is to safeguard the interests of the parent company, the enterprise connected therewith and all the parties having an interest therein and to exclude as much as possible influences which could threaten, amongst other things, the continuity, independence and identity of the parent company contrary to such interests.

By agreement on December 22, 2010 between the parent company and the Foundation, the Foundation has been granted a call option pursuant to which it may purchase a number of preference shares up to a maximum of the number of ordinary shares issued and outstanding with third parties at the time of exercise of the option. The agreement cannot be terminated by the Company as long as the Company has not canceled or repurchased preference shares acquired by the Foundation.

The Company entered into a cost compensation agreement with the Foundation dated December 22, 2010. As per the agreement, the Company is required to provide funds to the Foundation for the costs incurred in connection with the fulfilment of the objectives of the Foundation. These costs include costs for establishing the Foundation, remuneration and out of pocket expenses for the members of the board of the Foundation, commitment fees, advisory fees and certain other costs. Through December 31, 2010, the amounts paid by the Company on behalf of the Foundation were \$29.

Loans and Receivables

On December 11, 2009, the Company loaned \$5,000 to Timminco's wholly-owned subsidiary, Bécancour Silicon Inc. ("Bécancour"), in exchange for a convertible promissory note ("Initial Convertible Note"). On December 15, 2010, the Company amended the terms of the loan, through an amended convertible promissory note ("Amended Convertible Note"). As the amendments to the debt agreement were considered substantial, the transaction was accounted for as an extinguishment of the Initial Convertible Note and issuance of new debt in accordance with IAS 39. The Initial Convertible Note had an annual interest rate of 12%, payable quarterly in arrears starting December 31, 2009 and maturing on January 3, 2011. The Amended Convertible Note bears interest at 14%, payable quarterly in arrears starting December 31, 2010 and matures on January 3, 2014. The full principal amount is convertible into common shares of Timminco at the conversion price, at AMG's option at any time, subject to customary anti-dilution adjustments. The conversion price was amended from C\$1.58 per share under the Initial Convertible Note to a conversion price of C\$0.26 per share under the Amended Convertible Note.

Both the Initial and Amended Convertible notes were accounted for as hybrid instruments with the note and the equity option being valued separately. The value of the Amended Convertible Note was \$71 as of December 31, 2010. The value of the Initial Convertible Note was \$3,095 as of December 31, 2009. The value of the equity option on the Amended Convertible Note was \$5,113 as of December 31, 2010. The value of the equity option on the Initial Convertible Note was \$1,718 as of December 31, 2009. The Company recorded finance income of \$371 during the year ended December 31, 2010 as a result of a gain recognized on the amendment. The Company also recorded finance income of \$100 for an amendment fee charged in conjunction with the amendment. Interest income from the convertible notes was \$600 the year ended December 31, 2010. Interest income from the Initial Convertible Note was \$32 the year ended December 31, 2009. All interest for 2010 was paid as of December 31, 2010. Interest receivable related to the Initial Convertible Note was \$34 as of December 31, 2009.

Between January 2004 and May 2007, ALD entered into a series of loan agreements with Intellifast GmbH (formerly known as PFW Technologies GmbH), a subsidiary of Safeguard and PFW LLC, in an aggregate principal amount of \$1,706. At December 31, 2010, approximately \$2,045 (2009: \$2,212) was outstanding under these loans including interest and an additional amount of approximately \$875 (2009: \$783) was due for normal course of business transactions. The loans were made

for growth capital and expansion purposes. The highest interest rate on the outstanding loans is 11%.

The Company has been performing services for and has loaned money to GfE Medical which is a subsidiary of Safeguard. During the year ended December 31, 2008, one loan from GfE Medical was transferred to Safeguard. This loan, in the amount of \$698 was repaid by Safeguard in 2009, although an amount of \$29 was still owed for interest as of December 31, 2009. No amounts are outstanding as of December 31, 2010.

Transactions with associates

The Company completed the following purchases of Timminco shares during 2010 and 2009:

Date	Shares purchased	Share price	Total equity purchase
2010			
June 14, 2010 ¹	15.4 million	C\$0.65	\$9,705
2009			
November 20, 2009	3.84 million	C\$1.38	\$5,041
April 30, 2009	7.43 million	C\$2.02	12,313
February 3, 2009	3.94 million	C\$3.55	11,519
Total	15.21 million		\$28,873

¹ Timminco 2010 private placement completed in three tranches with third tranche closing on June 14, 2010.

