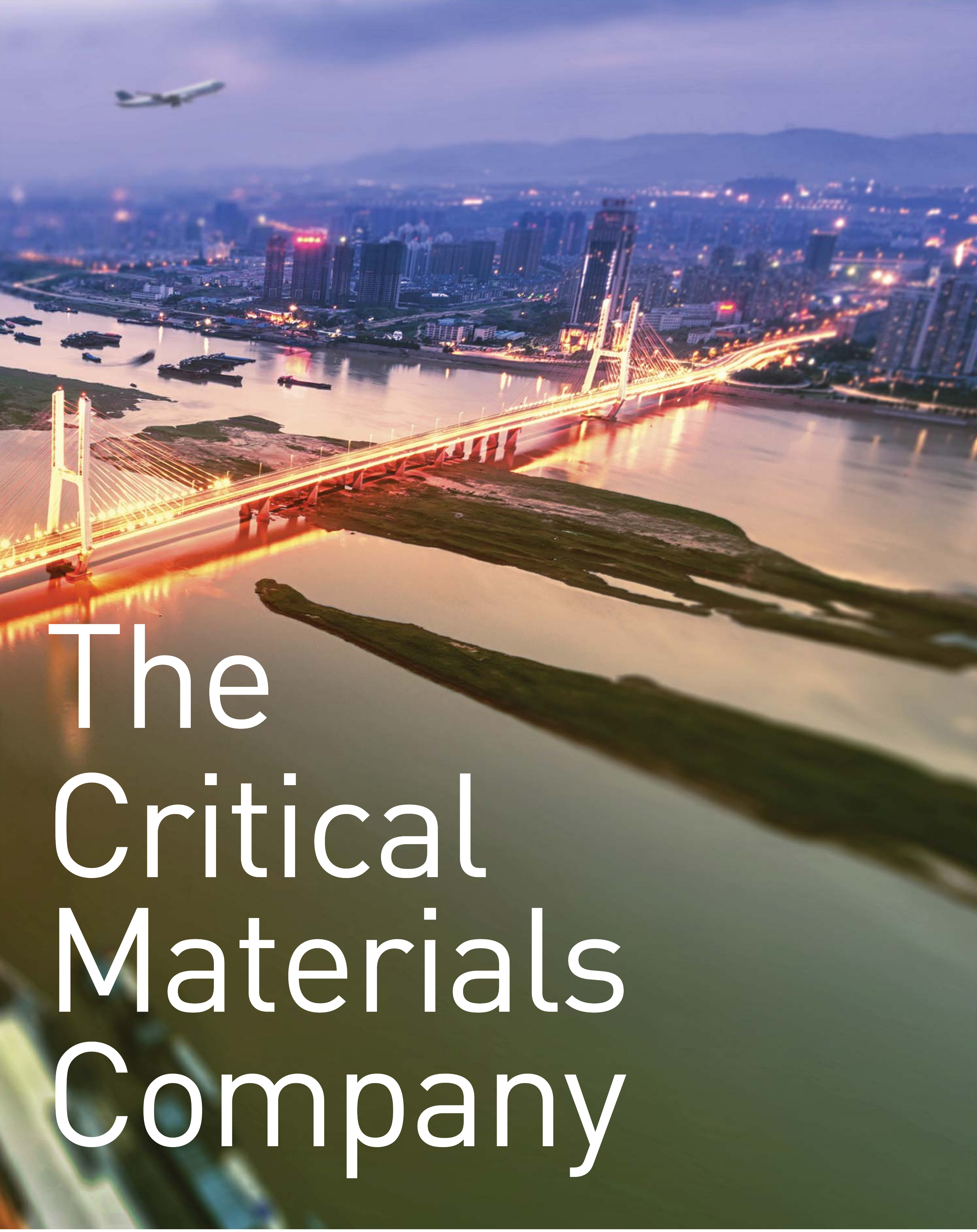


The Critical Materials Company

AMG Advanced Metallurgical Group N.V.
Annual Report 2014

AMG is a global leader in the supply of

Critical Materials

Global Trends
CO_2 emission reduction, population growth, affluence, and energy efficiency

Demand
innovative new products that are lighter, stronger, and resistant to higher temperatures

Supply: AMG
sources, processes and supplies the critical materials the market demands

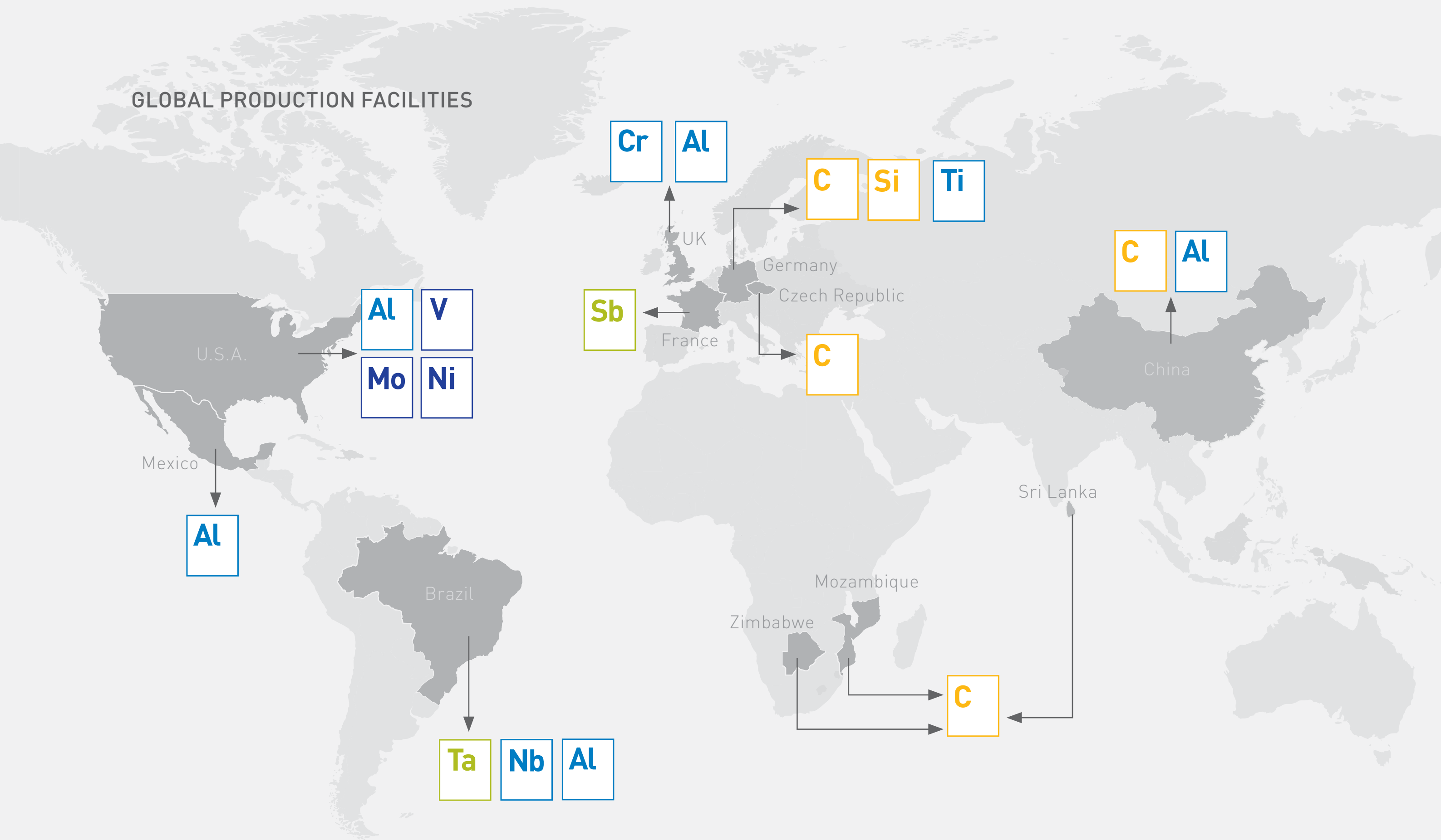
At a Glance

AMG is a global critical materials company at the forefront of CO_2 reduction trends.

AMG produces highly engineered specialty metals and mineral products and provides related vacuum furnace systems and services to the aerospace, energy, infrastructure and specialty metals & chemicals end markets.

AMG's products include aluminum master alloys and powders, titanium alloys and coatings, chromium metal, ferrovanadium, antimony, tantalum, niobium, silicon metal and natural graphite. AMG Engineering designs and produces vacuum furnace equipment and systems used to produce and upgrade specialty metals and alloys.

GLOBAL PRODUCTION FACILITIES



- **Cr** Chromium Metal
- **Sb** Antimony
- **C** Natural Graphite
- **Si** Silicon Metal
- **Ti** Titanium Alloys & Coatings
- **Al** Aluminum Master Alloys, Aluminum Powders
- **V** FeV
- **Nb** Niobium
- **Ta** Tantalum
- **Ni** Nickel
- **Mo** Molybdenum

OUR END MARKETS

ENERGY

Global energy demand growth is comprised of two opposing factors – the increasing use of energy and improvements in energy efficiency. AMG provides metallurgical technologies to improve energy efficiency and increase energy supply.

AEROSPACE

Innovation is driving demand for critical materials in the aerospace industry. Highly engineered metallurgical solutions are needed to increase operating efficiency, lower aircraft weight and improve economics. AMG's gamma titanium aluminide is a light-weight aerospace alloy which enables aircraft engines to operate at higher temperatures, reducing carbon emissions and improving fuel consumption.

INFRASTRUCTURE

Improvements in infrastructure are essential to growing global GDP and reducing carbon emissions. AMG provides critical materials such as ferrovanadium for high strength steels and graphite used to improve the insulating performance of homes and buildings. These technologies are used in the infrastructure necessary to meet increasing global urbanization.

SPECIALTY METALS & CHEMICALS

Aluminum and aluminum alloys are used to reduce weight and increase fuel efficiency in transportation applications by replacing heavier materials with strong, lightweight aluminum products. Industry experts concluded that a 10% reduction in weight leads to a 7% improvement in fuel economy and AMG's aluminum master alloys are a key component for achieving weight reduction.

OUR THREE SEGMENTS

Financial & Operational Highlights

1,093.9 ▼ -6%	184.3 ▲ +4%	85.7 ▲ +18%
REVENUE $M	GROSS PROFIT $M	EBITDA $M
95.1 ▲ +36%	23 ▼ -47%	87.8 ▼ -45%
CASH FLOW FROM OPERATIONS $M	WORKING CAPITAL DAYS	NET DEBT $M
1.20 ▼ -32%	0.19 ▼ -10%	2,991 ▼ -3%
LOST TIME INCIDENT RATE	INCIDENT SEVERITY RATE	NUMBER OF EMPLOYEES

ENERGY $M

198.3
revenue

18.2%
gross margin

AEROSPACE $M

422.8
revenue

15.9%
gross margin

INFRASTRUCTURE $M

173.3
revenue

20.9%
gross margin

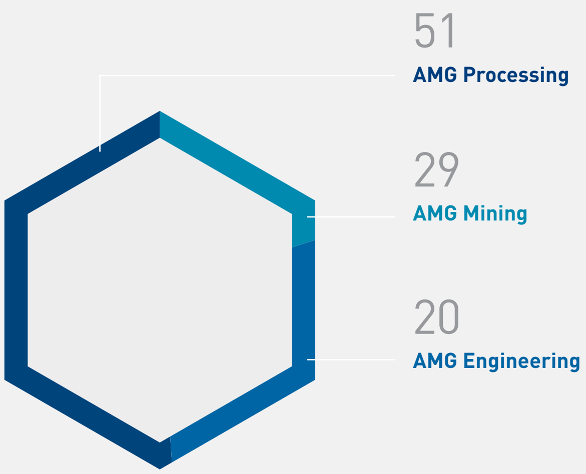
SPECIALTY METALS & CHEMICALS $M

299.5
revenue

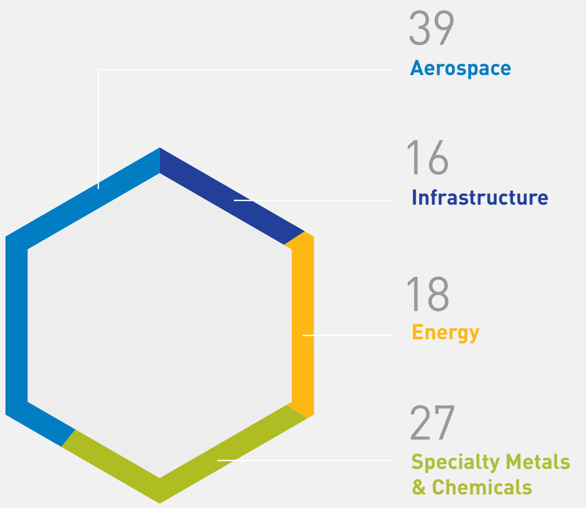
14.9%
gross margin

NOTE: Green arrows indicate improvements versus 2013, while red arrows indicate deterioration.

REVENUE BY SEGMENT 2014 (%)



REVENUE BY END MARKET 2014 (%)

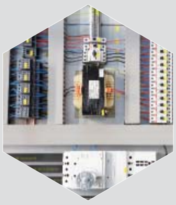


AMG PROCESSING

- Signed long-term supply contract with Snecma S.A. to provide titanium aluminides for production of the CFM International LEAP engine
- Expanded AMG Vanadium operation in Cambridge, Ohio, increasing production capacity by approximately 15%
- Executed capacity reduction program in AMG Aluminum to curtail capacity by 5,000 metric tons, or approximately 10% of global demand, to address current market conditions
- Divested non-core equity interests in Benda-Lutz-Alpoco and Bostlan SA

AMG MINING

- Reached agreement to sell 40% equity stake in AMG Graphit Kropfmühl GmbH by way of a capital increase and a 10.33% equity stake in Bogala Graphite Lanka PLC
- Commissioned a new mill at AMG Graphite, increasing production capacity by approximately 10%



AMG ENGINEERING

- Delivered newly developed one-piece flow heat treatment furnace system, Syncrotherm®, to several key customers in the automotive industry
- Signed long-term supply agreement with Premium AEROTEC to supply advanced technology to measure load control pathways in the manufacture of airframe components, critical to Airbus A380 wing flaps
- Developed and commissioned a number of new furnaces for glass forming of critical components in ultra-resistant glass for the automotive and consumer goods markets

Letter to Shareholders

AMG increased operating cash flow, reduced gross and net debt, increased EBITDA and improved Return on Capital Employed, exceeding its stated goals despite weaker prices and a challenging business environment.

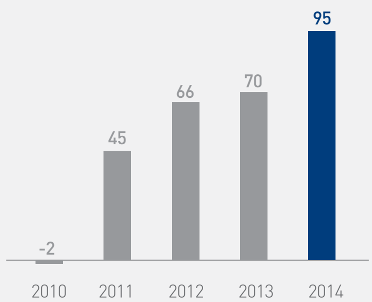
AMG's financial performance in 2014 has been strong. Full year EBITDA increased by 18% to $86 million while free cash flow (defined as operating cash flow less investing cash flow) increased 76% to $72 million. In addition, operating cash flow increased by 36% to $95 million. Record levels of cash flow enabled AMG to reduce net debt by 45% from $161 million to $88 million by year end.

The net debt reduction achieved in 2014 represents significant value creation for our shareholders and is equivalent to approximately $2.63 per share. As we continue to improve our key financial metrics in 2015, this value should be reflected in our share price.

Strong performance from AMG Processing and AMG Mining also resulted in improved gross margins from 15% in 2013 to 17% in 2014. This was achieved through a continued focus on cost reduction, product mix optimization and conservative price risk management.

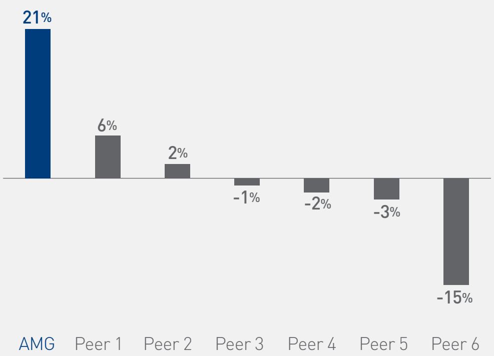
At the Annual General Meeting of Shareholders in May 2014, we set ambitious financial targets for the year, namely to reduce both net debt and gross debt, increase operating cash flow, improve gross margins, increase EBITDA, reduce SG&A and substantially improve ROCE versus 2013. We have met or exceeded all of these targets. These achievements are especially remarkable as they were accomplished against the headwinds of weak and falling metal prices.

AMG OPERATING CASH FLOW
in $ millions



Cash flow increased 36% YoY

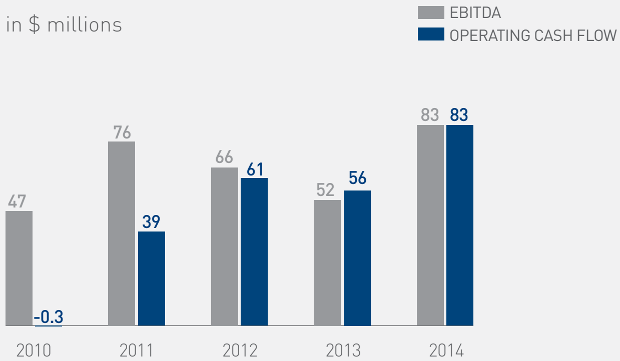
FREE CASH FLOW YIELD RELATIVE TO PEERS



1. Free Cash Flow (FCF) yield = FCF / Enterprise Value (per share price on 3/16/2015); FCF represents cash flow from operations less total capital expenditure; 2.LTM FCF and net debt balances according to the latest available financial data.

AMG CRITICAL MATERIALS BUSINESS: EBITDA & OPERATING CASH FLOW

in $ millions



AMG's critical materials business comprises AMG Processing and AMG Mining.

Performance relative to peer group

To evaluate our financial performance effectively, management has selected 6 companies from our existing peer group (as detailed on page 32) against which to benchmark our key financial metrics.
To be included, each company selected must:

- be a competitor in one or more of AMG's core business activities
- operate a similar business model in either critical materials or engineering products and services
- be publicly listed to allow for collection of relevant financial data
- not currently be undergoing reorganization

AMG's primary objective in 2014 was to reduce both gross debt and net debt. Management therefore defined Free Cash Flow yield (FCF yield) as the key metric against which to benchmark our performance relative to our peers. On this basis, AMG substantially outperformed the selected peers, generating FCF Yield of 21%, relative to the 12 month period ending December 31, 2014.

AMG: The Critical Materials Company

The term "critical materials" came to prominence as major global trends in CO_2 reduction, population growth, affluence and energy efficiency created demand for new materials which needed to be lighter, stronger and more resistant to higher temperatures, wear and corrosion.

The technological challenges associated with such materials posed a challenge to material science. This led to demand shifts in particular metals and minerals in the periodic table which, until recently, had been relatively dormant. The economic importance of these materials combined with the associated supply risk resulted in the term "critical materials" being applied to them.

AMG was assembled to take advantage of these demand shifts and to provide value chain services to its industrial clients.

Starting in 2015, we will collectively refer to AMG Processing and AMG Mining as AMG Critical Materials. This new segment will enable us to focus on the similarities in our critical materials businesses and leverage our knowledge more broadly.

Critical materials businesses share a number of common characteristics and challenges:

Supply: raw material sourcing from remote origins requiring extensive local knowledge of legal regimes, networks, logistics and risk management.

Demand: large blue-chip industrial customers requiring high-quality materials delivered on a just-in-time basis.

Value chain management: the ability to optimize material flows and manage working capital.

Technology: technical know-how and expertise required to produce high-quality products in a cost-efficient manner.

By analyzing these common challenges and objectives, AMG has been successful in developing a single, consistent, scalable business model, adapting and refining best practices across operating units to maximize shareholder return.

This approach has enabled AMG to deliver increasingly solid financial performance in terms of EBITDA and operating cash flow from the core critical materials business over the past 5 years.

Strategy

AMG's strategy is to build its critical materials business through industry consolidation, process innovation and product development.

Our strategy remains unchanged. However, following a period of financial austerity, during which time AMG has significantly reduced net debt, strengthened its balance sheet and reduced operating costs, the company is especially well-positioned to take advantage of future growth opportunities.

Beyond the boundaries of our existing critical materials portfolio, we believe our business model is eminently scalable. New additions to AMG's critical materials business would benefit from our economies of scale, risk management systems, working capital management and value chain expertise.

In addition to growth opportunities, we will continue to identify opportunities to unlock shareholder value through transactions such as the recent equity infusion in our natural graphite business unit by a private equity investor.

The AMG Graphite equity infusion provides AMG with a source of capital to take advantage of growth opportunities in the graphite market. These opportunities include the expansion of the existing insulation materials business, the opportunities related to energy storage in the automotive industry and the emergence of graphene, a new frontier in material science.

Safety

In all that AMG does, the well-being of our employees and the communities in which we operate is of fundamental importance to us. Since 2010 we have achieved year-on-year improvements in safety, as measured by Lost Time Incident Rate, in which there was a further 32% improvement in 2014, and Incident Severity Rate, which improved by 10%.

The AMG management board remains strongly committed to our goal of zero harm to any AMG employee, and continues to mandate proactive safety measures to achieve this goal, including training, near-miss reporting, auditing and the implementation of formal safety management systems like OHSAS 18001 at our sites.

Outlook

In 2015, our priorities are to grow AMG's core critical materials business and restructure AMG Engineering.

In addition, we will continue to strengthen our balance sheet by prudently managing our asset base, and improve return on capital employed by identifying further operational efficiencies and cost savings.

Despite weak metal prices, we believe we are well-positioned to build upon our solid financial performance in 2014.

Dr. Heinz C. Schimmelbusch
Chief Executive Officer


BRAND

REPORT OF THE

Management Board

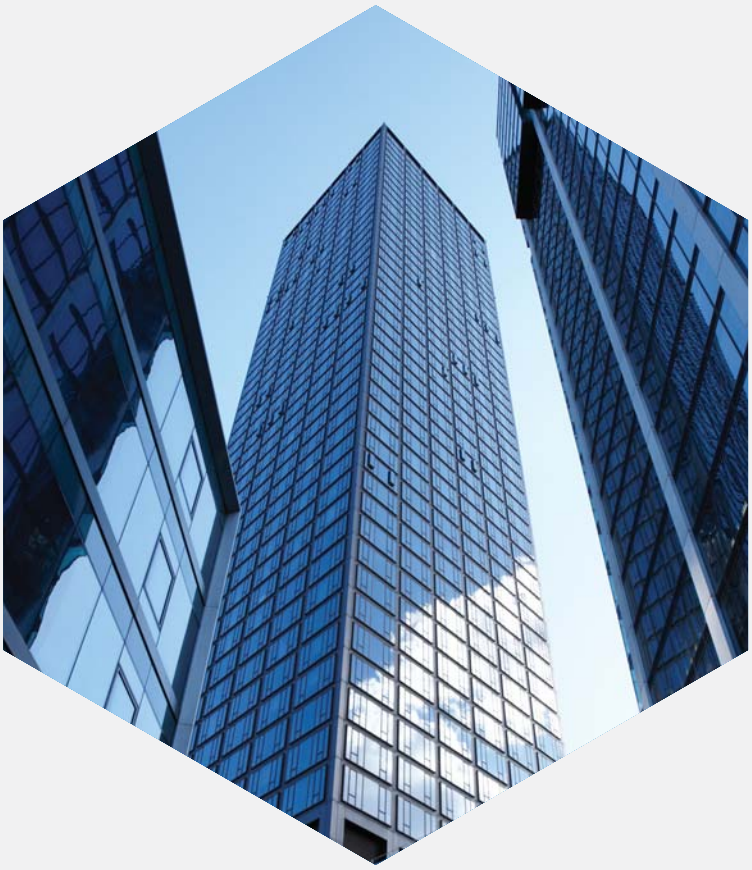
Dr. Heinz Schimmelbusch

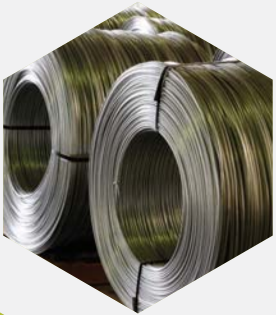
CHAIRMAN & CHIEF EXECUTIVE OFFICER
BORN 1944

Dr. Schimmelbusch was appointed Chief Executive Officer and Chairman of the Management Board on November 21, 2006, and he was re-appointed for a term of four years on May 11, 2011. He has served in a similar capacity for businesses comprising AMG since 1998.

Dr. Schimmelbusch also serves as Non-Executive Chairman of the Board of various private companies, including Allied Resource Corporation, United States. 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.





Amy Ard

CHIEF FINANCIAL OFFICER
BORN 1973

Ms. Ard was appointed Chief Financial Officer of AMG on April 15, 2013 and a member of the Management Board on November 8, 2013. Ms. Ard has served in various senior level financial positions at AMG and predecessor companies since 2005, most recently serving as Senior Vice President and Group Controller. Ms. Ard is a Certified Public Accountant with more than 19 years experience across a variety of industrial companies. She served as Divisional Controller at Precision Castparts Corporation and held senior finance positions, including Treasurer and Controller, at PQ Corporation. Prior to PQ Corporation, she was a manager at PricewaterhouseCoopers LLP. Ms. Ard received a BS degree in Accountancy and an MBA in Finance, both from Villanova University.

Eric Jackson

CHIEF OPERATING OFFICER
BORN 1952

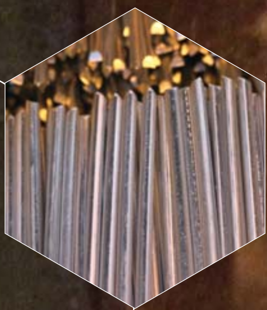
Mr. Jackson was appointed a member of the AMG Management Board on April 1, 2007. He was appointed to the newly created position of Chief Operating Officer on November 9, 2011 and re-appointed to the AMG Management Board for a term of four years on May 3, 2013.

Mr. Jackson has served in various senior management positions for businesses now owned by AMG since 1996, most recently as President and Chief Operating Officer of Metallurg, Inc. He previously held senior management positions at Phibro, a division of Salomon Inc., Louis Dreyfus Corporation and 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.

BUSINESS REVIEW

AMG Processing

AMG Processing increased EBITDA and gross margin, and reduced working capital despite a generally weak pricing environment and tepid demand.



1.60
Lost time incident rate

Consistent with the headline statement in the 2013 Annual Report, the management team continued to focus on cost reductions, productivity improvements, product mix optimization and working capital management.

These initiatives delivered significantly improved year-over-year profitability for AMG Processing. Gross margin increased from 10.8% in 2013 to 13.8% in 2014 while EBITDA increased from $21.5 million in 2013 to $38.9 million in 2014.

The division reduced working capital in all business units, lowering working capital from 51 days in 2013 to 38 days at year end 2014.

Year-over-year improvement was exceptionally strong in AMG Vanadium, in spite of lower ferrovanadium prices, as well as in AMG Superalloys. A small investment and successful process optimization resulted in increased capacity and record production levels at AMG Vanadium.

Cost reduction initiatives, completed in 2013, and conservative price risk management were the main factors leading to improved year-over-year results in AMG Superalloys. AMG Titanium Alloys and Coatings signed a number of long-term contracts for increasing quantities of titanium aluminides for low-pressure turbines and for the delivery of hydrogen storage alloys. These strategically important contracts necessitated capacity expansion investments in AMG Engineering vacuum furnaces and will deliver improved performance in the second half of 2015.

Management expects that the general economic environment in 2015 will be volatile and that metal prices will remain weak. AMG Processing's business units are well-positioned and continue to focus on operational improvements.


$M
552.5
Revenue
52.0
Cash Flow from Operations
38.9
EBITDA
76.3
Gross Profit

AMG Mining

AMG Mining delivered strong year-over-year earnings improvements despite challenging markets and generally weaker prices.

0.95
Lost time incident rate

AMG Mining increased gross margin from 16.3% in 2013 to 20.6% in 2014 and increased EBITDA from $30.5 million in 2013 to $43.7 million in 2014. This improvement was achieved through operational and productivity improvements and a number of successful risk management initiatives.

Capital spending during 2014 was moderate. Successful investments were made at AMG Silicon, where management completed the upgrade of the third of four furnaces, and at AMG Graphite, where a new mill was commissioned, increasing the production capacity of higher value added products, primarily insulation materials.

AMG Antimony delivered strong year-over-year results as it continued to increase its position in higher value added products and recycling activities. AMG Mining's primary tantalum activities continued to focus on improvements in mining and mineral processing, reducing cost, and delivering on a long-term fixed-price contract.

As in AMG's other divisions, working capital management initiatives continued to be an important component in delivering strong operating cash flow. Working capital days were reduced from 64 at the end of 2013 to 62 days at the end of 2014. Management believes there is incremental opportunity to reduce working capital further in 2015.

2015 will again almost certainly be challenging. AMG Mining continues to focus on cost reductions, process optimization and risk management.

$M

320.9	30.7	43.7	66.1
Revenue	Cash Flow from Operations	EBITDA	Gross Profit

BUSINESS REVIEW

AMG Engineering

AMG Engineering expects to achieve earnings turnaround by the end of 2015 through the development of two new product lines and an extensive cost reduction program.

0.87
Lost time incident rate

The continued global downturn in the capital goods market and the resulting reduced levels of order intake, most notably during the second half of 2013, adversely affected 2014 performance. AMG Engineering's revenue decreased 15% from $260.2 million in 2013 to $220.5 million in 2014. Strong performance in after-sales services and stable revenues in the heat treatment service segment only partially offset declining revenues in the core engineering business.

Continued price pressure combined with a weak order backlog coming into 2014 resulted in a reduction in EBITDA from $20.6 million in 2013 to $3.1 million in 2014.

Order intake increased by 33% in 2014 to $260.4 million, resulting in an order backlog of $128.3 million at year end, a 17% increase versus $109.7 million at year end 2013. The favorable upturn in order intake resulted in a book-to-bill ratio of 1.18x in 2014 compared to 0.75x in 2013.

On March 12, 2015, AMG announced an extensive cost reduction program within the Engineering division in order to address the current business environment. AMG expects to complete the restructuring process by the end of 2015 and achieve annualized cost savings of approximately $7 million.

AMG was successful in launching 2 new product lines during 2014:

(i) A newly developed one-piece flow heat treatment furnace system, SyncroTherm®, for the automotive market

(ii) A new furnace for glass forming of critical components in ultra-resistant glass for the automotive and consumer goods markets

Based on the improved order backlog at the end of 2014, further development of the new product lines and the extensive cost reduction program announced, management expects the business to return to historical sustainable levels of profitability in 2016.

$M

220.5	12.4	3.1	41.8
Revenue	Cash Flow from Operations	EBITDA	Gross Profit

Risk Management & Internal Controls

The Risk Management Committee of the Supervisory Board meets on a quarterly basis. This committee consists of Guy de Selliers (Chairman) and Steve H. Hanke, and is responsible for monitoring and advising the Supervisory Board on the risk environment of AMG.

Risk Management Approach

AMG employs a risk management approach that identifies and mitigates risk at all levels of the organization. The Company analyzes risks in formal settings such as scheduled Management Board and Supervisory Board meetings as well as everyday operational situations experienced by its global employee base. AMG has implemented a comprehensive risk management program centered on the Company's Risk Assessment Package (RAP). The RAP includes a "top-down" and "bottom-up" analysis and assessment of the Company's risks.

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 estimate the financial impact, probability, and mitigation delay of these risks;

iii describe the risk mitigation or transfer procedures in place;

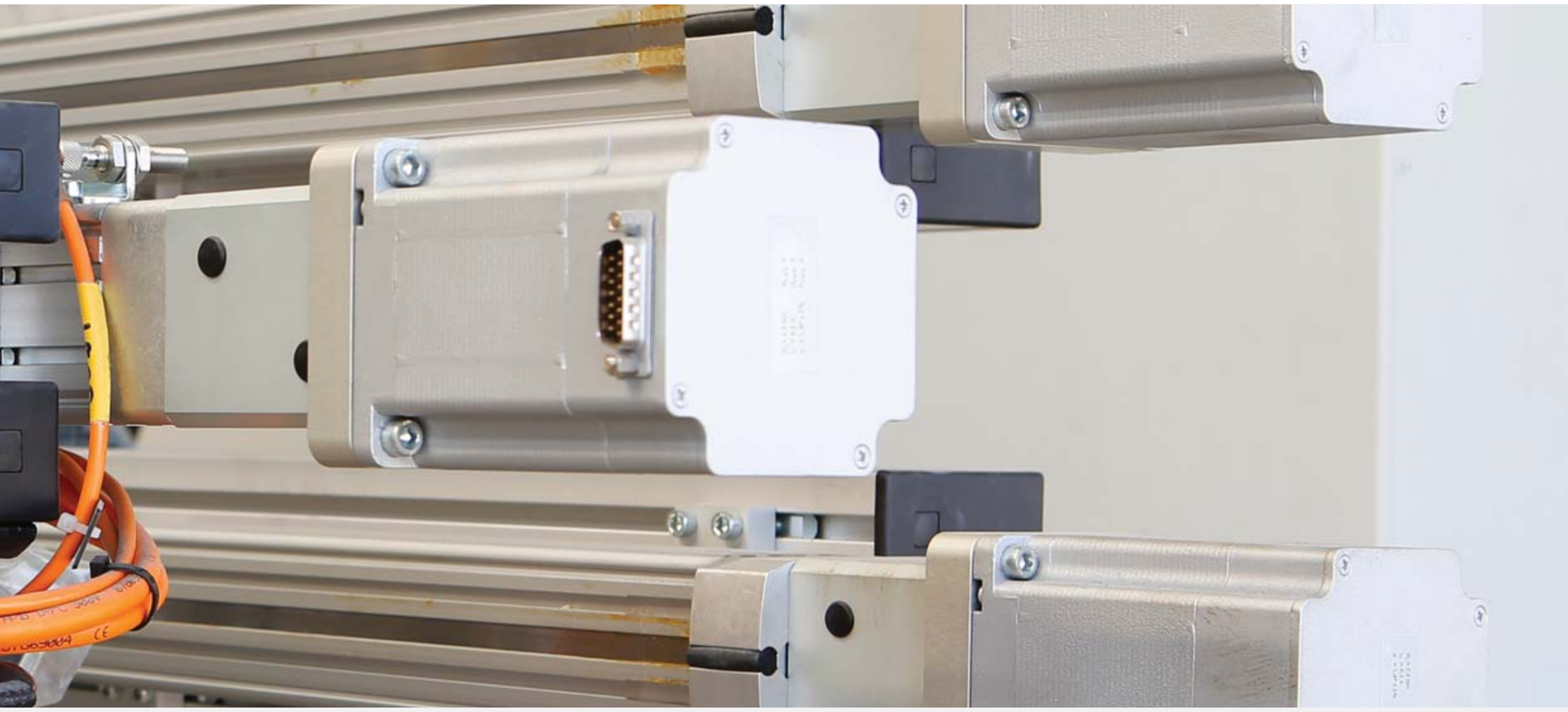
iv document the periodic monitoring of the risks;

v assign the individuals responsible for monitoring the risks;

vi review the trends of the risks identified by the business units; and

vii periodically audit previous RAP submissions to evaluate the risk management process.

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. On a quarterly basis, the Risk Management



Committee of the Supervisory Board formally reviews the consolidated risk package provided by the Risk Manager. The Audit Committee and Risk Management Committee of the Supervisory Board jointly supervise, monitor, and report on the Company's internal control and risk management programs. During 2014, special attention was given to:

- **i** monitoring compliance with the Company's credit facility;
- **ii** understanding global environmental risks; and
- **iii** evaluating risks associated with long-term contracts.

Appropriate and diverse lines of property and liability insurance coverage are also an integral part of AMG's risk management program.

Risks

Risks faced by AMG can broadly be categorized as:

Strategic: includes risks related to marketing and sales strategy, product innovation, technology innovation, raw material sourcing, capacity utilization, and acquisitions

Operational: includes risks related to executing the strategic direction, production, maintenance of production equipment, distribution of products, labor relations, human resources, IT infrastructure and security, and health, safety and environmental

Market and External: includes risks related to global and regional economic conditions, market supply/demand characteristics, competition, metal prices, product substitution, customer and supplier performance and community relations

Financial: includes risks related to compliance with credit facility covenants, currency fluctuations, liquidity, refinancing, budgeting, metal price and currency hedging, treasury and tax functions, accuracy and timeliness of financial reporting, compliance with IFRS accounting standards, compliance with the Netherlands Authority for the Financial Markets (AFM) and Euronext Amsterdam requirements

Legal and Regulatory: includes risks related to the political, environmental, legislative, and corporate governance environment

AMG is subject to a broad array of risks which are inherent to the markets in which it operates. While all risks are important to consider, the following are the principal risks that could have a material impact on results.