As of December 31, 2010, the Company owned 83,146,007 or 42.5% of the outstanding shares of Timminco. As of December 31, 2009, the Company owned 67,761,392 or 42.5% of the outstanding shares of Timminco.

During the first quarter of 2010, one of the Company's subsidiaries agreed to prepay \$4,765 to Timminco for 2,000 metric tons of silicon metal to be delivered in the third and fourth quarters of 2010. Timminco delivered silicon metal to an agreed-upon customer who then repaid the Company. As of December 31, 2010, no inventory remained to be delivered to the customer. The Company recognized \$353 in commission income from Timminco related to these sales.

During the second quarter 2009, 5,000 metric tons of silicon metal finished goods inventory was purchased from Timminco for a purchase price of \$8,515. This inventory was sold to a European silicon metal customer in 2009 and 2010. No inventory remains to be sold to the customer as at December 31, 2010. During the fourth quarter of 2009, an additional purchase of \$6,449 was made for sale to a different European silicon metal customer. This inventory was fully delivered in 2009. The Company recognized \$538 in commission income from Timminco related to these sales.

On March 31, 2009, fixed assets were purchased from Timminco for \$7,546. A portion of this was paid in cash

and a portion was related to furnaces manufactured by another AMG subsidiary. This purchase was made concurrent with the signing of a Memorandum of Understanding and Joint Development Agreement between Timminco and one of the Company's Canadian subsidiaries, AMG Conversion Ltd. ("AMGC"). AMGC was established as a producer of solar grade ingots and bricks to be sold to the solar wafer market. AMGC utilizes the equipment purchased from Timminco to manufacture ingots and bricks both for Timminco's and its own use. Timminco's employees are used in the production process. Each party receives a tolling fee based on the cost of contributions to the process, plus an agreed upon fixed margin on such costs. During 2010, \$1,113 (2009: \$1,169) was invoiced to Timminco with respect to these services. AMGC has a net receivable of \$341 due from Timminco as of December 31, 2010 (2009: \$442).

On September 15, 2009 and October 12, 2009, AMGC purchased inventory from Timminco in the amount of \$5,927 for use in its crystallization facility. A lower of cost or net realizable value reserve in the amount of \$3,420 was established against this inventory during the year ended December 31, 2010.

Timminco purchased spare parts from on of the Company's subsidiaries during the year ended December 31, 2009. These sales amounted to \$624. Additional silicon inventory transfers were made between Timminco and various subsidiaries of the Company. The net amount of these transfers was \$111. These transfers were not booked as sales since the inventory has been or will be shipped back to the originating party at cost. Finally, the Company billed Timminco for government regulatory fees in Germany in the amount of \$102.

In the year ended December 31, 2010, Dr. Schimmelbusch received cash compensation from Timminco in his role as Chief Executive Officer in the amount of \$437 (2009: \$117). Dr. Schimmelbusch also received directors compensation in 2010 from Timminco in the form of deferred share units in the amount of \$206 (2009: \$197).

During the first four months of 2009, the Company and Timminco shared the remuneration cost of John Fenger, who was appointed Chief Operating Officer of Timminco on April 20, 2009. AMG paid \$17 of his compensation costs during 2009. There were several other small transactions between the Company and Timminco, mainly recharging Timminco for costs incurred on their behalf. A receivable of \$11 was recorded as of December 31, 2009 related to these transactions.

Other Transactions

The Company shares office space in the United States with Safeguard. In 2009, an allocation of Safeguard's costs related to the office and the utilities was paid. Certain amounts related to travel and entertainment and the salaries of certain employees were cross-charged to the Company by Safeguard. During the years ended December 31, 2010 and 2009, the Company was billed \$29 and \$330 by Safeguard for travel and entertainment of its Chief Executive Officer and its portion of costs related to the building. Amounts due to Safeguard at December 31, 2010 and 2009 were \$1 and \$18, respectively.

In October, 2009, the Company made a payment of \$31 to Allied Carbon Credit for research performed on the emission reduction potential of a magnesium plant in Norway. Allied Carbon Credit is 80% owned by Allied Resource Corporation, whose Chairman is the Chief Executive Officer of the Company.