Metal Price Volatility Risk

AMG is exposed to metal price volatility. 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. The Company hedges exchange-traded metals, when possible. In its aluminum business, AMG also sells conversion services with no metal price risk. Most metals, alloys and chemicals that AMG processes and sells, such as chrome metal, tantalum, graphite, niobium, and antimony trioxide, cannot be hedged on an exchange. To mitigate price risk, AMG takes the following actions:

Seeks to enter into complementary raw material supply agreements and sales agreements whereby the price is determined by the same index;

Aligns its raw material purchases with sales orders from customers;

Establishes low-cost long positions in key raw materials through, for example, ownership positions in mining activities or structured long-term supply contracts;

Maintains limits on acceptable metals positions, as approved by the Management Board; and

Enters into long-term fixed-price sales contracts at prices which are expected to be sustainably above cost.

Success of the mitigation plan is dependent on the severity of metal price volatility and on the stability of counterparties performing under their contracts. Despite the mitigation strategies noted above, AMG retains some exposure to price volatility which could have an impact on financial results.

Financing Risk

A prolonged restriction on AMG's ability to access the capital markets and additional financing may negatively affect the Company's ability to fund future innovations and capital projects. The Company's primary bank facility matures in April 2016, and AMG does not currently have liquidity on hand to repay this facility without a further debt or equity raise. AMG's financing risk is mitigated by its year-end 2014 liquidity of $200 million. AMG's future liquidity is dependent on the Company's continued compliance with the terms and conditions of its credit facility and its ability to refinance. As of December 2014, the Company was in compliance with all financial covenants.

Mining Risk

AMG is exposed to certain safety, regulatory, geopolitical, environmental, operational and economic risks that are inherent to a mining operation. The profitability and sustainability of the Company's operations in various jurisdictions could be negatively impacted by environmental legislation or political developments, including changes to safety standards and permitting processes. The mining businesses have certain operational risks related to the ability to extract materials, including weather conditions and the performance of key machinery. Mining is also subject to geological risk relating to the uncertainty of mine resources and economic risk relating to the uncertainty of future market prices of particular minerals. The profitability of the Company's mining operations is somewhat dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, world supply of mineral commodities, consumption patterns, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. The prices of mineral commodities have fluctuated widely in recent years. Future price declines could cause commercial production to be impracticable.

Customer Risk

Customer concentrations in particular business units exacerbate the importance of monitoring customer risk. AMG attempts to mitigate this risk by insuring and monitoring receivables, entering into long-term contracts, maintaining a diversified product portfolio and retaining adequate liquidity. 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. AMG has long-term contracts with numerous customers that have enabled the Company to solidify relationships and deepen its knowledge of its customer base. If a customer does not perform according to a long-term contract, it could have an adverse impact on results. As a result of the collection of prepayments from many of its customers, AMG Engineering is able to mitigate a portion of customer payment and performance risk.

Supply Risk

AMG's Processing and Mining segments are 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. AMG Engineering 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. If the availability of AMG's raw materials or engineering components is limited, the Company could suffer from reduced capacity utilization. This could result in lower 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. In order to mitigate the risk of raw materials and supplies becoming difficult to source, AMG enters into longer-term contracts with its suppliers when practical, and has been diversifying its supplier base when alternative suppliers exist. The Company also mitigates the risk by monitoring supplier performance, maintaining a diversified product portfolio and retaining adequate liquidity.

Legal and Regulatory Risk

AMG must comply with evolving regulatory environments in the countries and regions where it conducts business. Adjustments to environmental policy, as well as governmental restrictions on the flexibility to operate in certain locations could affect the Company. AMG is required to comply with various international trade laws, including import, export, export control and economic sanctions laws. Failure to comply with any of these regulations could have an adverse effect on the Company's financial results. Additionally, changes to these laws could limit AMG's ability to conduct certain business. AMG carefully monitors new and upcoming changes in all governmental regulations. A change in regulatory bodies that have jurisdiction over AMG products and facilities could also result in new restrictions, including those relating to the storage or disposal of legacy material at AMG-owned properties. This may result in significantly higher costs to AMG (see note 35 to the consolidated financial statements). More stringent regulations may be enacted for the release of air emissions, wastewater discharge, or solid waste, which may negatively impact AMG's operations. In addition, international and governmental policies and regulations may restrict AMG's access to key materials or scarce natural resources in certain regions or countries or may limit its ability to operate with respect to certain countries. The REACH Directive is effective in the European Union and AMG's business units have pre-registered all required materials and also made complete registrations for those products. AMG has continuing obligations to comply with international and government regulations and practices concerning corporate organization, business conduct, and corporate governance. For example, in addressing possible conflicts of interest affecting its Management or Supervisory Board members, AMG follows strict rules of procedure, which are described in the Company's Articles of Association and the rules of procedure of the Management Board and Supervisory Board, respectively. Compliance with both legal and regulatory matters is monitored and augmented by the Company's Chief Compliance Officer and the Company's General Counsel, who make use of the services of several prominent local and global law firms. Continuous mandatory training programs are provided by the Company to its management and employees in order to ensure appropriate business conduct.

Currency Risk

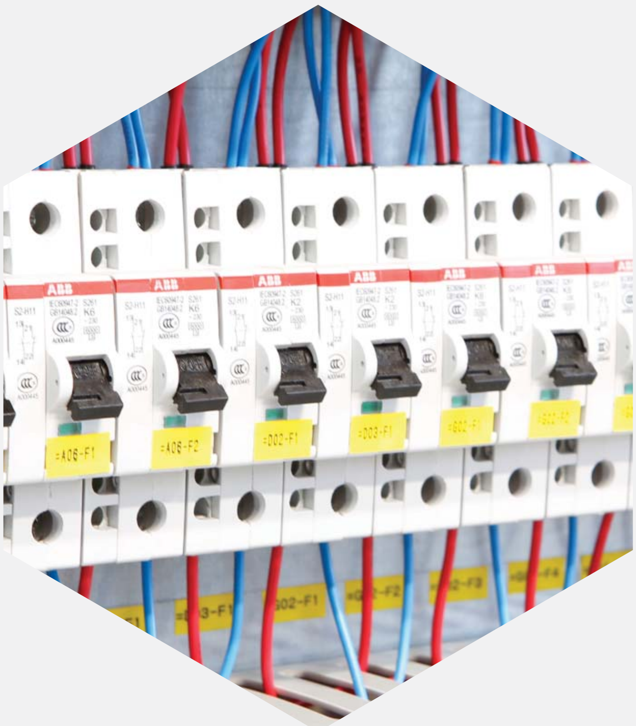
AMG's global production and sales footprint exposes the Company to potential adverse changes in currency exchange rates, resulting in transaction, translation, and economic foreign exchange risk. These risks arise from operations, investments and financing transactions related to AMG's international business profile. While AMG transacts business in numerous currencies other than its functional currency, the United States dollar, the Company's primary areas of exposure are the Euro, British pound, and Brazilian real. AMG has developed a uniform foreign exchange policy that governs the activities of its subsidiaries and corporate headquarters. AMG typically enters into non-speculative spot and forward hedge transactions to mitigate its transaction risk exposure, and employs hedges to limit translation risk. AMG's economic foreign exchange risk is somewhat mitigated by the natural hedge provided by its global operations and diversified portfolio of products. While AMG will continue to manage foreign exchange risk and hedge exposures where appropriate, fundamental changes in exchange rates could have an adverse impact on the Company's financial results.

Competition

AMG's markets are highly competitive. The Company competes domestically and internationally with multinational, regional and local providers. The primary components of competition for AMG's products are product technology, quality, availability, distribution, price and service. Competition also may arise from alternative materials and the development of new products. AMG is a leader in many of its key niche markets. The Company strives to be at the forefront of technology and product development. Despite this, there can be no assurance that the Company will not be materially impacted by increased competition.

Product Quality, Safety and Liability

AMG's products are used in various applications including mission critical components. The Company maintains a stringent quality control program to ensure its products meet or exceed customer requirements and regulatory standards. Failure to maintain strict quality control could result in material liabilities and reputational damage.



Business Interruption

A significant interruption of a key business operation could have a material impact on results. AMG's operations could be impacted by many factors including a natural disaster, serious incident or labor strike. Key suppliers and customers could also experience business interruption whereby the Company is indirectly impacted. AMG's broadly diversified business model mitigates some of the risk associated with business interruption. The Company's insurance policies also include business interruption coverage. AMG attempts to further mitigate this risk by actively monitoring the supply chain and maintaining rigorous training programs on operational and safety procedures.

Risk Monitoring and Procedures

AMG has a strategic risk function that actively monitors and establishes internal controls to mitigate business and financial risks. AMG's strategic risk function is complemented by its Internal Audit function. 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 provide 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 2014, 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 2014.

Statement of Responsibilities

On the basis of and with reference to the preceding sections and in accordance with best practice II.1.5 of the Dutch Corporate Governance Code of December 2008, and Article 5:25c of the Financial Markets Supervision Act, the Management Board confirms that internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and confirms that these controls functioned properly in the year under review and that there are no indications that they will not continue to do so. The financial statements fairly represent the Company's financial condition and the results of the Company's operations and provide the required disclosures. It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realization of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations.

In view of all of the above, the Management Board confirms that, to the best of its knowledge, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report includes a fair review of the position at the balance sheet date and the development and performance of the business during the financial year together with a description of the principal risks and uncertainties that the Company faces.

Dr. Heinz Schimmelbusch

Amy Ard

Eric Jackson

Management Board
AMG Advanced Metallurgical Group N.V.
March 26, 2015

REPORT OF THE

Supervisory Board

PEDRO PABLO KUCZYNSKI

CHAIRMAN

Male
Nationality: American and Peruvian
Born: 1938
Date of initial appointment:
June 6, 2007
Date of end of term: 2015

Economist & Investment Banker,
Partner, The Rohatyn Group

Current board positions: Agualimpia NGO (Chairman), Ternium S.A., UCP Bachus Y Johnston S.A.A.,TRG Latin America Private Equity Fund I, L.P. (Chairman)

Former positions: Prime Minister of Peru and Chairman, First Boston International (Credit Suisse)

JACK L. MESSMAN

VICE CHAIRMAN

Male
Nationality: American
Born: 1940
Date of initial appointment:
June 6, 2007
Date of end of term: 2017

Current board positions: RadioShack Corporation, Safeguard Scientifics, Inc., Telogis, Inc. (Chairman)

Former positions: Chief Executive Officer, Novell, Inc. and Union Pacific Resources Corporation

STEVE HANKE

Male
Nationality: American
Born: 1942
Date of initial appointment:
May 3, 2013
Date of end of term: 2015

Professor of Applied Economics and Co-Director of the Institute for Applied Economics, Global Health and the Study of Business Enterprise at the Johns Hopkins University, Senior Fellow at the Cato Institute, Distinguished Professor at the Universitas Pelita Harapan in Jakarta, Indonesia

Current board positions:
Chairman of Richmond Optimus LLC

HERB DEPP

Male
Nationality: American
Born: 1944
Date of initial appointment:
November 8, 2013
Date of end of term: 2017

Former positions: VP GE Boeing Commercial Aircraft Programs, VP GE Aviation Operations, VP Marketing and Sales GE Aircraft Engines, President General Electric Capital Aviation Services (GECAS)

UTE WOLF

Female
Nationality: German
Born: 1968
Date of initial appointment:
May 3, 2013
Date of end of term: 2015

Chief Financial Officer of Evonik Industries AG

Current board positions: Pensionskasse Degussa VVaG

GUY DE SELLIERS

Male
Nationality: Belgian
Born: 1952
Date of initial appointment:
June 6, 2007
Date of end of term: 2018

President, HCF International Advisers Ltd.

Current board positions: Solvay SA, Wessex Grain, Ageas Group SA (Vice Chairman), Ageas UK, Ltd. (Chairman), Ivanhoe Mines Ltd., Ipulse Ltd., Cranemere plc (UK)

Former position: Robert Fleming and Co. Limited, Eastern Europe (Chairman)

NORBERT QUINKERT

Male
Nationality: German
Born: 1943
Date of initial appointment:
June 6, 2007
Date of end of term: 2018

Current board positions: VTION Wireless Technology AG (Chairman), BOGEN Electronics GmbH

Former position: Motorola (Germany, Austria, Switzerland and the Netherlands) (Chairman), President General Electric Germany

MARTIN HOYOS

Male
Nationality: Austrian
Born: 1947
Date of initial appointment:
May 13, 2009
Date of end of term: 2017

Current board position: Prinzhorn Holding GmbH, CAG Holding GmbH, Curanum AG, Koenig & Bauer AG (Chairman), Korian-Medica S.A.

Former position: CEO KPMG Europe, Middle East and Africa

DONATELLA CECCARELLI

Female
Nationality: Italian
Born: 1959
Date of initial appointment:
May 8, 2014
Date of end of term: 2018

Chairwoman of the Executive Board of the Flick Foundation

Former positions: Global Wealth Management Director at Merrill Lynch International Bank Ltd. (Milan, Italy), Executive Director at Lehman Brothers International Europe (Frankfurt, Germany)

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 four committees: the Audit Committee, the Selection and Appointment Committee, the Remuneration Committee and the Risk Management Committee, each of which reports on a regular basis to the Supervisory Board. The separate reports of each of these Committees are included 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 nine members: Pedro Pablo Kuczynski (Chairman), Jack Messman (Vice Chairman), Guy de Selliers, Norbert Quinkert, Martin Hoyos, Steve Hanke, Ute Wolf, Herb Depp and Donatella Ceccarelli. During the Annual General Meeting held on May 8, 2014, in Amsterdam, the General Meeting of Shareholders approved the expansion of the Supervisory Board from eight to nine members. Since AMG is active in the supply of critical materials (including specialty metals and alloys), mining and capital goods, and operates in a difficult and unpredictable economic environment, it was determined that diversity in skills and experience is a key prerequisite for the performance of the Supervisory Board going forward. The Supervisory Board strongly believes it has the right skill set in place now to take on the challenges of the future. The Supervisory Board aims for an appropriate level of experience in technological, manufacturing, economic, operational, strategic, 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 enable it 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 2014 with the applicable corporate governance rules and the rules governing the principles and practices of the Supervisory Board.

The Resignation Schedule of the members of the Supervisory Board is as follows:

Pedro Pablo Kuczynski	2015
Jack Messman	2017
Martin Hoyos	2017
Norbert Quinkert	2018
Guy de Selliers	2018
Steve Hanke	2015
Ute Wolf	2015
Herb Depp	2017
Donatella Ceccarelli	2018

As announced last year, Mr. Pedro Pablo Kuczynski, the current Chairman of the Supervisory Board, will step down when his term ends in May 2015 and will not be available for re-appointment. The Supervisory Board regrets but respects the decision of Mr. Kuczynski. The Supervisory Board is pleased to announce that it has appointed Mr. Norbert Quinkert as the successor of Mr. Kuczynski as Chairman as of May 7, 2015. Mr. Quinkert has been a member of the Supervisory Board since 2007 and currently serves as Chair of the Selection & Appointment Committee. Mr. Quinkert was Chairman of Motorola Germany from 1994 to 2006 and prior to that he was with General Electric for 29 years in various senior positions, lastly as President of General Electric Germany. He served, amongst others, from 1991 to 2012 as Executive Vice President of the American Chamber of Commerce in Germany and acted as CEO of the Technology Foundation Berlin from 2010-2013. He currently serves on the Boards of VTION Wireless AG (Chairman) and BOGEN Electronics. Full details of the CV of Mr. Quinkert are available at the offices of the Company. Ms. Ute Wolf, whose term ends in May 2015, has indicated that she is not available for re-appointment as member of the Supervisory Board given her schedule and other commitments. The Board regrets but respects the decision of Ms. Wolf.

Further, following the agreement reached between the Company and RWC European Focus Master Inc. ("RWC") on March 7, 2015 (see page 53), the Supervisory board is pleased to nominate Mr. Robert Meuter and Mr. Petteri Soininen as members of the Supervisory Board for election at the Annual Meeting in May 2015. Mr. Meuter, when appointed, will serve as independent Supervisory Board member within the meaning of the Dutch Corporate Governance Code. Mr. Meuter is a Dutch national (born in 1947) and a banker by profession. He was Vice Chairman of Wholesale Bank at ABN AMRO Bank N.V. until he retired in 2005. Prior to that he was a member of the Management Board of Kempen & Co (Dutch merchant bank) from 1990 to 2000 after having served in various positions at Citibank, J.P. Morgan and Algemene Bank Nederland N.V. He currently serves as Chairman of the Supervisory Board of Propertize, a Dutch *bad* bank formed after the bailout of SNS Real Estate Finance in 2013. He also is a member of the Supervisory Board of TD bank N.V. Mr. Meuter holds a Master's Degree in Economics from the University of Groningen in the Netherlands and a Master's Degree in Industrial Administration from Carnegie Mellon University in the USA. Mr. Soininen, when appointed, will serve as non-independent Supervisory Board member within the meaning of the Dutch Corporate Governance Code. Mr. Soininen is a Finnish national (born in 1974) and is partner of RWC Asset Management LLP and Co-Head of RWC European Focus Fund, which is affiliated with RWC European Focus Master Inc. which owns 17.9% of the issued share capital of the Company. Mr. Soininen was Co-Head of Hermes European Focus Fund until 2012 and before that, Principal at the Boston Consulting Group from 1999-2008. He currently is a Board member at Electromagnetic Geoservices ASA and holds a Master's degree in Industrial Engineering from Helsinki University of Technology in Finland.

During the Annual General Meeting in May 2015, the Supervisory Board will also propose to re-appoint Professor Steve Hanke as member of the Supervisory Board, as his term ends on May 7, 2015.

The Supervisory Board will be constituted of nine members following the appointments of the three nominees mentioned above. The Supervisory Board holds the

view that it is properly constituted with the right skill set given the many challenges and difficult economic circumstances facing the Company.

Gender Diversity

The Supervisory Board recognizes the importance of a diverse composition of the Supervisory Board and the Management Board in terms of gender. The Supervisory Board is pleased that in 2014, Mrs. Donatella Ceccarelli has joined the Supervisory Board as the second female member, next to Mrs. Ute Wolf who was appointed in 2013. New Dutch legislation, which became effective on January 1, 2013, requires the Company to pursue a policy of having at least 30% of the seats on the Supervisory Board and the Management Board be held by men and at least 30% of the seats be held by women. It is with particular regret that the Supervisory Board had to accept the resignation of Ms. Wolf when her term ends in May 2015. The company will, with increased focus, continue to take this allocation of seats into account in connection with the following actions: (1) the appointment or nomination for the appointment of the Supervisory Board and the Management Board and (2) drafting the criteria for the size and composition of the Supervisory Board and the Management Board. At this moment, the Company does comply with article 2:166 Dutch Civil Code with regards to the composition of the Management Board, and does not fully comply with this article regarding the composition of the Supervisory Board, where currently only 22% of the Supervisory Board seats are held by women, which will fall to 11% after May 2015. The Supervisory Board will continue to look for suitable female candidates for the Supervisory Board.

Supervisory Board Meetings

The Supervisory Board held twelve meetings over the course of 2014, including seven meetings by telephone conference. Nine 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 were frequently absent from Supervisory Board meetings. The items discussed in the meetings included recurring subjects, such as AMG's financial position, objectives and results, and more specifically the operating cash flow development as well as the net debt situation of the Company, potential acquisitions and divestments, the business plans of AMG Processing, AMG Engineering and AMG Mining segments, capital expenditure programs, succession planning, legal and compliance review, 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), working capital, liquidity, operating cash flow and return on capital employed. Furthermore, the Supervisory Board completed its review of the composition of the Supervisory Board and decided to expand the Board from eight to nine members. The Supervisory Board further 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. Next to the scheduled meetings, the Chairman and other members of the Supervisory Board had regular contact with the Chief Executive Officer and the other members of the Management Board as well as senior executives of the Company throughout the year. A particular and recurring item of discussion concerned the relationship and ongoing dialogue with the Company's largest shareholder RWC European Focus Master Inc. ("RWC"), which owns 17.9% of AMG's share capital. RWC had made various exchanges with respect to the Company's strategy, corporate governance and remuneration practices during 2014 and early 2015.

On November 6, 2014, the Supervisory Board (without the presence of the Management Board) met and reviewed the performance of the Management Board and its members. During this meeting, the Supervisory Board concluded that the Management Board had been operating very well in a difficult economic environment and that no changes in its composition were merited. The Management Board was specifically recognized for its continued drive and focus on operating cash flow and the reduction of net debt as well as its risk management skills and efforts to pursue strategic initiatives. At this meeting, the Supervisory Board also unanimously resolved to nominate Dr. Heinz Schimmelbusch for a new term of four years as CEO and Chairman of the Management Board of the Company for election at the Annual Meeting on May 7, 2015. The Board came to this decision after it unanimously approved the strategy of the Company and concluded that the presence of Dr. Schimmelbusch as CEO is indispensable for executing the strategy in the foreseeable future. At the same time, the Board agreed to initiate a succession planning process to identify a suitable candidate to succeed Dr. Schimmelbusch at the end of his term (if re-appointed), or earlier if a suitable candidate would be identified and ready to take over as CEO and Chairman of the Management Board. Furthermore, at the meeting on November 6, 2014, the Supervisory Board also evaluated its own functioning, this time with the assistance of an outside consultant who was hired to coordinate and supervise the self-evaluation process. In doing so, a questionnaire was prepared and distributed by the consultant to each member of the Supervisory Board who then completed the questionnaire. The outcome was discussed during a private plenary session of the Supervisory Board in the presence of the consultant who shared the main conclusions and recommendations drawn from the completed questionnaires. These conclusions and recommendations focused on the need to continuously review the optimal size of the Supervisory Board as well as to review the current processes used for succession planning and strategy review. Otherwise the overall conclusion was that the Supervisory Board and its committees were functioning adequately and that the Supervisory Board's composition was in general well-balanced in terms of competence, nationality, age and experience, particularly given the challenges facing the Company in the present economic and social environment.

Remuneration of the Supervisory Board in 2014

In the Annual Meeting of 2013, the General Meeting of Shareholders approved an amendment to the remuneration of the members of the Supervisory Board with effect from January 1, 2013.

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.

Cash remuneration: The cash remuneration of the Supervisory Board members was set for 2014 (in thousands) at $95 for the Chairman, $70 for the Vice Chairman and $60 for the other members. Chairpersons of the Remuneration Committee, the Audit Committee, the Selection and Appointment Committee and the Risk Management Committee are each paid an additional $20 annually.

Share remuneration: The members of the Supervisory Board do not participate in any of AMG's incentive plans. As part of the Supervisory Board's annual remuneration in 2014, 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. The table below specifies the number of shares issued to each Supervisory Board member in 2014. 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 they cease 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

FOR THE YEAR ENDED DECEMBER 31, 2014	ROLE	CASH REMUNERATION	SHARE REMUNERATION	# OF SHARES GRANTED
Pedro Pablo Kuczynski	Chairman & Member Selection & Appointment Committee	$95	$80	8,490
Jack L. Messman	Vice Chairman & Remuneration Committee Chair	$90	$53	5,671
Norbert Quinkert	Member & Selection and Appointment Committee Chair	$80	$47	4,962
Guy de Selliers	Member & Risk Management Committee Chair	$80	$47	4,962
Martin Hoyos	Member & Audit Committee Chair	$80	$47	4,962
Steve Hanke	Member & Member Risk Management Committee	$60	$52	5,513
Ute Wolf	Member & Member Audit Committee	$60	$52	5,513
Herb Depp	Member & Member Remuneration Committee	$60	$52	5,513
Donatella Ceccarelli	Member & Member Selection & Appointment Committee	$39	$32	3,446

by way of remuneration. AMG does not comply with best practice provision III.7.1 and III.7.2 for reasons further explained in the Corporate Governance chapter (page 48) of this report and at the Company's website under the heading Corporate Governance at AMG.

The table on the previous page shows the total remuneration of each member of the Supervisory board for 2014 (in thousands, except number of shares granted).

Shares Held by Members of the Supervisory Board

As of December 31, 2014, the members of the Supervisory Board held 228,247 shares in the Company. Out of that number, 195,497 shares were awarded to them between 2007 and 2014 as part of their annual remuneration.

Remuneration of the Supervisory Board in 2015

The remuneration of the Supervisory Board will not change in 2015 as compared to 2014.

Committees

The Supervisory Board has four standing committees: the Audit Committee, the Selection and Appointment Committee, the Remuneration Committee and the Risk Management Committee.

Audit Committee

Composition: Martin Hoyos (Chair) and Ute Wolf

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 monitors and reviews 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 four times during 2014 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. One of these meetings was held jointly with the Risk Management Committee as per the charter of both Committees to review the structure, process and effect of the Company's internal risk management and control systems.

Topics of discussion at the Audit Committee meetings included the Internal Audit plan and the External Audit plan, audit reports of the various units within the Group, the Management Letter issued by the external auditor, liquidity and cash situation, credit facility and arrangement with the Company's major banks, insurance, environmental risk, status of the IT environment within AMG, compliance and Code of Business Conduct review program, foreign currency exposure and hedging policies, tax structuring and spending approval matrices, risk management reports and litigation reports. Ernst & Young Accountants LLP also provided the Audit Committee with agreed-upon midyear procedures and a year-end audit of the Company's accounting policies and procedures. Furthermore, the Company's Internal Audit Director 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 Company's Management Board or financial and accounting staff present. The Audit Committee reviewed the contents of the 2014 Management Letter of the external accountant and reported on this matter to the plenary meeting of the Supervisory Board. 2014 external audit fees were $2.0 million, which includes the cost of the midyear procedures. Present at all non-executive session meetings of the Audit Committee were the Chief Financial Officer and the Internal Audit Director. AMG's auditors Ernst & Young Accountants LLP were present at most of these meetings while at certain meetings, the Company's Chief Compliance Officer, General Counsel and Investor Relations Officer were present.

The Internal Audit Director at AMG reports to the Audit Committee and Management Board and operates on the basis of an Internal Audit plan approved by the Audit Committee and Management Board. The Internal Audit plan is risk-based and comprises all units and subsidiaries of the AMG Group with a focus on operational, strategic and IT risks.

The Internal Audit function closely cooperates with the external auditors of the Company and attends all meetings of the Audit Committee and the Risk Management Committee of the Supervisory Board.

Selection and Appointment Committee

Composition: Norbert Quinkert (Chair)
Pedro Pablo Kuczynski and Mrs. Donatella Ceccarelli (as of May 8, 2014)

The Selection and Appointment Committee is responsible for: (i) preparing the selection criteria, appointment procedures and leading searches for Management Board and Supervisory Board candidates; (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 three regular meetings during 2014, 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.

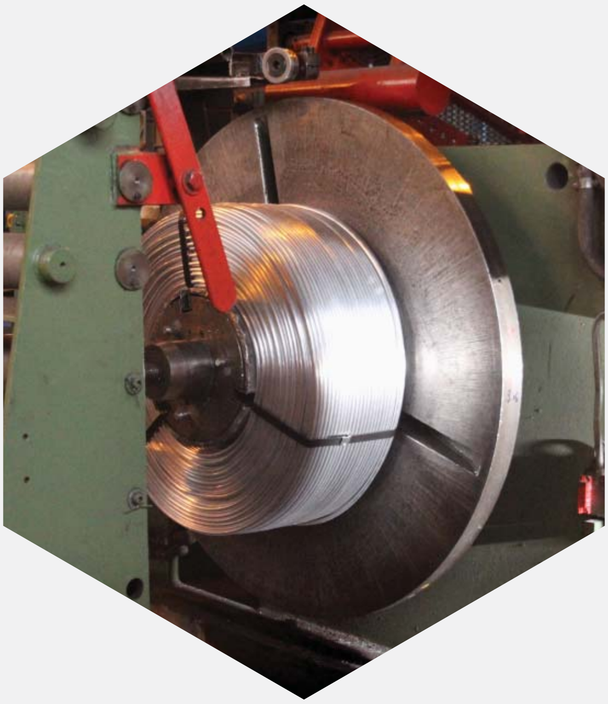
In 2014, particular attention was paid to the position of the Chief Executive Officer as the term of the current CEO is ending at the Annual meeting in 2015. Upon recommendation of the Selection & Appointment Committee, the Supervisory Board has unanimously resolved to nominate the current CEO, Dr. Heinz Schimmelbusch, for re-appointment as CEO and Chairman of the Management Board by the General Meeting of Shareholders for another term of four years during the Annual Meeting on May 7, 2015.

Another important matter in 2014 concerned the expansion of the Supervisory Board with the appointment of Mrs. Donatella Ceccarelli as Supervisory Board member, in addition to the re-appointments as Supervisory Board members of Mr. Norbert Quinkert and Mr. Guy de Selliers during the Annual Meeting on May 8, 2014.

Remuneration Committee

Composition: Jack Messman (Chair) and Herb Depp

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 2014, in addition to various informal discussions among its members and the other members of the Supervisory Board and the Chairman of the Management Board. Topics of discussion at the meetings included: (i) a periodic review of the remuneration of the members of the Supervisory Board; (ii) a periodic review of the Remuneration Policy of the Company (in effect since 2009 and last amended in 2013); (iii) review of the base salary for members of the Management Board; (iv) review of the performance-related compensation of the Management Board members; and (v) review of proposals made by shareholders to amend the remuneration of the Management Board members including review of the peer group selected for executive remuneration. In performing its duties and responsibilities, the Remuneration Committee was assisted by external remuneration experts. An amended Remuneration Policy for the Management Board has been in place since 2013, which was adopted with almost unanimous consent



by the General Meeting of Shareholders on May 3, 2013. The Remuneration Policy of the Company is published on the Company's website (amg-nv.com).

Risk Management Committee

Composition: Guy de Selliers (Chair) and Professor Steve Hanke

The Risk Management Committee has been in existence since May 3, 2013. The Risk Management Committee's main responsibility is monitoring and advising the Supervisory Board on the risk environment of AMG with specific focus on material risks relating to AMG's (i) strategy; (ii) operations and execution (production, IT, SHE developments); (iii) external factors relating to global and regional economic conditions (metal price developments, supply, competitors etc.); (iv) financing requirements; and (v) legal and regulatory exposure.

The Risk Management Committee met three times during 2014 and reported its findings periodically to the plenary meeting of the Supervisory Board. One of these meetings was held jointly with the Audit Committee. The charters of both the Audit and Risk Management Committees call for at least one joint meeting per annum in order to, amongst other things, advise the Management Board and Supervisory Board on the structure, process, and effect of the Company's internal risk management and control systems.

Report on Remuneration of the Management Board in 2014

The remuneration of AMG's Management Board for 2014 was based on the Remuneration Policy of the Company. Under the Remuneration Policy, each year the Supervisory Board reviews, confirms and uses an executive compensation peer group for benchmarking purposes. For 2014, this peer group is largely consistent with prior years and consists of the following companies:

1. Allegheny Technologies Incorporated
2. Ametek, Inc.
3. A.M. Castle & Co.
4. Bodycote plc
5. Cabot Corporation
6. Carpenter Technology Corporation
7. First Solar, Inc.
8. Globe Specialty Metals Inc.
9. Commercial Metals Company
10. HudBay Minerals Inc.
11. Kemet Corporation
12. Lundin Mining
13. Materion Corporation
14. Morgan Crucible Company plc
15. OM Group, Inc.
16. Outotec Oyj
17. Pfeiffer Vacuum Technology AG
18. Precision Castparts Corp.
19. PVA Tepla AG
20. RTI International Metals, Inc.

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, pursuant to the Remuneration Policy, 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

(in thousands) FOR THE YEAR ENDED DECEMBER 31, 2014	BASE SALARY	ANNUAL BONUS	OPTION COMPENSATION	VALUE OF VESTED OPTIONS "IN THE MONEY" AT DEC. 31, 2014	PERFORMANCE SHARE UNITS	RETIREMENT BENEFITS & PENSIONS	OTHER REMUNER-ATION
Dr. Heinz Schimmelbusch	1,082	1,514	599	-	(710)	292	104
Eric Jackson	633	683	183	-	(237)	338	52
Amy Ard	500	507	70	-	(204)	123	19

the 2014 remuneration, the Supervisory Board has considered multiple scenarios on how the remuneration components would be effected given different sets of circumstances (which related in this year particularly to the level of growth by the Company resulting from the global economy, volatility levels of the financial markets and the USD-EUR exchange rate).

Management Board Remuneration in 2014

The remuneration contracts of certain members of the Management Board were with companies that are now part of AMG. The remuneration levels in the table above show the aggregate amounts of the contracts per Management Board member. A detailed explanation of the remuneration paid in 2014 is provided in note 36 to the consolidated financial statements.

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.

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)
- 40%: Operating Cash Flow
- 20%: Individual performance

The Company's ROCE in 2014 was above the annual target while operating cash flow was significantly above the targets set by the Supervisory Board. The table below shows the target and paid-out annual bonus in 2014 as a percentage of base salary per Management Board member. The base salary for annual bonus calculation purposes corresponds to full-year base salary.

	AS A % OF BASE SALARY	
For The Year Ended December 31, 2014	Target	Payout
Dr. Heinz Schimmelbusch	85%	140%
Eric Jackson	65%	108%
Amy Ard	60%	101%

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 Remuneration Policy first adopted 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 since 2009. The table on page 35 provides an overview of the options granted under the AMG Option Plan between 2007 and 2014. All options granted between 2007 and 2010 are fully vested. In May 2014, options were granted to the Management Board members pursuant to the Remuneration Policy as part of the long-term incentive plan. 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.

Performance Share Units

In 2014, the Supervisory Board awarded Performance Share Units for the sixth time to the Management Board members since adoption of the Remuneration Policy. The present value of the Performance Share Units (PSU) award for the Management Board members in 2014 was as follows (in thousands):

Heinz Schimmelbusch	€1,360
Eric Jackson	€400
Amy Ard	€360

The present value of the PSUs is calculated as 100% of the fair market value at the grant date. These PSU awards will vest after three years, in accordance with the Remuneration Policy. Vesting of the PSU is subject to:

- A three year vesting period
- A minimum average ROCE over the performance period as established by the Supervisory Board
- The relative Total Shareholder Return (TSR) compared to Bloomberg World Metal Fabricate/Hardware Index

For the 2011 PSU grants, the three year vesting period was met in 2014 and the minimum ROCE over the performance period met the target set by the Supervisory Board. However, the relative TSR for the Company resulted in a multiplier of zero which accordingly did not allow any of the initial 2011 performance share units to vest. As a result, there was no payout in 2014 under the prevailing PSU plan for Management Board members.

Pensions and Retirement Benefits

The members of the Management Board are members of a defined contribution plan maintained in the United States. Heinz Schimmelbusch, Eric Jackson, and Amy Ard receive additional retirement benefits from Metallurg's Supplemental Executive Retirement Plan (SERP). With respect to Heinz Schimmelbusch, the supplemental benefits are payable commencing at 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. Pursuant to Eric Jackson's and Amy Ard's SERP, if Eric Jackson and/or Amy Ard are employed by Metallurg or remain in Metallurg's employment until he or she is 65, he or she is entitled, whether or not he or she has terminated his employment, to receive retirement benefits (reduced by amounts received under Metallurg's other pension plans). Eric Jackson's and Amy Ard's benefits will be reduced if their employment with Metallurg ends prior to reaching age 65.

Total costs to AMG with respect to the pension and retirement benefits of the Management Board in 2014 are provided in the table on page 123 which sets forth total expenses incurred in 2014 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 123 which sets forth total costs incurred in 2014 for Management Board remuneration.

Contracts

Each member of the Management Board, except for Amy Ard, has a contract of employment with AMG. These employment contracts were entered into before January 1, 2013 for an indefinite period of time. 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. Amy Ard already had an employment contract with AMG's subsidiary Metallurg Inc. before becoming a member of the Management Board. In case Metallurg, at the instruction of AMG, terminates the contract 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.2.8 of the Dutch Corporate Governance Code.

As part of the Company's approved and adopted Remuneration Policy, AMG will honor existing contractual agreements for its Management Board members, and adapts to individual country practices, which differ from best practice provision II.2.8 of the existing Dutch Corporate Governance Code. In addition to the employment contracts with AMG, Heinz Schimmelbusch and Eric Jackson have a contract with one of AMG's subsidiaries. Details of (all 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.