Over the course of the year ended December 31, 2010, the Company paid \$173 to Safeguard International Management GmbH ("SIM GmbH") for management services. The service agreement with SIM GmbH requires the Company to pay for the use of SIM GmbH's office and administrative services in its Frankfurt location. SIM GmbH is a wholly owned subsidiary of Safeguard International Fund whose managing director is also the Company's Chief Executive Officer. In December 2009, the Company made a payment of \$191 to SIM GmbH for similar services received in 2009.

The Company also leases space in Frankfurt, Germany from a partnership, in which the Company's Chief Executive Officer has an interest. Rent paid for this office space was \$89 during the year ended December 31, 2010.

All outstanding balances with these related parties are priced on an arm's length basis. None of the balances are secured.

37. Subsequent events

On February 18, 2011, the Company acquired 100% of the LLC interests of KB Alloys, LLC ("KB") from CHS Capital LLC for \$24,305 in cash, \$23,500 related to purchase price and \$805 in additional costs and escrow. KB is the North American market leader in the production of aluminum master alloys and grain refiners. The combination of KB with AMG's aluminum master alloys businesses establishes AMG as the world's largest producer of master alloys for the aluminum industry. This acquisition expands AMG's cost-effective product offering while assuring security of supply for customers.

AMG Advanced Metallurgical Group, N.V.
Parent Company Statement of Financial Position
(After profit appropriation)

As at December 31	Note	2010	2009
In thousands of US Dollars			
Assets			
Property, plant and equipment, net	2	677	735
Intangible assets, net	3	207	294
Investments in subsidiaries	4	153,328	147,417
Investment in associates	4	17,706	19,460
Loans due from subsidiaries	4	108,589	117,638
Investment in equity securities	5	887	970
Deposit	6	84	66
Notes receivable	7	2,321	3,094
Derivative financial instrument	14	5,113	1,718
Total non-current assets		288,912	291,392
Trade and related party receivables	7	19,273	11,626
Notes receivable	7	2,750	5,362
Loans due from subsidiaries	4	96,116	93,397
Derivative financial instruments	14	67	527
Prepayments	8	510	495
Cash and cash equivalents	9	3,320	4,243
Total current assets		122,036	115,650
Total assets		410,948	407,042
Equity			
Issued capital	10	741	725
Share premium	10	381,636	379,518
Foreign currency translation reserve	10	(8,215)	(5,659)
Other reserves	10	44,373	36,943
Retained earnings (deficit)	10	(196,481)	(198,897)
Total equity attributable to shareholders of the Company		222,054	212,630
Provisions			
Provision for negative participation	4	113,851	143,794
Liabilities			
Long-term debt	11	69,000	39,000
Total non-current liabilities		69,000	39,000
Taxes and premium		135	71
Trade and other payables	12	5,882	6,534
Amounts due to subsidiaries	13	26	4,707
Derivative financial instruments	14	-	306
Current taxes payable		-	-
Total current liabilities		6,043	11,618
Total liabilities		75,043	50,618
Total equity, provisions and liabilities		410,948	407,042

The notes are an integral part of these financial statements.

AMG Advanced Metallurgical Group, N.V.
Parent Company Income Statement

For the year ended December 31	2010	2009
In thousands of US Dollars		
Income (loss) from subsidiaries, after taxes	22,205	(29,715)
Other income and expenses, net	(19,791)	(45,927)
Net income (loss)	2,414	(75,642)

The notes are an integral part of these financial statements.

1. Summary of significant accounting policies

The parent company financial statements have been prepared in accordance with Section 362.8 of Title 9, Book 2 of the Netherlands Civil Code, as generally accepted in the Netherlands. The accounting policies used in the financial statements are similar to the accounting policies used in the Consolidated Financial Statements, with the exception of financial fixed assets. Subsidiaries are valued at their net equity value, including allocated goodwill.

For a listing of all subsidiaries included in the consolidated financial statements of the Company, please refer to note 1 in the consolidated financial statements.