AMG OPTION PLAN			NON-VESTED OPTIONS UNDER THE PLAN			VESTED OPTIONS UNDER THE PLAN		
FOR THE YEAR ENDED DECEMBER 31, 2014	YEAR	DATE OF GRANT	NUMBER OF OPTIONS	PRESENT VALUE AT DATE OF GRANT	VESTING SCHEME	EXERCISE PRICE	NUMBER OF OPTIONS	MARKET VALUE AT 12/31/2014
Dr. Heinz Schimmelbusch	2007	07-07-11	—	€2,700,000	25% each yr over 4 years	€24.00	225,000	€—
	2008	08-11-12	—	€846,665	25% each yr over 4 years	€12.70	133,333	€—
	2009	09-05-13	—	€661,852	100% vested on 1/1/10	€8.00	165,463	€—
	2009	09-11-10	—	€500,000	50% vested after 3 years, 50% vested after 4 years	€9.84	101,626	€—
	2010	10-05-12	—	€249,999	50% vested after 3 years, 50% vested after 4 years	€7.99	62,578	€—
	2011	11-05-11	33,156	€500,000	50% vested after 3 years, 50% vested after 4 years	€15.08	33,157	€—
	2012	12-05-15	155,352	€500,233	50% vested after 3 years, 50% vested after 4 years	€6.44	—	n/a
	2013	13-05-03	79,400	€270,000	50% vested after 3 years, 50% vested after 4 years	€6.80	—	n/a
	2014	14-05-08	78,865	€340,000	50% vested after 3 years, 50% vested after 4 years	€7.82	—	n/a
Eric Jackson	2007	07-07-11	—	€1,200,000	25% each yr over 4 years	€24.00	1,000	€—
	2008	08-11-12	—	€254,000	25% each yr over 4 years	€12.70	40,000	€—
	2009	09-05-13	—	€383,116	100% vested on 1/1/10	€8.00	95,779	€—
	2009	09-11-10	—	€150,001	50% vested after 3 years, 50% vested after 4 years	€9.84	30,488	€—
	2010	10-05-12	—	€74,998	50% vested after 3 years, 50% vested after 4 years	€7.99	18,773	€—
	2011	11-05-11	9,947	€150,001	50% vested after 3 years, 50% vested after 4 years	€15.08	994,700	€—
	2012	12-05-15	46,606	€150,071	50% vested after 3 years, 50% vested after 4 years	€6.44	—	n/a
	2013	13-05-03	26,467	€90,000	50% vested after 3 years, 50% vested after 4 years	€6.80	—	n/a
	2014	14-05-08	23,196	€100,000	50% vested after 3 years, 50% vested after 4 years	€7.82	—	n/a
Amy Ard	2007	07-07-11	—	€600,000	25% each yr over 4 years	€24.00	37,500	€—
	2013	13-05-03	26,467	€90,000	50% vested after 3 years, 50% vested after 4 years	€6.80	—	n/a
	2014	14-05-08	20,876	€90,000	50% vested after 3 years, 50% vested after 4 years	€7.82	—	n/a

Management Board Remuneration for 2015

The Remuneration Committee has set up the size and structure of the Management Board's remuneration for 2015. 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. The Remuneration Committee has also reviewed the composition of the executive compensation peer group as listed on page 32 and made no substantial changes thereto for application in 2015.

Base Salary

The Supervisory Board has decided that the base salary of the Management Board members for 2015 will not change as compared to the base salary levels of 2014. The table below shows the base salaries for 2014 and 2015 (in thousands):

	2014	2015
Dr. Heinz Schimmelbusch	$1,082	$1,082
Eric Jackson	$633	$633
Amy Ard	$500	$500

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 and with respect to the threshold, target, and maximum payout and determines whether performance targets are met. The annual bonus payout in any year relates to achievements realized during the preceding year in relation to the agreed targets. The 2015 annual bonus will be determined as follows:

- 40% from ROCE
- 40% from operating cash flow (against agreed target ranges) realized
- 20% from individual performance — at the discretion of 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 and target performance levels are reached. Below threshold level, the payout will be 0%. The annual bonus can vary based on actual performance reached and can range from zero up to three times target in case of superior performance.

The Supervisory Board has the discretion to adjust the bonuses if the predetermined performance criteria would produce an unfair result due to incorrect financial data or extraordinary circumstances.

Management Board position	Target payout
Chairman and Chief Executive Officer	85%
Chief Operating Officer	65%
Chief Financial Officer	60%

Long term incentives

In line with the Remuneration Policy, the long term incentives for the Management Board for 2015 consist of two programs: the Performance Share Unit Plan and the Stock Option Plan.

This year's grant (2015) will be the seventh grant under the Plan, and vesting will, depending on performance, occur after completion of the performance period that covers the calendar years 2015, 2016 and 2017. Vesting of the Performance Share Units under the 2015 grant are subject to:

- A minimum average ROCE over the performance period
- The relative TSR compared to the Bloomberg World Metal Fabricate/Hardware Index

Each year the Supervisory Board determines the target range with respect to the ROCE performance metric, which serves as a 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 values of the PSUs to be granted in 2015 are €1,360,000 for Heinz Schimmelbusch, €400,000 for Eric Jackson and €360,000 for Amy Ard. With regard to the Stock Option Plan (SOP), each member of the Management Board will be granted stock options in 2015 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 values of the stock options under the SOP to be granted in 2015 are €340,000 for Heinz

Schimmelbusch, €100,000 for Eric Jackson and €90,000 for Amy Ard.

Based on the defined long term incentive value, the number of share options granted annually will be determined by an option pricing model with appropriate input assumptions. The input assumptions are reviewed annually. 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 at any time.

Pension and other benefits

The pension and other benefits of the members of the Management Board will not change compared to 2014.

Contracts

The current contractual agreements will not change compared to 2014. 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, 2014, Heinz Schimmelbusch held 337,797 AMG shares, Eric Jackson held 70,000 AMG shares and Amy Ard held 5,215 shares. Heinz Schimmelbusch controls in total 1,428,437 votes as a result of voting agreements entered into by him with certain individual shareholders in AMG.

Appreciation for the Management Board and the Employees of AMG

The Supervisory Board would like to thank the Management Board for its dedication and extraordinary efforts in leading the Company through what has again been a difficult year in very challenging economic circumstances. The Management Board has focused on the course it set out in the beginning of 2013, which was to improve operating cash flow and reduce net debt. 2014 has seen a continuation of depressed prices for critical materials and metals and lagging demand due to a barely growing global economy. We expect that this picture will continue to cloud the outlook of the Company in 2015. The Management Board in 2014 did an excellent job of keeping the Company focused on its operations and financial performance despite this challenging economic and financial environment. The Supervisory Board would also like to thank all the employees of AMG for their continued commitment to the Company's success.

Annual Report 2014

The Annual Report and the 2014 Annual Accounts, audited by Ernst & Young Accountants LLP, have been presented to the Supervisory Board. The 2014 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 adopt the 2014 Annual Accounts.

Supervisory Board AMG Advanced Metallurgical Group N.V.

Pedro Pablo Kuczynski, Chairman
Jack Messman, Vice Chairman
Norbert Quinkert
Guy de Selliers
Martin Hoyos
Steve Hanke
Ute Wolf
Herb Depp
Donatella Ceccarelli
March 26, 2015

Sustainable Development

SITE NAME[1]	LOCATION	COUNTRY	DIVISION
AMG HEADQUARTERS	AMSTERDAM	NETHERLANDS	AMG CORPORATE
AMG USA HEADQUARTERS	PENNSYLVANIA	USA	AMG CORPORATE
ALD IMP	BERLIN	GERMANY	AMG ENGINEERING
ALD USA[3]	CONNECTICUT	USA	AMG ENGINEERING
ALD FRANCE	GRENOBLE	FRANCE	AMG ENGINEERING
ALD UK[3]	GUILDFORD	UK	AMG ENGINEERING
ALD VACUUM TECHNOLOGIES[2]	HANAU	GERMANY	AMG ENGINEERING
ALD VACUHEAT[2]	LIMBACH	GERMANY	AMG ENGINEERING
ALD TT USA[2]	MICHIGAN	USA	AMG ENGINEERING
ALD DYNATECH	MUMBAI	INDIA	AMG ENGINEERING
ALD TT MEXICO[2]	RAMOS ARIZPE	MEXICO	AMG ENGINEERING
ALD JAPAN[3]	SHINJUKU-KU	JAPAN	AMG ENGINEERING
ALD SINGAPORE[3]	SINGAPORE	SINGAPORE	AMG ENGINEERING
ALD C&K	SUZHO	CHINA	AMG ENGINEERING
AMG INTELLIFAST GMBH	SPEYER	GERMANY	AMG ENGINEERING
AMG ANTIMONY	CHAUNY	FRANCE	AMG MINING
BOGALA GRAPHITE LANKA	COLOMBO	SRI LANKA	AMG MINING
AMG MINING[2]	KROPFMUHL	GERMANY	AMG MINING
AMG ANTIMONY	LUCETTE	FRANCE	AMG MINING
AMG MINERACAO[2]	NAZARENO	BRAZIL	AMG MINING
AMG SILICON[2]	POCKING	GERMANY	AMG MINING
AMG GRAPHITE	QINGDAO	CHINA	AMG MINING
AMG GRAPHITE TYN	TYN	CZECH REPUBLIC	AMG MINING
AMG ALPOCO	ANGLESEY	UK	AMG PROCESSING
AMG TITANIUM ALLOYS AND COATINGS[2]	BRAND ERBISDORF	GERMANY	AMG PROCESSING
AMG ALUMINUM[3]	JIAXING	CHINA	AMG PROCESSING
AMG ALUMINUM	KENTUCKY	USA	AMG PROCESSING
AMG ALPOCO	MINWORTH	UK	AMG PROCESSING
AMG TITANIUM ALLOYS AND COATINGS[2]	NÜRNBERG	GERMANY	AMG PROCESSING
AMG VANADIUM[2]	OHIO	USA	AMG PROCESSING
AMG SUPERALLOYS AND AMG ALUMINUM[2]	ROTHERHAM	UK	AMG PROCESSING
AMG ALUMINUM	WASHINGTON	USA	AMG PROCESSING
AMG BRAZIL[2]	SAO JOAO DEL REI	BRAZIL	AMG PROCESSING

1 The chart indicates which facilities were included in the scope of the sustainable development data. Only data from these facilities is included in this section which may therefore show inconsistency with other sections of this annual report covering all facilities. 2 Remote externally audited data 2014. 3 Minor or office facilities with estimated data.

This section provides our eighth annual sustainability report, which evaluates and compares AMG's social and environmental performance to previous years.

The reporting boundaries have not changed significantly since 2013; two operational sites have been combined and one office location has been closed. The 33 locations reporting in 2014 (in which AMG has a 51% or greater stake holding) are detailed in the table on page 38. They include mining and manufacturing operations and sales and administrative offices in 13 countries across 4 continents. The report considers the three segments: AMG Processing, AMG Engineering, and AMG Mining. AMG continues to assess the boundaries of this report based on the corporate ownership structure. All locations report their performance at the end of the fourth quarter, and no forecast data is used. However, sales and administrative office sites (typically with less than 10 employees) have been determined to be non-material to the report, and therefore estimated data has been used for these in 2014.

Scope of This Report

AMG utilizes the Global Reporting Initiative (GRI) G3, Mining and Metals Sector Supplement aspects. The GRI is a network-based organization that publishes the world's leading sustainability reporting framework. Additionally, AMG has applied GRI's principle of materiality to the report, which states: "Information in this report should cover issues and indicators that would substantively influence the decisions of stakeholders using this report."

AMG utilizes a standard template, which sites use to report their data in order to ensure consistency in the interpretation of definitions of the key indicators. The report is independently verified by Conestoga-Rovers & Associates. The environmental key performance data for the three segments are summarized in the table on page 47.

AMG Advanced Metallurgical Group N.V.
amg-nv.com
contact: global.sustainability@amg-nv.com

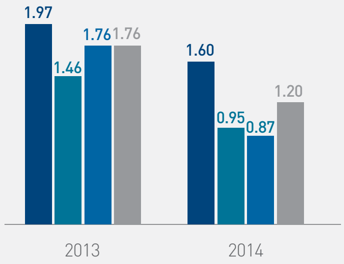
AMG People

GRI INDICATORS LA1, LA4, LA6, LA7, LA10, LA13 AND MM4

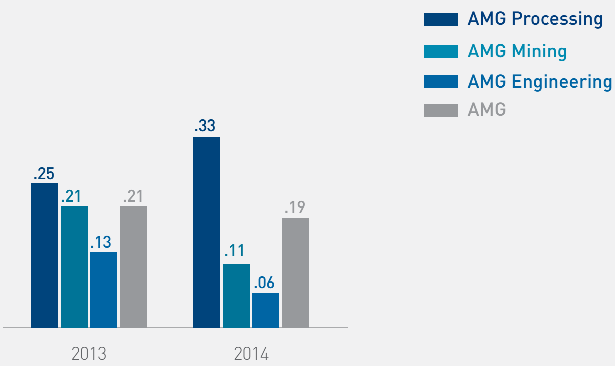
At year-end 2014, AMG Processing had a workforce of 1,183, AMG Engineering had 877 employees, and AMG Mining had 858 employees. For those facilities reporting here, including corporate staff (39), the total AMG workforce was 2,918 (facilities not yet covered in this section employ a further 73 people). Geographically, these were located in Asia (332), Europe (1,614), North America (546) and South America (426).

A further 268 directly supervised contract workers were employed at AMG sites. AMG assesses the diversity of its workforce in terms of gender and age. The multinational, and therefore multicultural, 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

LOST TIME INCIDENT RATE



INCIDENT SEVERITY



aspect. Of the total employees, 17% are female; 18% are under 30 years of age, 53% are between 30 and 50, and 28% are over 50. The Management Board is 66% male and 33% female. The Supervisory Board is 78% male and 22% female. One Supervisory Board member is aged 30-50 while 8 are over 50.

AMG respects the freedom of its individual employees and their rights to join, or to choose not to join, unions. Across the Company, 1,825 AMG employees (63%) were covered by collective bargaining agreements. 75% of AMG Processing and 63% of AMG Mining employees are covered by such arrangements. AMG Engineering, which includes a higher proportion of professional salaried staff, has 45% of its employees covered by collective bargaining agreements. There were no strikes or lockouts reported at any of AMG's facilities in 2014.

AMG is pleased to report that no fatal incidents occurred at any of our sites in 2014. Since the first Annual Report on safety in 2008, safety performance has improved significantly. AMG's medium-term goal is zero lost-time incidents – we cannot accept that any incident is inevitable. In 2014, we saw the best safety performance yet, extending the improving trend. For AMG as a whole, the Lost Time Incident Rate[1] dropped from 1.76 in 2013 to 1.20. The incident severity[2] was also lower at 0.19 compared 0.21 in 2013. Of the 33 locations included in this report, 18 achieved zero lost-time incidents in 2014. No specific occupational diseases were reported in 2014. The average absenteeism rate across AMG was 3.2%. The Company continues towards its ultimate goal of zero harm to any employee. Thirteen sites are OHSAS 18001 certified. Formal health and safety committees, with representatives from all levels of the organization, and which are intimately involved in decisions regarding safety, are in place at every major production facility and many of the smaller facilities. In 2014, 82% of the AMG workforce was represented in these committees.

AMG also collects data on the hours we invest in our people to develop their skills, categorized into management; professional, technical, sales and administration; and production and maintenance employees. The categories of training tracked included technical and professional development, quality, anti-corruption policies, human rights policies and health and safety.

This is important to our safety, environmental and ethics programs, and in maintaining our technical competitive advantage. Training data on corporate employees is not fully available. In 2014, the training provided was: management (156 employees trained, averaging 18.6 hours per person), professional, technical, sales and administration (797 employees trained, averaging 22.3 hours) and Production and Maintenance (1,716 employees trained, averaging 17 hours).

1 Lost time incident frequency rate equals the number of lost time incidents multiplied by 200,000 divided by the total hours worked. Lost time injury was defined using local regulations.

2 Incident severity is defined as the number of scheduled work days lost as a result of disabling injuries per thousand worker hours of exposure. In some locations calendar days are counted by local regulators and this data is used here if scheduled work days are unavailable.

Across all the reporting sites, AMG employees received an average of 17 hours of training time in 2014 (approximately 1% of total hours worked).

Human Rights and Ethics

GRI INDICATORS HR 3, HR 5, HR 6 AND SO 3

AMG remains fully committed to the protection of internationally proclaimed human rights and works to make sure it is not complicit in human rights abuses. Each AMG site is assessed during site visits and internal audits to identify if there is the possibility of freedom of association or collective bargaining being put at risk because of political or business factors. In 2014, it was found that no sites were at risk, with the exception of China, where the formation of unions remains restricted. Similarly, the Company has reviewed sites to ensure that they are not at risk for employing child labor or exposing young workers to hazards. It was found that no sites posed a risk at this time. Our policy on human rights is included in the Company Code of Business Conduct and Ethics, which was revised and updated in 2012, and detailed in the Company's human rights policy, both available on the AMG website.

Refresher human rights and ethics training was performed in 2014, and 1,234 employees were given refresher training in ethical businesses practices, including 511 in human rights and anti-bribery based materials. Compliance officers at the major sites monitor and implement the Code of Business Conduct and Ethics.

Resource Efficiency and Recycling

GRI INDICATORS EN 1 AND EN 2

The use of resources varies between AMG business units, ranging from those that locally mine or purchase primary raw materials to produce metals, alloys, and inorganic chemicals, through those which produce metals and alloys from secondary, recycled resources, to those which provide technology and engineering services. AMG resource usage data comprises raw materials, associated process materials, semi-manufactured goods and parts and packaging, by weight.

AMG Engineering provides predominantly furnace technology and engineering services, including furnace assembly operations and heat treatment services. The segment utilizes limited amounts of resources in these activities, mainly complex component parts for furnaces, which are routinely measured in units rather than by mass. Therefore, unlike the chemicals and alloys business units, only limited data is available on resource mass. In 2014, AMG Engineering reported using 2,930 mt of resources, all of which were classified as primary.

AMG Processing uses a much more diverse range of resources including power plant wastes and spent refinery catalysts for the production of vanadium alloys and metal salts for aluminum alloy production. The segment uses recycled iron, steel, aluminum and titanium in processes when possible. The segment utilized 154,000 mt of resources in 2014, of which 27,000 mt (17.5%) were secondary or recycled materials.

AMG Mining uses non-renewable resources such as graphite rich ores for the manufacture of natural graphite, and quartz in its silicon metal operations. In 2014, the primary utilization of resources was by AMG Mineração (780,000 mt) and AMG Silicon (183,000 mt) with the remaining AMG Mining sites using 53,000 mt.

Energy Consumption

GRI INDICATORS EN 3 AND EN 4

Energy remains a major area of focus for AMG for both environmental and economic reasons. In particular, high-temperature metallurgical processes and mining operations utilized in AMG Processing and AMG Mining are energy intensive. The two most significant energy carriers are electricity and natural gas, although other fuels and energy sources are captured in the data discussed here.[3]

The reported energy usage for AMG Processing is marginally lower in 2014 compared to 2013, decreasing from 962 terajoules (TJ) in 2013 to 940 TJ in 2014. Direct energy usage was 467 TJ and indirect 473 TJ.

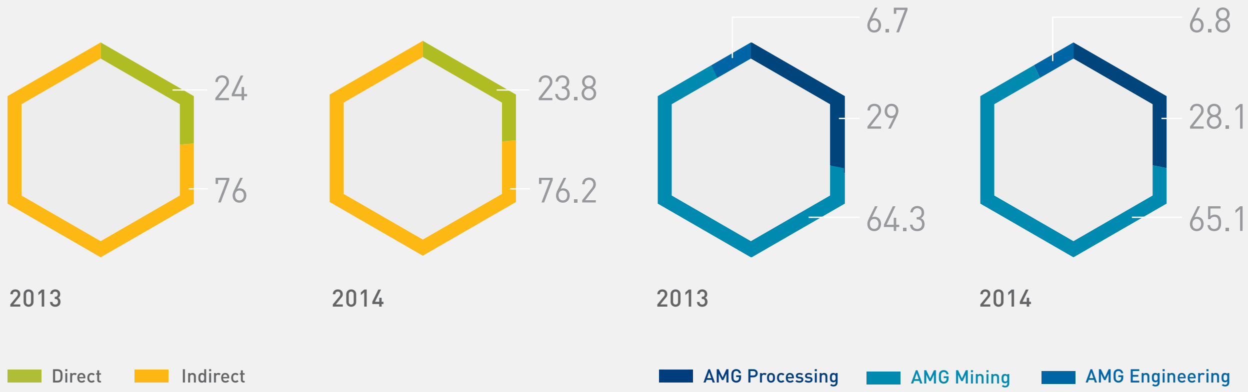
The energy usage for AMG Mining was 2,173 TJ, split between direct (312 TJ) and indirect (1,861 TJ). The largest use, accounting for 78% of this usage, was the silicon metal production in Germany – an inherently energy-intensive process.

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

ENERGY USAGE (%)

Direct/Indirect

Segmental



The energy used by low-energy heat treatment processes utilized by AMG Engineering remains low in comparison. The segment used 225 TJ, almost unchanged from 2013 (229 TJ). Indirect energy, in the form of electricity, accounted for 208 TJ, while direct energy use, primarily through natural gas, was 17 TJ.

Across AMG, the split between renewable and non-renewable indirect energy sources is difficult to determine since utilities do not generally publish this information (with some exceptions; e.g. CEMIG in Brazil now produces this data).

However, AMG does generate its own renewable energy. In 2014, AMG's hydroelectric generating facility near São João del Rei, Brazil operated at a lower capacity as a result of drought conditions and generated 21,790 GJ (6,053 MWh). This supplied AMG's local requirements at its São João del Rei, Brazil plant. Additionally, AMG Vanadium's solar power system generated 984 GJ (273 MWh) in 2014 and AMG Mineração's mine utilization of biodiesel in its truck fleet contributed 198 GJ of renewable energy.

Water Consumption

GRI INDICATOR EN 8

Water is essential to many manufacturing processes and is used by AMG 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. In addition, mining operations can utilize water from mine dewatering or for ore processing. Water utilized for cooling, process and sanitary usage is reported by AMG facilities. Reported water use for AMG Processing decreased to 637,000 cubic meters in 2014, as a result of general reductions across a number of locations. AMG Engineering's water consumption was higher than during 2013 at 100,000 cubic meters.

AMG Mining has its largest water use at the mine sites in Germany and Sri Lanka, and the silicon metal production plant in Germany. Together these three sites used 1,179,000 cubic meters of water. Additionally, the mine in Nazareno, Brazil used 2.9 million cubic meters in 2014, a significant decrease from prior years, because of reimplementation of process water recycling and improved measurement. Full data is provided in the table on page 47.

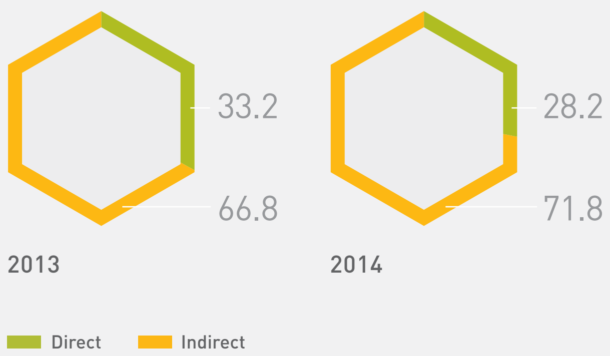
Biodiversity

GRI INDICATOR EN 11

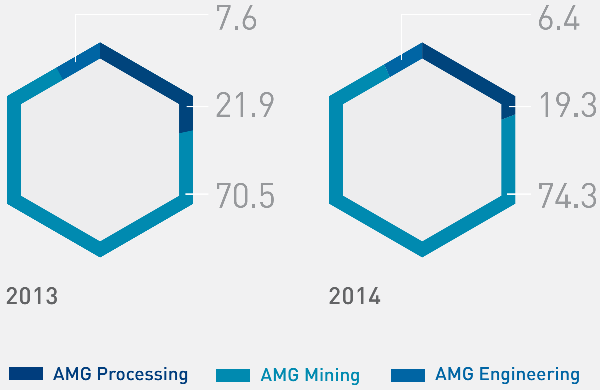
Of the 33 locations reporting for 2014, four reported land areas on or adjacent to their property which had high biodiversity value, sensitive habitats or were protected. These areas are: river frontage in Hanau, Germany; native forest in São João del Rei, Brazil; river frontage and setback areas in Nazareno, Brazil; and wetlands in Ohio, United States. AMG remains very aware of the need to be responsible stewards of these important areas.

GHG EMISSIONS (%)

Direct/Indirect



Segmental



Climate Change

GRI INDICATOR EN 16

AMG facilities utilize processes that are associated with both direct and indirect greenhouse gas (GHG) emissions, and both types are reported here. Electricity used for the generation of heat for metallurgical processing has been, and remains, the most significant source of GHG emissions for AMG. This electricity use gives rise to indirect GHG emissions of CO_2 equivalent (CO_2e), which are dependent on the nature of its generation. Whenever possible, emissions have been calculated using up-to-date 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. 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. 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.

AMG Processing GHG emissions were almost unchanged from 2013 at 122,000mt of CO_2e, and 62% of these emissions are attributed to indirect sources while 38% are attributed to direct sources.

AMG Engineering GHG emissions in 2014 were 40,000mt, a decrease from 42,000mt. 95% of these emissions are indirect and associated with electricity usage.

AMG Mining emissions remain dominated by the silicon metal production activities. Of the 469,000 mt of CO_2e emissions in 2014, 430,000 mt are attributable to silicon metal manufacture (approximately 7.5kg CO_2e per kg silicon metal produced). This activity also dominates AMG's overall GHG emissions, accounting for 68% of total group emissions. Further, changes in supply mix, including reduction of nuclear and variations in renewable energy in Germany, resulted in higher emission factors for this electricity and accounted for this increase. These factors, outside of AMG's control, outweighed reductions achieved elsewhere.

AMG provides a complex mix of products and services, and it has become clear that year-on-year comparisons are difficult as product mix varies. GHG intensity is therefore defined on the basis of revenue rather than, for example, mt of product. Normalized to a revenue basis, AMG Processing emitted 122,000mt, with revenue of $552.5 million, equivalent to 220mt CO_2e per million $ revenue, a 4% increase from 2013. AMG Engineering generated 40,000mt CO_2e, $220.5 million in revenue, or 181mt CO_2e per million $ revenue, while AMG Mining is the most carbon-intensive segment with 469,000mt of CO_2e and $320.9 million in revenue, equivalent to 1,462mt CO_2e per million $ revenue. This wide range reflects the diversity of AMG but also guides focus on reduction opportunities. For AMG as a whole in 2014, GHG intensity was 576mt per million $ revenue, a 15% increase over 2013, and primarily related to higher electrical emission factors in Germany.

Emissions to Air

GRI INDICATORS EN 19 AND EN 20

The emissions of ozone-depleting substances remain de minimis for AMG. AMG Engineering also has de minimis air emissions for other pollutants, resulting from only small sources such as heating and hot water boilers. AMG Processing's production facilities do have some other air emissions, including SOx (716 mt), NOx (59 mt) and particulate materials (24 mt). Data is only available for regulated sources where measurements have been made. AMG Mining's largest emissions come mainly from the silicon metal production activities. In total, AMG Mining's facilities emitted 321 mt SOx, 652 mt NOx, and 11 mt of particulates.

Emissions to Water and Spills

GRI INDICATORS EN 21 AND EN 23

AMG facilities continue to maintain records of the volume of aqueous effluents, including process water and non-sanitary sewer discharges 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 2014, the total water disposed to water courses by AMG Processing equaled 402,000 cubic meters compared to 411,000 cubic meters in 2013. This slight decrease is attributed to variations in production volumes and increased focus on efficiencies.

Although most of AMG Processing'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 five production sites reporting industrial process water disposal, the major constituents were metals (777kg), fluoride (125 kg), sulfate (1,094 mt) and total suspended solids (5.3 mt).

AMG Engineering utilizes minimal water for non-contact, closed-cycle cooling purposes, and the discharges are therefore clean water and not considered material to this report. The only significant water discharge of non-contact cooling water takes place at the site in Michigan, USA (31,000 cubic meters in 2014).

AMG Mining (excluding the mine in Brazil) discharged 878,000 cubic meters in 2014. This included cooling water used by the silicon metal furnaces and mine water from dewatering pumps. In several locations, mine water is utilized for process water before final discharge. Constituents from processing included metals (344 kg), fluoride (4,441 kg), sulfate (303 mt) and suspended solids (6,516 kg).

Additionally, the 2.3 million cubic meters of water discharged to surface water from the mine site in Brazil contain suspended solids, although accurate data is not yet available.

In 2014, there were no significant spills (defined by GRI as one which would affect the Company's financial statements as a result of the ensuing liability, or is recorded as a spill) of tailings or other process materials at any AMG site.

Waste Disposal

GRI INDICATOR EN 22

Detailed information was collected in 2014 for waste streams generated by AMG, along with documentation of their recycling or disposal method. AMG continues to minimize waste streams by avoiding generation, increasing reuse and recycling and minimizing landfill disposal. Landfill is a last resort. Wastes as defined here encompass materials not purposefully produced for sale and with no commercial value.

The total landfill or incineration disposal for AMG Processing was 10,470 mt, a decrease of 49% over 2013 (20,614 mt). This decrease is primarily related to conclusion of legacy remediation projects in Brazil, alongside ongoing and increasing recycling efforts. 69% of these materials (7,221 mt) were non-hazardous, with the remaining 3,249 mt disposed to licensed hazardous waste landfills.

The waste produced by AMG Engineering is much different in composition, and much smaller in volume. Just 116 mt were disposed to landfills in 2014 (138 mt in 2013), composed mainly of general waste, contaminated oil and metals that could not readily be recycled, and almost no hazardous waste.

AMG Mining disposed of 7,320 mt of waste in 2014, of which just 229 mt were hazardous waste. The graphite mine in Sri Lanka together with the silicon metal manufacturing and graphite mine sites in Germany generated 91% of this waste.

Overall, the Company disposed of 17,907 mt of waste to landfills or incineration in 2014 compared to 29,400 mt in 2013. Hazardous waste accounted for 20% of the total.

Significant Fines for Non-Compliance with Environmental and Other Laws

GRI INDICATOR EN 28

No segment received any significant fine or equivalent penalty for non-compliance with environmental laws in 2014.

GRI INDICATOR SO8

In 2014, AMG Engineering and AMG Mining did not receive any fines. Within AMG Processing, the production facility in Brazil was fined $229,000 relating to historic labor issues.

Product Responsibility

GRI INDICATOR MM 11

AMG continues its progress regarding its responsibilities under the REACH regulations in Europe, and is in the early stages of preparing for its 2018 registrations for products with volumes greater than 10 mt. European operations are working with Consortia in developing the health, safety and environmental data required for these registrations and have taken on the role as lead registrant in several cases. Industry groups continue to focus on developing health and safety knowledge of their products as the regulatory framework grows and expands across the world. AMG units are involved in, among others, the Vanadium International Technical Committee and the International Antimony Association.

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 relative to determining consistency with the GRI reporting principles. For brevity, only the most pertinent data is included in this report.

United Nations Global Compact

AMG commits its support to the principles of the United Nations Global Compact. The Global Compact, which is overseen by the United Nations, 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 AMG Management Board 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 third Communication on Progress in April 2015.

Extractive Industries Transparency Initiative

AMG continues its support of the Extractive Industries Transparency Initiative (EITI, 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. EITI 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. As of today, AMG does not have any extractive operations in an EITI-implementing country, although it does have exploration activities in Mozambique.

Global Reporting Initiative

AMG supports the 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. AMG utilizes the third version of the Guidelines, known as the G3 Guidelines, which were published in 2006. 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. GRI has recently published a fourth-generation of guidelines, G4. As an OS in the GRI Program, AMG is monitoring the implementation of this revision and will modify its data collection processes to match, although this will take several reporting cycles. OSs put their name to the GRI mission, products and processes, and promote broadening participation around sustainability and transparency. The OSs provide a key basis for legitimacy to GRI and reinforce its common commitment as a network to change.

Further information on AMG Sustainable Development and our commitments to these organizations, including our United Nations Global Compact Communication on Progress, can be found on the AMG website (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 are 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 key information* and data reported in the Sustainable Development section of this Report. The objective of the assurance process is 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. Remote audits utilizing telephone and web-based methods were carried out for 13 facilities (see table on page 38) identified by AMG, representing approximately 39% of the total number of AMG facilities. Stakeholder engagement was not within the scope of the assurance activities.

Conclusions/Recommendations

Based on 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 2014. In our opinion, the processes for collecting and reporting sustainability-related data that AMG introduced in 2007 continue to be 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.
Conestoga-Rovers & Associates
Ashley Valentine, P.E.
Conestoga-Rovers & Associates

* LA1, LA4, LA7, LA13, EN1, EN2, EN3, EN4, EN8, EN16, EN20, EN21, and EN22

Social and Environmental Key Performance Indicators and GRI Content Index

Selected Social and Environmental Key Performance Indicators*

GRI Indicator	DESCRIPTION	AMG Processing		AMG Engineering		AMG Mining		AMG	
		2013	2014	2013	2014	2013	2014	2013	2014
LA1	Total workforce	1,340	1,183	879	877	854	858	3,073	2,918
LA4	Employees covered by collective bargaining agreements (%)	72	75	45	45	86	63	68	63
LA7	Accident Rates (Total)	1.97	1.60	1.76	0.87	1.46	0.95	1.76	1.20
LA7	Accident Severity Rate (Total)	0.25	0.33	0.13	0.06	0.21	0.11	0.21	0.19
LA10	Average Hours of Training Per Year (per person)	25	24	14	18	15	17	17	17
EN2	Recycled Raw Materials (excluding mine)(%)	14	17.5	0	0	0.1	0.1	2.1	2.4
EN3	Direct Energy Consumption (TJ)	547†	467	25	17	252	312	823†	796
EN4	Indirect Energy Consumption (TJ)	448	473	204	208	1,958	1,861	2,610	2,542
EN8	Water consumption (manufacturing) (cubic meters)	718,000	637,000	80,000	99,000	596,000	578,000	1,394,000	1,314,000
EN8	Water consumption (mining) (cubic meters)	NA	NA	NA	NA	6,676,000	3,544,000	6,676,000	3,544,000
EN16	CO_2 equivalent emissions (mt)	121,000	122,000	42,000†	40,000	389,000	469,000	551,000†	631,000
EN20	SOx emissions (mt)	606	716	0	0	356	321	1,017	1,037
EN20	NOx emissions (mt)	56	59	0	0	723	652	779	712
EN20	Particulates discharged to air (mt)	18	24	0	0	11	11	28	35
EN21	Metals discharged (kg)	1,085	777	0	0	412	344	1,497	1,122
EN22	Hazardous waste (including recycled) (mt)	7,637	5,292	347	151	386	333	8,929	5,776
EN22	Non-hazardous waste (including recycled) (mt)	13,483	11,457	368	286	11,662	11,492	25,513	23,235
EN22	Percent of waste recycled (%)	26	35	62	71	28	38	26	36
EN22	Waste disposed to landfill (mt)	20,614	10,470	138	116	8,648	7,320	27,053	17,907
EN23	Spills (L)	0	0	0	0	0	0	0	0
EN28	Environmental Fines ($)	0	0	0	0	0	0	0	0
SO8	Fines for non compliance with laws ($)	195,000	229,000	0	0	0	0	0	0

* For a full list see pages 39-45. † Revised value.

GRI Content Index

PART	SECTION	REFERENCE	PAGES
Part I: Profile Disclosures	Strategy and Analysis	1.1, 1.2	1-47
	Organizational Profile	2.1 to 2.10	2-3
	Report Parameters	3.1 to 3.13	47
	Governance, Commitments, and Engagement	4.1 to 4.17	1-47
Part II: Disclosures on Management Approach (DMA)	Economic, Environment, Labor, Human Resources,Society, Product Responsibility	DMA EC, EN, LA, HR, SO, PR	1-47
Part III: Performance Indicators	Economic: Economic Performance	EC1	4-5
	Environmental: Materials	EN1, EN2	41
	Environmental: Energy	EN3, EN4	41-42
	Environmental: Water	EN8	42
	Environmental: Emissions, effluents, wastes	EN16, 19, 20, 21, 22, 23	43-45
	Environmental: Other	EN11, EN28	42, 45
	Social: Labor Practices and Decent Work	LA1, 4, 6, 7, 10, 13	39-41
	Social: Human Rights	HR3, 5, 6	41
	Social: Society	SO3, SO8	41, 45
	Social: Product Responsibility	MM11	45

Corporate Governance

AMG Advanced Metallurgical Group N.V. is a company organized under Dutch law and was established in 2006 as the holding company for the AMG Group companies, and its shares were first listed on 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 and issued on December 10, 2008). The Dutch Corporate Governance Code can be downloaded at 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 2014 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 (amg-nv.com).