As of December 31, 2010, the statement of financial position has been converted to USD from Euros using a conversion rate of EUR:USD of 1.3253. (2009: 1.4333)

2. Property, plant and equipment

Cost	Leasehold improvements	Machinery and equipment	Office furniture	Total
Balance at January 1, 2009	599	91	–	690
Additions	–	–	251	251
Balance at December 31, 2009	599	91	251	941
Balance January 1, 2010	599	91	251	941
Additions	–	–	155	155
Balance at December 31, 2010	599	91	406	1,096
Depreciation				
Balance at January 1, 2009	(54)	(20)	–	(74)
Depreciation	(116)	–	(16)	(132)
Balance at December 31, 2009	(170)	(20)	(16)	(206)
Balance at January 1, 2010	(170)	(20)	(16)	(206)
Depreciation	(119)	(62)	(32)	(213)
Balance at December 31, 2010	(289)	(82)	(48)	(419)
Carrying amounts				
At January 1, 2009	545	71	–	616
At December 31, 2009	429	71	235	735
At January 1, 2010	429	71	235	735
At December 31, 2010	310	9	358	677

3. Intangible assets

Intangible assets include computer equipment and software licenses. They are carried at amortized cost and are amortized over their anticipated useful life.

Cost	
Balance January 1, 2009	–
Additions	406
Balance at December 31, 2009	406
Balance January 1, 2010	406
Additions	13
Balance at December 31, 2010	419
Amortization	
Balance at January 1, 2009	–
Amortization	(112)
Balance at December 31, 2009	(112)
Balance January 1, 2010	(112)
Amortization	(100)
Balance at December 31, 2010	(212)
At January 1, 2009	–
At December 31, 2009	294
At January 1, 2010	294
At December 31, 2010	207

4. Financial Fixed Assets

Investments in Subsidiaries

The movement in subsidiaries was as follows:

	Investment in subsidiaries	Provision for negative participation	Total
Balance at January 1, 2009	181,854	(111,984)	69,870
Investment in companies	35,444	–	35,444
Recapitalization of companies	(57,912)	–	(57,912)
Subsidiary options	10,020	–	10,020
Loss for the period	(29,715)	–	(29,715)
Deferred gains on derivatives	13,455	–	13,455
Other	(323)	–	(323)
Currency translation adjustment	5,660	–	5,660
Reclass to associate	(42,876)	–	(42,876)
Balance at December 31, 2009	115,607	(111,984)	3,623
Reclassification for provision for negative participation:			
Provision for negative participation	31,810	(31,810)	–
Balance at December 31, 2009	147,417	(143,794)	3,623
Balance at January 1, 2010	147,417	(143,794)	3,623
Investment in companies	2,659	–	2,659
Subsidiary options	2,836	–	2,836
Profit for the period	22,205	–	22,205
Deferred gains on derivatives	1,865	–	1,865
Other	(8)	–	(8)
Currency translation adjustment	6,297	–	6,297
Balance at December 31, 2010	183,271	(143,794)	39,477
Reclassification for provision for negative participation:			
Provision for negative participation	(29,943)	29,943	–
Balance at December 31, 2010	153,328	(113,851)	39,477

Deferred gains / losses on derivatives

This represents the effect of the Company's subsidiaries recording the changes in their equity from the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Subsidiary options

Subsidiaries are locally recording the effect of share-based payments for their employees in their equity. The equity balance of the subsidiaries is comprised of the value of equity-settled share-based payments provided to employees (and outside consultants), including key management personnel, as part of their remuneration. The change in the Company's investment in subsidiary balance is equal to the change recognized in the share-based payment reserves at the subsidiaries.

Loans due from subsidiaries

	Non-current loans due from subsidiaries	Current loans due from subsidiaries	Total
Balance at January 1, 2009	58,291	127,351	185,642
Loans	57,912	–	57,912
Repayments	–	(30,435)	(30,435)
Offset against loans due to subsidiaries	–	(3,698)	(3,698)
Currency translation adjustment	1,435	179	1,614
Balance at December 31, 2009	117,638	93,397	211,035
Balance at January 1, 2010	117,638	93,397	211,035
Loans	140	7,000	7,140
Repayments	(340)	(3,747)	(4,087)
Currency translation adjustment	(8,849)	(534)	(9,383)
Balance at December 31, 2010	108,589	96,116	204,705

The loan offsets in 2009 were formally documented and recorded between the Company and one of its German subsidiaries as of March 31, 2009. Amounts are loaned to subsidiaries primarily to finance operations and working capital.

The non-current loans are due from a German subsidiary. The first loan which was initiated in 2008 has a variable interest rate and a term through December 31, 2018. At December 31, 2010, the rate on this loan was 2.938% (2009: 5.33%). The second loan was initiated in 2009, has a term through 2017 and a fixed interest rate of 8%. Current loans are due from several subsidiaries in Europe and the United States. Loans in the amount of \$96,116 (2009: \$93,197) are due in 2010 and loans with a balance of nil

Recapitalization of companies

AMG NV periodically reviews the capital structure of its subsidiaries. When a subsidiary receives additional capital from the Company, it is recorded through the investment in subsidiaries balance.

Investment in associates

On September 28, 2009, the Company reduced its ownership percentage of Timminco from 50.8% to 47.9%. This loss of control resulted in a loss on deemed disposal of \$1,131. Timminco is therefore, no longer consolidated and is recorded as an associate in the consolidated statement of financial position. During its period of equity ownership in 2009, the Company's share of Timminco's loss was \$27,498. During the year ended December 31, 2010, the Company's share of Timminco's loss was \$11,459.

(2009: \$200) are due upon request. All current loans have an interest rate in the range of 3.50 – 4.01% at December 31, 2010 (4.28 – 7.00% at December 31, 2009).

5. Investment in equity instruments

The Company has a strategic investment in a growth-based company in Iceland. This equity investment cannot be reliably measured at fair value and is therefore accounted for using the cost basis. As December 31, 2010, this investment amounted to \$887 (2009: \$970).

6. Deposits

The deposit account includes security deposits for the Amsterdam and Frankfurt office locations of the Company.

7. Receivables from associates and related parties

On December 11, 2009, the Company loaned \$5,000 to Timminco's wholly-owned subsidiary, Bécancour Silicon Inc. ("Bécancour"), in exchange for a convertible senior subordinated promissory note ("Convertible Note"). The Convertible Note accrued interest at 12%, payable quarterly in arrears. On December 15, 2010, the Company amended the terms of the Convertible Note through an amended convertible senior subordinated promissory note ("Amended Convertible Note"). The Amended Convertible Note bears interest at 14%, payable quarterly in arrears starting December 31, 2010 and matures on January 3, 2014. The full principal amount is convertible into common shares of Timminco, at AMG's option at any time, at a conversion price of C\$0.26 per share, subject to customary anti-dilution adjustments. Both the original and the Amended Convertible notes were accounted for as hybrid instruments with the note and the equity option being valued separately. See note 14 for valuation of the option. The value of the note was \$71 as at December 31, 2010 (December 31, 2009:\$3,094).

All interest owed related to the Amended Convertible Note was paid as of December 31, 2010. At December 31, 2009, interest receivable related to the original note was \$34.

Trade and related party receivables of \$19,273 (2009: \$11,626) primarily represents interest owed to the Company on loans due from subsidiaries (\$8,935) and management fees owed (\$6,760). The remainder of the balance is comprised of amounts owed by subsidiaries that represent expenses paid for by AMG and billed back to the subsidiaries.

8. Prepayments

At December 31, 2010 and 2009, prepayments primarily represent prepaid insurance and prepaid rent for the Company.

9. Cash and cash equivalents

Bank balances earn interest at floating rates based on daily bank deposit rates.

10. Capital and reserves

	Equity attributable to shareholders of the parent					
	Issued capital	Share premium	Foreign currency translation reserve	Other reserves	Retained deficit	Total
Balance at January 1, 2009	724	379,297	(10,115)	7,900	(123,110)	254,696
Foreign currency translation	-	-	4,456	-	-	4,456
Gain on cash flow hedges, net of tax	-	-	-	13,455	-	13,455
Net income recognized directly in equity	-	-	4,456	13,455	-	17,911
Loss for the year	-	-	-	-	(75,642)	(75,642)
Total recognized income and expense for the year	-	-	4,456	13,455	(75,642)	(57,731)
Issuance of shares to Supervisory Board	1	400	-	-	-	401
Equity-settled share-based payment expense at subsidiary	-	-	-	1,559	-	1,559
Equity-settled share-based payment expense	-	-	-	14,029	-	14,029
Other	-	(179)	-	-	(145)	(324)
Balance at December 31, 2009	725	379,518	(5,659)	36,943	(198,897)	212,630
Balance at January 1, 2010	725	379,518	(5,659)	36,943	(198,897)	212,630
Foreign currency translation	-	-	(2,556)	-	-	(2,556)
Gain on cash flow hedges, net of tax	-	-	-	1,865	-	1,865
Net (loss) income recognized directly in equity	-	-	(2,556)	1,865	-	(691)
Profit for the year	-	-	-	-	2,414	2,414
Total recognized income and expense for the year	-	-	(2,556)	1,865	2,414	1,723
Issuance of shares to Supervisory Board	1	272	-	-	-	273
Issuance of shares to acquire minority interest	15	1,846	-	-	-	1,861
Equity-settled share-based payment expense	-	-	-	5,565	-	5,565
Other	-	-	-	-	2	2
Balance at December 31, 2010	741	381,636	(8,215)	44,373	(196,481)	222,054