Annual Accounts and Dividends

The Management Board and the Supervisory Board have approved AMG's audited consolidated financial statements for 2014. Ernst & Young Accountants LLP audited these financial statements. The audited financial statements will be submitted for adoption to the General Meeting of Shareholders.

The Management Board is authorized, subject to approval of the Supervisory Board, to reserve profits wholly or partly. The General Meeting is authorized to distribute and/or reserve any remaining part of the profits. The General Meeting may decide about reserves only on a proposal of the Management Board, which must have been approved by the Supervisory Board.

AMG's dividend policy is to retain future earnings to improve the strength of the balance sheet and finance the development of its business. 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, expansion plans, the terms of the Company's financing facilities and the compliance with applicable statutory and regulatory requirements. Additionally, payment of dividends (whether interim or after adoption of the annual accounts) 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, 2014, the total issued share capital of AMG amounts to EUR 552,839 consisting of 27,641,956 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.

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 (>3%) in ordinary shares of AMG. The information below is based on publications registered with the AFM register until March 20, 2015 (unless otherwise annotated) and therefore may not necessarily reflect the actual holdings as of that date.

As of March 20	2015
RWC European Focus Master Inc.*	17.9%
Norges Bank	4.9%
DNB Asset Management**	4.7%
Drake (W.K.)	3.1%

Shareholding	2014	2013
Number of ordinary shares outstanding	27,641,956	27,592,924
Average daily turnover	86,666	161,416
Highest Closing Price	€ 7.91	€ 8.29
Lowest Closing Price	€ 5.78	€ 6.04

* Shareholding of 17.9% as per written confirmation from RWC on March 7th, 2015
** Shareholding of 4.7% as per written confirmation from DNB Asset Management on March 20th, 2015

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 a response 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 the Euro Interbank Offered Rate 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 were amended on July 6, 2010, to provide for an authorized share capital of 65 million ordinary shares and 65 million preference shares.

Stichting Continuïteit AMG

In line with Dutch law and corporate practice, on July 6, 2010, the Stichting Continuïteit AMG (the Foundation) was established in Amsterdam, 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. 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 other than as set out below regarding the relationship agreement with RWC European Focus Master Inc. ("RWC"). Shareholders who hold shares on a predetermined record date (mandatory fixed at the 28th 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.

On March 7, 2015, AMG entered into a relationship agreement with RWC, which is AMG's largest shareholder, owning 17.9% of the issued share capital of AMG. As per the terms of this agreement, RWC has committed itself to vote at the Annual Meeting in May 2015 in favor of the proposal to re-appoint Dr. Heinz Schimmelbusch as CEO and Chairman of the Management Board of AMG and the proposal to appoint Mr. Robert Meuter and Mr. Petteri Soininen and to re-appoint Professor Steve Hanke as a member of the Supervisory Board of AMG as of May 7, 2015. Please refer to pages 52-53 concerning the chapter Decree on Article 10 of the Takeover Directive where a more detailed description is provided of the terms of this relationship agreement between AMG and RWC.

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. A binding nomination means that the General Meeting of Shareholders may appoint 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 state that in the event of a direct or indirect personal conflict of interest between the Company and any of the members of the Management Board, the relevant member of the Management Board shall not participate in the deliberations and decision-making process concerned. If all members of the Management Board are conflicted, and, as a result, no Management Board resolution can be adopted, the Supervisory Board shall adopt the resolution. In addition, it is provided in the rules of procedure of the Management Board that the respective member of the Management Board shall not take part in any decision-making that involves a subject or transaction to which he or she has a conflict of interest with the Company. Such transaction must be concluded on market practice terms and approved by 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 be neither 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, the Audit Committee and the Risk Management Committee. The Supervisory board shall be assisted by the 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 re-appointed for additional terms not exceeding four years. Unless the General Meeting of Shareholders provides otherwise, a member of the Supervisory Board cannot be re-appointed 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 made by the Supervisory Board. A binding nomination means that the General Meeting of Shareholders may appoint the nominated person, 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 Supervisory 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 and Dutch law, 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 24-37).

Each of the current members of the Supervisory Board is obliged 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 or the first anniversary of the date on which he or she 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, the implementation of the remuneration policy for the Management Board 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), and takes place within six months from the end of the preceding financial year.

Meetings are convened by public notice on the website of the Company and by letter, or by use of electronic means of communication, to registered shareholders. Notice is given at least 42 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 8, 2014, the General Meeting of Shareholders resolved to authorize the Management Board for a period of 18 months from that date (until November 7, 2015) as the corporate body, which, subject to approval by the Supervisory Board, is authorized respectively (i) to issue shares, including any grant of rights to subscribe to shares up to a maximum of 10% of the Company's issued share capital as per December 31, 2013, for general corporate purposes, and (ii) to issue shares, including any grant of rights to subscribe to shares up to a maximum of 10% of the Company's issued share capital as per December 31, 2013, for the purpose of mergers and acquisitions and financial support arrangements (relating to the Company and/or participations (deelnemingen) of the Company), with the power to exclude or restrict preemptive rights.

On May 8, 2014, the General Meeting of Shareholders resolved to authorize the Management Board for a period of 18 months from that date (until November 7, 2015) as the corporate body which, subject to approval by 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, 2013, 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 average stock exchange price for a five-day period prior to the date of acquisition. 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 from the Management Board that has been approved by the Supervisory Board. A resolution of the General Meeting of Shareholders to amend the Articles of Association that has not been taken on the proposal from 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. The Articles of Association have been amended on November 13, 2013, following approval by the General Meeting of Shareholders in its Extraordinary General Meeting held on November 8, 2013, and are published on the Company's website amg-nv.com.

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 that the Company has formulated in connection with its financial objectives, technological capabilities and its leading position at the heart of the global metallurgical industry: to provide safe working conditions for our employees and 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 society at large by contributing to solutions for addressing some of the fundamental environmental and social challenges facing society today. 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, whose information is incorporated by reference in this Corporate Governance report.

Ahead is an overview of the significant agreements to which the Company is a party, which are affected, changed or terminated subject to the condition of a change of control or contain new restrictions on voting rights attached to shares.

The Company is a party to the following agreements 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, which was concluded for a period of five years on April 28, 2011, 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 49.

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.

The Company is a party to the following agreement that contains restrictions on voting rights attached to shares. A relationship agreement has been signed with RWC European Focus Master Inc. on March 7, 2015 (see also page 49) which is effective until the day after the Annual Meeting in 2017 with the exception of certain provisions which have a shorter term, and can be summarized as follows:

- RWC endorses the strategy of AMG as published on its website in December 2013 and as updated in January 2015;
- The Supervisory Board of AMG is properly constituted with nine members given the nature and activities of AMG; the parties agree to discuss prior to AMG's Annual General Meeting in 2016 whether changes in the size and composition of the Supervisory Board are merited;
- AMG's Supervisory Board will nominate RWC's managing director Mr. Petteri Soininen for appointment as a member of the Supervisory Board at AMG's Annual General Meeting in May 2015 (the "AGM 2015"). If appointed, Mr. Soininen will serve as non-independent Supervisory Board member as described under Dutch corporate governance rules and practices. This right of RWC is effective as long as RWC holds 10% or more of AMG's share capital;
- AMG's Supervisory Board will nominate Mr. Robert Meuter for appointment as member of the Supervisory Board at the AGM 2015. If appointed, Mr. Meuter will serve as independent Supervisory Board member as described under Dutch corporate governance rules and practices;
- RWC will support the nomination for re-appointment of Dr. Heinz Schimmelbusch as CEO and Chairman of the Management Board at the AGM 2015;
- RWC will propose for the agenda of the AGM 2015 to amend the Articles of Association of AMG with respect to the procedures for the appointment and dismissal of Management Board and Supervisory Board members; and
- AMG will initiate the review of its prevailing remuneration policy for the Management Board as well as of the prevailing remuneration for the Supervisory Board, by another reputable internationally recognized compensation consultant of similar standing as AMG's current compensation consultant. If an adjustment of the current remuneration would be indicated as a result of this review, the shareholders will be asked to approve an amendment thereto during AMG's Annual General Meeting in 2016.

Compliance with the Dutch Corporate Governance Code

Reference is made to the Company's website (amg-nv.com) under the heading Corporate Governance, where the Company has published an extensive discussion on its compliance with the principles and provisions set forth in the Dutch Corporate Governance Code as amended in 2008 (hereinafter referred to as "the Code").

As a general statement the Company fully endorses the 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 are explained on the Company's website as referred to above.

Conflicts of Interest

No 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, 2014, up to and including March 26, 2015. During the period starting January 1, 2014 up to and including March 26, 2015, 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, except with respect to the relationship agreement entered into by the Company and RWC European Focus Master Inc. on March 7, 2015 as referred to above.

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 ("the 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 the Report of the Management Board, the Report of the Supervisory Board and the chapters on Risk Management and Internal Control, Sustainable Development and 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.

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Notes to Parent Company Financial Statements

Financial Review

Amounts in tables in thousands of US Dollars

For the year ended December 31	2014	2013
Revenue and expenses		
AMG Processing revenue	552,537	568,629
AMG Engineering revenue	220,450	260,200
AMG Mining revenue	320,902	329,615
Total revenue	1,093,889	1,158,444
Cost of sales	909,597	980,742
Gross profit	184,292	177,702
Selling, general and administrative expenses	133,500	140,856
Restructuring expense	4,870	14,225
Asset impairment expense	1,867	51,024
Environmental	5,544	(86)
Other income, net	(2,121)	(2,121)
Operating profit (loss)	40,632	(26,196)

Revenue

Full year 2014 revenue decreased 6% to $1,093.9 million, from $1,158.4 million in 2013. AMG Processing and AMG Mining declined due to a focus on product mix optimization which increased value added product sales but drove a decline in overall revenues. AMG Processing's 2014 revenue decreased by $16.1 million, or 3%, from 2013, to $552.5 million. Sales of low margin products were reduced in 2014, especially in AMG Aluminum and AMG Superalloys. AMG Mining's 2014 revenue decreased by $8.7 million, or 3%, from 2013, to $320.9 million. The decrease in revenue was the result of lower revenue across product lines. AMG Engineering delivered weak results due to the general economic downturn which continued in 2014. AMG Engineering's 2014 revenue decreased by $39.8 million, or 15%, to $220.5 million. The low order backlog entering the year and stagnant capital goods market resulted in depressed revenues for the year. 2014 order intake was $260.4 million, up 33% from 2013 order intake of $195.3 million.

Gross profit

AMG's gross profit increased by $6.6 million to $184.3 million in the year ended December 31, 2014, a 4% improvement. As a percentage of revenue, gross profit increased from 15% to 17%.

AMG Processing's 2014 gross margin increased to 14% from 11% in 2013. Improved product mix and increased operating efficiencies in AMG Vanadium, AMG Superalloys and AMG Titanium Alloys and Coatings all contributed to the increase in gross margin. 2014 gross margin for AMG Engineering decreased to 19% from 24% in 2013 due to reduced economies of scale, cost overruns of new product projects, and pricing pressure. AMG Mining's 2014 gross margin increased to 21% from 16% in 2013. Strong demand and cost reductions combined with a focus on value added products to increase margins in this segment.

Selling, general and administrative expenses

Selling, general and administrative costs were $133.5 million in the year ended December 31, 2014 as compared to $140.9 million in the year ended December 31, 2013, a decrease of 5%. As a percentage of sales, SG&A remained consistent at 12%.

Personnel expenses declined to $75.2 million in the year ended December 31, 2014 from $79.6 million in the year ended December 31, 2013. Salary and bonus increased to $59.4 million in 2014 from $57.4 million in 2013 due to higher bonus expense as a result of improved performance. Other employee benefits declined to $13.3 million in 2014 from $16.2 million in 2013. This decline was driven by cash-settled share-based payment expense which decreased by $4.0 million due to the share performance versus peers while equity-settled option costs increased by $0.2 million. The Company incurs professional fees from global service providers for services including audit, tax planning and compliance and legal consultation. Professional fees were $21.6 million in 2014 as compared to $22.5 million in 2013. Outside consulting remains a large expense to the Company and is impacted by costs associated with specific strategic initiatives. Research and development expense declined to $4.1 million in the year ended December 31, 2014 as compared to $4.9 million in the year ended December 31, 2013. All other SG&A expenses, such as travel and entertainment, insurance, occupancy, communication and bank fees declined to $32.6 million in the year ended December 31, 2014 from $33.8 million in the year ended December 31, 2013. This decline was driven by cost cutting efforts across businesses.

Other income, net

Other income of $2.1 million for the year ended December 31, 2014 was primarily comprised of $1.5 million associated with an AMG Engineering customer sale order cancelation for which there was a contractually stipulated penalty. In the year ended December 31, 2013, other income of $2.1 million was primarily comprised of a $1.5 million gain on sale of land by AMG Mining AG

Non-recurring items

A summary of non-recurring items affecting the 2014 and 2013 results is presented below:

For the year ended December 31	2014	2013
Non-recurring items included in operating profit (loss):		
Restructuring expense	4,870	14,225
Asset impairment expense	1,867	51,024
Environmental expense	5,544	—
Total non-recurring items included in operating profit (loss)	12,281	65,249

Restructuring expense in 2014 primarily related to AMG Processing business units. As a reaction to the weakness in metals markets, this business segment reduced its workforce to be more competitive. The primary components of 2014 asset impairment expense related to a write-down in solar related assets and the write-down of remaining Turkey assets offset by a reversal of impairment in AMG Mining AG. The reversal was triggered by the fair value implied by the sale of 40% of the graphite business. The Company owns a site in the United States that has been the subject of litigation over the years. Environmental expense in 2014 is a non-recurring charge related to this site and the Company's updated position on remediation of this site.

Operating profit (loss)

AMG's operating profit of $40.6 million for the year ended December 31, 2014 was an increase of $66.8 million from the operating loss of $26.2 million reported for the year ended December 31, 2013. The increase in operating profit was the result of improved gross margins, reductions in selling, general and administrative expenses, and substantially lower asset impairment and restructuring expenses in 2014.

Finance costs, net

The table below sets forth AMG's net finance costs for the years ended December 31, 2014 and 2013. Finance expense decreased 7% over the prior year, mainly as the result of lower average borrowings and borrowing rates on the Company's main credit facility from the prior year.

For the year ended December 31	2014	2013
Finance income	(924)	(810)
Finance expense	19,944	21,703
Foreign exchange loss	529	175
Net finance costs	19,549	21,068

Income taxes

The Company recorded an income tax benefit of $1.0 million for the year ended December 31, 2014, compared to income tax benefit of $4.4 million for the year ended December 31, 2013. The tax benefit was driven by a reversal of certain valuation allowances on tax losses as a result of sustained profitability in the US. The effective tax rate for 2014 was (4.7%), as compared to the 8.9% effective tax rate for 2013, neither of which is indicative of an ongoing recurring rate.

Net income

The Company recorded a net income attributable to shareholders of $21.9 million in the year ended December 31, 2014 as compared to loss of $41.5 million in the year ended December 31, 2013.

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, 2014, the Company had $108.0 million in cash and cash equivalents and $92.4 million available on its revolving credit facility. Changes in the Company's liquidity were due primarily to debt repayments facilitated by cash flows from operations during the year.

	2014	2013
Non-current loans and borrowings	167,990	223,788
Current loans and borrowings	27,888	39,792
Total debt	195,878	263,580
Cash and cash equivalents	108,029	103,067
Net debt	87,849	160,513

The Company is subject to three debt covenants in its credit facility. Violating any covenants would limit the Company's access to liquidity. See note 22 to the financial statements for additional information.

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, 2014 and 2013.

For the year ended December 31	2014	2013
Net cash flows from operating activities	95,114	69,707
Net cash flows used in investing activities	(23,031)	(28,862)
Net cash flows used in financing activities	(57,925)	(62,252)

Cash flows from operating activities were $95.1 million for the year ended December 31, 2014 compared to cash flows from operating activities of $69.7 million in the same period in 2013. The improvement is primarily attributable to the $13.1 million increase in EBITDA and the $10.1 million reduction in financing and tax payments during 2014.

Cash flows used in investing activities were $23.0 million for the year ended December 31, 2014. The largest expansion capital projects were for AMG Titanium Alloys and Coatings' titanium aluminides, AMG Silicon efficiency improvements, and increased capacity of higher value added graphite products. The largest project in 2013 was the multi-hearth roaster at AMG Vanadium.

Cash flows used in financing activities were $57.9 million for the year ended December 31, 2014 as the Company had net debt repayments of $58.0 million. The Company repaid $61.7 million of debt in 2013.

Outlook

In this challenging environment, AMG has generated significant free cash flow and considerably reduced gross and net debt. Despite weak metal prices, AMG expects to continue to improve its return on capital employed and earnings per share in 2015.