Share capital

At December 31, 2010, the Company's authorized share capital was comprised of 65,000,000 ordinary shares (2009: 100,000,000) with a nominal share value of €0.02 (2009: €0.02) and 65,000,000 preference shares (2009: nil) with a nominal share value of €0.02.

At December 31, 2010, the issued and outstanding share capital was comprised of 27,503,885 ordinary shares (2009: 26,899,548), with a nominal value of €0.02 (2009: €0.02) which were fully paid. No preference shares were outstanding at December 31, 2010.

A rollforward of the total shares outstanding is noted below:

Balance at January 1, 2009	26,855,586
Shares issued to Supervisory Board directors	43,962
Balance at December 31, 2009	26,899,548
Balance at January 1, 2010	26,899,548
Shares issued to Supervisory Board directors	28,808
Shares issued to purchase additional shares of GK	575,529
Balance at December 31, 2010	27,503,885

Supervisory Board remuneration

During the years ended December 31, 2010 and 2009, 28,808 and 43,962 shares were issued, respectively, as compensation to its Supervisory Board members as compensation for services provided in 2010 and 2009. These shares were awarded as part of the remuneration policy approved by the Annual General Meeting.

Shares issued to purchase additional shares of Graphit Kropfmühl

On December 22, 2010, the Company issued 575,529 additional shares in order to acquire an additional 8.5% of Graphit Kropfmühl. This purchase raised the Company's ownership in GK from 79.5% to 88.0%. The Company chose to measure the non-controlling interest ("NCI") at its proportionate share of the recognized amount of the GK's net identifiable assets at the acquisition date.

The following is the calculation of the equity transaction:

Non-controlling interest at December 22, 2010	4,502
Transfer to AMG (8.5%)	1,861
12% interest carried forward	2,641
Adjustment to equity:	
Fair value of consideration	6,431
Change to NCI (see above)	1,861
Dilution in AMG equity from purchase of NCI	4,570

In anticipation of the Company's Annual General Meeting's adoption of the annual accounts, it is proposed that the net income for 2010 of \$2,414 (2009: (\$75,642)) be allocated to the retained earnings. Other reserves and the foreign currency translation reserve are not distributable. There are no expected tax consequences on retained earnings as no distributions are anticipated.

Preference shares

In July 2010, the foundation "Stichting Continuïteit AMG" ("Foundation") was established following the resolution adopted at its Annual Meeting on May 12, 2010. The board of the Foundation consists of three members, all of whom are independent of AMG. The purpose of the Foundation is to safeguard the interests of the parent company, the enterprise connected therewith and all the parties having an interest therein and to exclude as much as possible influences which could threaten, amongst other things, the continuity, independence and identity of the parent company contrary to such interests.

By agreement on December 22, 2010 between the parent company and the Foundation, the Foundation has been granted a call option pursuant to which it may purchase a number of preference shares up to a maximum of the number of ordinary shares issued and outstanding with third parties at the time of exercise of the option. The agreement cannot be terminated by the Company as long as the Company has not canceled or repurchased preference shares acquired by the Foundation.

11. Long term debt

The Company and its subsidiaries are parties to a long term debt agreement that is comprised of two facilities, a \$100,000 term loan facility ("Term Loan") and a \$175,000 multicurrency revolving credit facility agreement ("Revolving Credit Facility"). The Term Loan and the Revolving Credit Facility mature on August 30, 2012 (together the "Credit Facility"). The Credit Facility is secured by substantially all of the assets of the material subsidiaries, excluding Timminco and GK, and a 100% pledge on all of the Timminco and GK shares which are owned by the Company.

During the year ended December 31, 2010, the Company borrowed in order to fund working capital. The balance

of the borrowings as at December 31, 2010 was \$69,000. (2009:\$39,000).

Interest on the borrowings is based on current LIBOR plus margin. The margin is based on the current leverage ratio. As of December 31, 2010, the margin was 2.25 (2009: 1.50).

The Credit Facility is subject to several affirmative and negative covenants including, but not limited to, the following:

- EBITDA to Net Finance Charges: Not to be less than 3.00: 1
- Net Debt to EBITDA: Not to exceed 3.75: 1
- Senior Net Debt to EBITDA: Not to exceed 3:00:1

EBITDA, Net Finance Charges, Net Debt and Senior Net Debt are defined in the Credit Facility agreement.

On May 27, 2010, the Company amended and restated the Credit Facility in order to adjust certain provisions for the strategic plans of the Company. Included in the amendments was a change to the Senior Net Debt to EBITDA covenant. Previously, the maximum ratio for this covenant was 2.00:1. The amendment increased the maximum ratio to 3.00:1. Fees related to this amendment were \$1,675 and are included in finance expense.

Mandatory prepayment of the Credit Facility is required upon the occurrence of (i) a change of control or (ii) the sale of all or substantially all of the business and/or assets of the Company whether in a single transaction or a series of related transactions.

12. Trade and other payables

Trade and other payables represent amounts owed to related parties as well as amounts owed to professional service firms. See note 16.

13. Amounts due to subsidiaries

Certain payroll, travel and entertainment and other expenses are paid directly by a subsidiary and billed to the Company at cost. As of December 31, 2010 and 2009, these amounted to \$26 and \$4,707, respectively.

14. Derivative financial instruments

Please refer to notes 31 and 32 in the consolidated financial statements for more information on financial instruments and risk management policies.

Foreign currency forward contracts

At any point in time, the Company uses foreign exchange forward contracts to hedge intergroup loans that will be repaid in different functional currencies. These contracts are negotiated to match the expected terms of the commitments and generally mature within one year. When necessary, these contracts are rolled over at maturity. The Company's foreign exchange forward contracts, although part of the risk management strategy are treated

as economic hedges. The fair value of these contracts is recorded in the statement of financial position. As of December 31, 2010, the Company had a derivative financial instrument asset of \$67. As of December 31, 2009, the Company had a derivative financial instrument asset of \$527 and a derivative financial liability of \$306.

Embedded derivative

As part of its convertible note receivable from Bécancour Silicon (see note 7), AMG concluded that the conversion feature was an embedded derivative. The conversion feature was revalued upon the amendment of the note receivable, but is still being treated as a derivative. This derivative had a fair value of \$5,113 as at December 31, 2010 (2009: \$1,718).

15. Commitments and contingencies

The Company has entered into leases for office space in Amsterdam and Frankfurt. The Amsterdam lease term is through March 31, 2013 while the Frankfurt lease term is through December 31, 2011. There is also a lease for copier equipment in Frankfurt through December 31, 2011.

Future minimum lease payments under these leases as at December 31 are payable as follows:

	2010	2009
Less than one year	362	201
Between one and five years	311	452
More than five years	-	-
Total	673	653

16. Related parties

Key management compensation data is disclosed in note 36 of the consolidated financial statements.

Safeguard International Fund ("SIF" or "Safeguard") previously owned approximately 26.6% of the voting shares of the Company. During the year ended December 31, 2010, all shares were distributed by Safeguard to its members and therefore SIF's ownership percentage is now nil. One current and one former member of the management board of the Company are

also managing directors of Safeguard and have received compensation for their roles as managing directors. The relatives of Directors hold only a de minimus portion of the voting shares.

The Company entered into a cost compensation agreement with the Foundation dated December 22, 2010. As per the agreement, the Company is required to provide funds to the Foundation for the costs incurred in connection with the fulfilment of the objectives of the Foundation. These costs include costs for establishing the Foundation, remuneration and out of pocket expenses for the members of the board of the Foundation, commitment fees, advisory fees and certain other costs. Through December 31, 2010, the amounts paid by the Company on behalf of the Foundation were \$29.

Other Transactions

During 2007, the Company incurred legal and accounting fees in association with the initial public offering. SIF offered a portion of their own shares for sale in the initial public offering and therefore a proportionate amount of the costs approximating \$4,526 were billed to SIF. Of this amount, nil and \$142 remains outstanding at December 31, 2010 and 2009, respectively.

17. Employees

At December 31, 2010 the Company had 14 employees (2009: 9).

18. Audit Fees

Ernst and Young Accountants LLP has served as the Company's independent auditors for each of the two years in the periods ended December 31, 2010 and December 31, 2009. The following table sets forth the total fees in accordance with Part 9 of Book 2, article 382a of the Netherlands Civil Code.

	2010	2009
Audit fees	455	467
Audit related fees	46	72
Other	122	183
Total	623	722

Other Information

Article 25 and 26 of the Articles of Association

25. Adoption of Annual Accounts
- 25.1 The annual accounts shall be adopted by the general meeting.
- 25.2 Without prejudice to the provisions of article 23.2, the Company shall ensure that the annual accounts, the annual report and the additional information that should be made generally available together with the annual accounts pursuant to or in accordance with the law, are made generally available from the day of the convocation of the general meeting at which they are to be dealt with.
- 25.3 The annual accounts cannot be adopted if the general meeting has not been able to take notice of the auditor's report, unless a valid ground for the absence of the auditor's report is given under the other additional information referred to in article 25.2
- 26.1 The management board shall, subject to the approval of the supervisory board, be authorized to reserve the profits wholly or partly.

Events after the balance sheet date

On February 18, 2011, the Company acquired 100% of the LLC interests of KB Alloys, LLC ("KB") from CHS Capital LLC for \$24,305 in cash, \$23,500 related to purchase price and \$805 in additional costs and escrow. KB is the North American market leader in the production of aluminum master alloys and grain refiners. The combination of KB with AMG's aluminum master alloys businesses establishes AMG as the world's largest producer of master alloys for the aluminum industry. This acquisition expands AMG's cost-effective product offering while assuring security of supply for customers.

Appropriation of net profit

Pursuant to section 26 of the Articles of Association, the Management Board shall, subject to the approval of the Supervisory Board, be authorized to reserve the profits in whole or in part. The General Meeting is authorized to distribute and/or reserve any remaining part of the profits.

AMG's dividend policy is to retain future earnings to finance the growth and development of its business. As a result, the Management Board, with the approval of the Supervisory Board, has resolved that no dividend will be paid in respect of 2010 and that the 2010 net profit will be added to the retained earnings.

Amsterdam, March 31, 2011

Independent Auditor's Report

**To: the Shareholders meeting and Supervisory Board of AMG
Advanced Metallurgical Group N.V.**

Report on the financial statements

We have audited the accompanying financial statements 2010 of AMG Advanced Metallurgical Group N.V., Amsterdam, the Netherlands. The financial statements include the consolidated financial statements and the parent company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2010, the consolidated income statement, consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The Company financial statements comprise the parent company statement of financial position as at December 31, 2010, the parent company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of AMG Advanced Metallurgical Group N.V. as at December 31, 2010, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the Company financial statements

In our opinion, the Company financial statements give a true and fair view of the financial position of AMG Advanced Metallurgical Group N.V. as at December 31, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Eindhoven, March 31, 2011

Ernst & Young Accountants LLP

/s/ A.J.M. van der Sanden

Shareholder Information

Supervisory Board

Pedro Pablo Kuczynski, Chairman

Remuneration Committee

Wesley Clark

Selection and Appointment Committee

Martin Hoyos

Audit Committee

Jack Messman

Audit Committee

Remuneration Committee (Chairman)

Norbert Quinkert

Selection and Appointment Committee (Chairman)

Guy de Selliers

Audit Committee (Chairman)

Management Board

Heinz Schimmelbusch

Chairman and Chief Executive Officer

William Levy

Chief Financial Officer

Eric Jackson

President, Advanced Materials Division

Reinhard Walter

President, Engineering Systems Division

Copies of the Annual Report and further information are obtainable from the Investor Relations Department of the Company

ir@amg-nv.com

or by accessing the Company's website

www.amg-nv.com

Listing Agent

ING Bank N.V.

Paying Agent

ING Bank N.V.

Euronext: AMG

Trade Register

Trade Register

AMG Advanced Metallurgical Group N.V. is registered with the trade register in the Netherlands under no. 34261128

AMG Advanced Metallurgical Group N.V.

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