Consolidated Income Statement

For the year ended December 31	Note	2014	2013
In thousands of US Dollars			
Continuing operations			
Revenue	6	1,093,889	1,158,444
Cost of sales		909,597	980,742
Gross profit		184,292	177,702
Selling, general and administrative expenses		133,500	140,856
Restructuring expense	26	4,870	14,225
Asset impairment expense	11	1,867	51,024
Environmental	26	5,544	(86)
Other income, net	7	(2,121)	(2,121)
Operating profit (loss)		40,632	(26,196)
Finance income	9	(924)	(810)
Finance expense	9,22	19,944	21,703
Foreign exchange loss	9	529	175
Net finance costs	9	19,549	21,068
Share of loss of associates and joint ventures	14	(407)	(2,148)
Profit (loss) before income tax		20,676	(49,412)
Income tax benefit	10	(972)	(4,376)
Profit (loss) for the year		21,648	(45,036)
Attributable to:			
Shareholders of the Company		21,910	(41,538)
Non-controlling interests		(262)	(3,498)
		21,648	(45,036)
Earnings (loss) per share			
Basic earnings (loss) per share	21	0.79	(1.51)
Diluted earnings (loss) per share	21	0.79	(1.51)

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

Consolidated Statement of Comprehensive Income

For the year ended December 31	Note	2014	2013
In thousands of US Dollars			
Profit (loss) for the year		21,648	(45,036)
Other comprehensive (loss) income			
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	20	(6,363)	840
(Loss) gain on cash flow hedges	20	(5,239)	1,332
Income tax on cash flow hedges	10,20	1,558	483
Net (loss) gain on cash flow hedges		(3,681)	1,815
Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods		(10,044)	2,655
Other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations – non-controlling interest		241	(761)
Actuarial losses on defined benefit plans	24	(37,065)	(1,942)
Income tax on actuarial losses	10	(5,230)	3,548
Net (loss) gain on defined benefits plans		(42,295)	1,606
Net other comprehensive (loss) income not being reclassified to profit or loss in subsequent periods		(42,054)	845
Other comprehensive (loss) income for the year, net of tax		(52,098)	3,500
Total comprehensive loss for the year, net of tax		(30,450)	(41,536)
Attributable to:			
Shareholders of the Company		(30,429)	(37,277)
Non-controlling interests		(21)	(4,259)

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

Consolidated Statement of Financial Position

As at December 31	Note	2014	2013
In thousands of US Dollars			
Assets			
Property, plant and equipment	12	237,418	259,683
Goodwill	13	20,618	25,078
Intangible assets	13	11,116	12,116
Investments in associates and joint ventures	14	1,450	4,755
Derivative financial instruments	32	—	271
Deferred tax assets	10	37,903	27,003
Restricted cash	18	7,582	7,967
Other assets	17	21,987	25,519
Total non-current assets		338,074	362,392
Inventories	15	145,418	179,343
Trade and other receivables	16	135,293	150,807
Derivative financial instruments	32	1,997	2,177
Other assets	17	47,055	34,430
Assets held for sale	5	2,553	—
Cash and cash equivalents	19	108,029	103,067
Total current assets		440,345	469,824
Total assets		778,419	832,216
Equity			
Issued capital		745	744
Share premium		382,978	382,518
Other reserves	20	(59,728)	(4,605)
Retained earnings (deficit)		(225,843)	(246,304)
Equity attributable to shareholders of the Company		98,152	132,353
Non-controlling interests		2,825	2,237
Total equity	20	100,977	134,590
Liabilities			
Loans and borrowings	22	167,990	223,788
Employee benefits	24	159,672	138,009
Provisions	26	37,056	30,443
Deferred revenue	28	8,950	11,776
Government grants	27	666	883
Other liabilities	29	8,885	8,425
Derivative financial instruments	32	5,056	7,702
Deferred tax liabilities	10	8,261	3,121
Total non-current liabilities		396,536	424,147
Loans and borrowings	22	6,562	20,873
Short term bank debt	23	21,326	18,919
Government grants	27	88	74
Liabilities associated with assets held for sale	5	248	—
Other liabilities	29	53,257	54,383
Trade and other payables	30	134,373	127,381
Derivative financial instruments	32	9,104	5,298
Advance payments	6	31,689	16,341
Deferred revenue	28	8,414	5,009
Current taxes payable	10	671	2,329
Employee benefits	24	—	1,350
Provisions	26	15,174	21,522
Total current liabilities		280,906	273,479
Total liabilities		677,442	697,626
Total equity and liabilities		778,419	832,216

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					Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves	Retained deficit	Total		
	(note 20)		(note 20)				
Balance at January 1, 2013	743	382,176	(9,909)	(204,565)	168,445	6,818	175,263
Foreign currency translation	—	—	840	—	840	(761)	79
Gain on cash flow hedges, net of tax	—	—	1,815	—	1,815	—	1,815
Actuarial gains, net of tax	—	—	1,606	—	1,606	—	1,606
Net profit (loss) recognized through other comprehensive income	—	—	4,261	—	4,261	(761)	3,500
Loss for the year	—	—	—	(41,538)	(41,538)	(3,498)	(45,036)
Total comprehensive income (loss) for the year	—	—	4,261	(41,538)	(37,277)	(4,259)	(41,536)
Transfer to retained deficit	—	—	18	(18)	—	—	—
Issuance of shares to Supervisory Board	1	342	—	—	343	—	343
Change in non-controlling interest	—	—	—	(170)	(170)	313	143
Equity-settled share-based payments	—	—	1,025	—	1,025	—	1,025
Dividend paid to non-controlling interest	—	—	—	—	—	(635)	(635)
Other	—	—	—	(13)	(13)	—	(13)
Balance at December 31, 2013	744	382,518	(4,605)	(246,304)	132,353	2,237	134,590
Balance at January 1, 2014	744	382,518	(4,605)	(246,304)	132,353	2,237	134,590
Foreign currency translation	—	—	(6,363)	—	(6,363)	241	(6,122)
Loss on cash flow hedges, net of tax	—	—	(3,681)	—	(3,681)	—	(3,681)
Actuarial losses, net of tax	—	—	(42,295)	—	(42,295)	—	(42,295)
Net (loss) profit recognized through other comprehensive income	—	—	(52,339)	—	(52,339)	241	(52,098)
Profit (loss) for the year	—	—	—	21,910	21,910	(262)	21,648
Total comprehensive (loss) income for the year	—	—	(52,339)	21,910	(30,429)	(21)	(30,450)
Transfer to retained deficit	—	—	(3,638)	3,638	—	—	—
Issuance of shares to Supervisory board	1	460	—	—	461	—	461
Change in non-controlling interest (note 5)	—	—	—	(5,081)	(5,081)	1,506	(3,575)
Equity-settled share-based payments	—	—	854	—	854	—	854
Dividend paid to non-controlling interest	—	—	—	—	—	(897)	(897)
Other	—	—	—	(6)	(6)	—	(6)
Balance at December 31, 2014	745	382,978	(59,728)	(225,843)	98,152	2,825	100,977

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

Consolidated Statement of Cash Flows

For the year ended December 31	Note	2014	2013
In thousands of US Dollars			
Cash flows from operating activities			
Profit (loss) for the year		21,648	(45,036)
Adjustments to reconcile net profit (loss) to net cash flows:			
Non-cash:			
Income tax benefit	10	(972)	(4,376)
Depreciation and amortization	12, 13	32,494	33,248
Asset impairment expense	11	1,867	51,024
Net finance costs	9	19,549	21,068
Share of loss of associates and joint ventures	14	407	2,148
Loss (gain) on sale or disposal of property, plant and equipment	12	297	(1,296)
Equity-settled share-based payment transactions	25	854	475
Movement in provisions, pensions and government grants	24, 26, 27	44	2,427
Working capital and deferred revenue adjustments			
Change in inventories		9,594	18,608
Change in trade and other receivables		3,893	29,050
Change in prepayments		(11,424)	2,706
Change in trade payables and other liabilities		35,993	(18,191)
Change in deferred revenue	28	579	11,528
Other		356	(3,501)
Cash flows from operating activities		115,179	99,882
Finance costs paid	9	(14,451)	(18,817)
Finance costs received	9	638	771
Income tax paid, net	10	(6,252)	(12,129)
Net cash flows from operating activities		95,114	69,707
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment	12	493	2,515
Proceeds from sale of investment in associate	5	354	650
Acquisition of property, plant and equipment and intangibles	12, 13	(23,957)	(32,025)
Change in restricted cash	18	(105)	3,989
Acquisition of other non-current asset investments	17	—	(4,000)
Other		184	9
Net cash flows used in investing activities		(23,031)	(28,862)
Cash flows used in financing activities			
Proceeds from issuance of debt	22, 23	2,691	38
Repayment of borrowings	22, 23	(60,649)	(61,679)
Contributions by non-controlling interests		28	392
Change of non-controlling interests	5	—	(1,007)
Other		5	4
Net cash flows used in financing activities		(57,925)	(62,252)
Net increase (decrease) in cash and cash equivalents		14,158	(21,407)
Cash and cash equivalents at January 1		103,067	121,639
Effect of exchange rate fluctuations on cash held		(9,196)	2,835
Cash and cash equivalents at December 31	19	108,029	103,067

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, 2014 were authorized for issuance in accordance with a resolution of the Supervisory Board on March 26, 2015.

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, 2014 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 and its outstanding shares are listed on Euronext, Amsterdam, the Netherlands.

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

These financial statements represent the consolidated financial statements of the Company. These consolidated financial statements as of December 31, 2014 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 in which a direct or indirect controlling interest exists through voting rights or qualifying joint ventures and associates at the reporting dates. No entities in which the Company has less than a 50% interest are consolidated in the Company's financial statements. The following table includes all material operating entities in which AMG has an ownership interest. The Company has filed a complete list of entities in which AMG has an ownership interest, with the Dutch Chamber of Commerce.

Name	Country of incorporation	Percentage held (directly or indirectly) by the Company	Percentage held (directly or indirectly) by the Company
		December 31, 2014	December 31, 2013
ALD Own & Operate GmbH	Germany	100	100
ALD Thermal Treatment, Inc.	United States	100	100
ALD Tratamientos Termicos S.A.	Mexico	100	100
ALD Vacuum Technologies GmbH	Germany	100	100
AMG Aluminum UK Limited	United Kingdom	100	100
AMG Mining AG	Germany	100	100
AMG Vanadium, Inc.	United States	100	100
AMG Mineracao S.A.	Brazil	100	100
GfE Gesellschaft für Elektrometallurgie GmbH	Germany	100	100
GfE Metalle und Materialien GmbH	Germany	100	100
AMG Graphit Kropfmühl GmbH	Germany	100	100
AMG Aluminum North America, LLC	United States	100	100
AMG Superalloys UK Limited	United Kingdom	100	100
LSM Brasil S.A.	Brazil	100	100
RW Silicium GmbH	Germany	100	100
Société Industrielle et Chimique de l'Aisne S.A.S.	France	100	100
VACUHEAT GmbH	Germany	100	100

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, 2014 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, 2014 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, 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.

Key sources of estimation uncertainty

Critical judgments, key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below or in the relevant notes. These are identified as the judgments and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- note 6 – determination of furnace construction contract revenue
- note 10 – income tax
- note 13 – measurement of the recoverable amounts of assets and cash-generating units
- note 14 – measurement of associates and joint ventures
- note 24 – measurement of defined benefit obligations
- note 25 – measurement of share-based payments
- note 26 – measurement of provisions
- note 32 – measurement of financial instruments

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. Revenue is recognized based on an overall engineering design plan and management's estimate of the percentage of the project that has been completed, based on work performed in-house and by sub-suppliers. The determination of the progress made and the level of percentage of completion requires significant management judgment. Total percentage of completion revenue for the year ended December 31, 2014 was $139,503 (2013: $172,841).

Income 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, 2014 was $27,215 (2013: $15,196). There are significant unrecognized tax losses as described in more detail in note 10.

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

Goodwill and long-lived assets

The determination of whether goodwill or long-lived assets are impaired requires an estimate of the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill or long-lived assets have been allocated. The recoverable amount is defined as the higher of a cash-generating unit's fair value less costs of disposal and its value in use. For each of the cash-generating units which tested goodwill or long-lived assets for recoverability, the recoverable amount was determined as the value in use or fair value less costs to sell as appropriate. 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. Expected future cash flows are based on management's best estimates of future business conditions but cannot be guaranteed as the Company does not have fixed revenues or costs. The risk adjusted discount rate is estimated using a comparison of peers but can vary based on changes in the debt or equity markets or risk premiums assigned to countries or industries. The carrying amount of goodwill at December 31, 2014 was $20,618 (2013: $25,078).

Measurement of associates and joint ventures

The determination of whether an associate or joint venture is impaired requires an estimate of the recoverable amount of the investment. The recoverable amount is defined as the higher of the investment's fair value less costs of disposal and its value in use. The carrying amount of associates and joint ventures at December 31, 2014 was $1,450 (2013: $4,755).

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, future salary increases, mortality rates and future pension increases. Assumptions are reviewed at each reporting date. Due to the long term nature of these plans and the complexity of the valuations, such estimates are subject to significant uncertainty. The employee liability at December 31, 2014 was $159,672 (2013: $139,359).

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least a rating of AA, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Further details about the assumptions used are given in note 24.

Measurement of share-based payments

The group measures the initial 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 25.

Measurement of provisions

Provisions have been recorded with respect to environmental costs and recoveries, restructuring, warranties, cost estimates and partial retirement. The Company also has certain responsibilities related to its mining locations. A provision for future restoration, rehabilitation and decommissioning costs requires estimates and assumptions to be made around the relevant regulatory framework, the magnitude of the possible disturbance and the timing of mining, extent and costs of the required closure and rehabilitation activities. All 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. To the extent that the actual future costs differ from these estimates or that management assumptions change, adjustments will be recorded at each reporting date. As at December 31, 2014, the provisions balance was $52,230 (2013: $51,965).

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2014.

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.

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

(ii) Investment in associates and joint ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Company's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The income statement reflects the Company's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Company's share of profit or loss of an associate and a joint venture is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

(B) FOREIGN CURRENCY

(i) Functional and presentation currency

The local currency is the functional currency for the Company's significant operations outside the United States (US), except certain operations in the UK 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, 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.

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 and swaps 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.

The fair value of commodity purchase contracts that meet the definition of a derivative under IAS 39 are recognized in the income statement in cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements are held at fair value.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

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 relevant commodity exchanges 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.

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

- When the Company will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

(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, cancelled 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.

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.

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.

(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 period are as follows:

• mining costs	3-14 years
• land, buildings and improvements	2-50 years
• machinery and equipment	2-20 years
• furniture and fixtures	2-15 years
• finance leases	4-14 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. Therefore, these assets are amortized using a units of production basis. The Company's mine in Brazil is currently the only mine asset being depreciated using this basis and approximates a 20 year remaining life of the mine based on updated geology studies. Other mining assets are depreciated on a straight-line basis ranging from 3-14 years, depending on 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 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 Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's net identifiable 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, from the acquisition date, is allocated to each of the Company'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, 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.

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.

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

Fair value of identifiable assets in a business combination 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 price that would be received to sell the assets in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

(ii) Intangible assets

The fair value of intangible assets acquired in a business combination is the price that would be received to sell the assets in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

(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.

(G) INTANGIBLE ASSETS

(i) Patents and technology

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

(ii) Development costs

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 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 and development costs which do not qualify as assets are shown within selling, general and administrative expenses in the consolidated income statement.

Following initial recognition of the development costs as an asset, the asset is carried at cost less accumulated amortization and accumulated impairment losses. 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 and amortization expense is recorded in cost of sales.

(iii) Customer Relationships

Customer relationships that are acquired by the Company 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 the relationships from the date that they are acquired. These intangible assets are amortized over useful lives of 5–20 years depending on expected future sales from the related customer.

(iv) Mining assets

Mining assets which are included in intangible assets include exploration, evaluation and development expenditures. See significant accounting policies section (j) for additional information on the accounting for mining assets.

(v) 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 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.

A summary of the policies applied to the Company's intangible assets is as follows:

	Patents and technology	Development costs	Customer relationships	Other intangible assets
Useful lives	Finite	Finite	Finite	Finite
Amortization method used	Amortized on a straight-line basis over the period of the patent or technology	Amortized on a straight-line basis over the period of expected future sales from the related project	Amortized on a straight-line basis over the period of expected future sales from the related customer	Amortized 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
Internally generated or acquired	Acquired	Internally generated	Acquired	Acquired

(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 in 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 and production costs, as applicable.

(J) MINING ASSETS

(i) Exploration, evaluation and development expenditures

Exploration and evaluation expenditures relate to costs incurred on the exploration and evaluation of potential mineral resources. These costs are recorded as intangible assets while exploration is in progress. When commercially recoverable reserves are determined and such development receives the appropriate approvals, capitalized exploration and evaluation expenditures are transferred to construction in progress. Upon completion of development and commencement of production, capitalized development costs as well as exploration and evaluation expenditures are transferred to mining assets in property, plant and equipment and depreciated using the units of production method.

(ii) Mineral rights

Mineral reserves, resources and rights (together mineral rights) which can be reasonably valued, are recognized in the assessment of fair values on acquisition. Mineral rights for which values cannot be reasonably determined are not recognized. Exploitable mineral rights are amortized using the units of production method over the commercially recoverable reserves.

(iii) Deferred stripping costs

The Company is following IFRIC 20 for all surface mine accounting. The Interpretation only applies to stripping costs incurred during the production phase of a surface mine (production stripping costs). Costs incurred in undertaking stripping activities are considered to create two possible benefits – the production of inventory in the current period and/or improved access to ore to be mined in a future period. Where the benefits realized in the form of inventory produced, the production stripping costs are to be accounted for in accordance with IAS 2. Where the benefit is improved access to ore to be mined in the future, these costs are to be recognized as a non-current asset.

Production stripping costs are capitalized as part of an asset when the Company can demonstrate: a) it is probable that future economic benefit associated with the stripping activity will flow to the entity; b) the entity can identify the component of an ore body for which access has been improved; and c) the costs can be reliably measured.

(K) ASSETS HELD FOR SALE

The Company classifies assets held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense.

The criteria of held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

(L) IMPAIRMENT

(i) Financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicates that there is a measurable decrease in the estimated future cash flows.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If management determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the account in the income statement where the original impairment was recorded.

(ii) Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, management estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the income statement in expense categories consistent with the function of the impaired asset. Due to the significant amount of the asset impairments, the asset impairment expense of $1,867 (2013: $51,024) has been presented as a separate line item in the income statement. See note 11 for additional details.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(iii) Associates and joint ventures

The Company's investments in its associates and joint ventures are accounted for using the equity method, as noted further in note 3.a.(ii).

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 of disposal and value in use of the associate or joint venture and its carrying amount and recognizes the amount in the income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

(M) 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 US, Germany, France, and the UK.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets excluding net interest, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under "cost of sales" and "selling, general, and administrative" expenses in consolidated income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The Company also has supplemental executive retirement plans ("SERPs") with four current and former officers of the Company (see note 24). 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 each 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 expectation 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 25.

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 25.

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 cancelled, it is treated as if it vested on the date of cancelation, 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 cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancelations 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 21).

Cash-settled plans

The Company has also 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 have three-year vesting periods except for PSUs granted in 2010, which have transitional vesting provisions. One-third of the 2010 PSU grants vested after 2 years and two-thirds of the 2010 grants vested after 3 years. 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.

Estimating the fair value of the PSUs 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 25.

The fair value of these PSUs is recognized over the period in which the service conditions are fulfilled using a graded vesting methodology, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). Since the PSUs are cash-settled, a new fair value is calculated at each reporting date by updating the assumptions used in the valuation model. When the PSUs vest, they are paid out in cash. No expense is recognized for awards that do not ultimately vest. The fair value of the PSUs outstanding is recorded as a liability in the statement of financial position.

Where the terms of a cash-settled transaction award are modified, an additional expense is recognized for any modification that increases the total fair value of the transaction, or is otherwise beneficial to the employee as measured at the date of modification.

There is no dilutive effect from outstanding PSUs as they are cash-settled rather than equity-settled.

(N) 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 change 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 any change in 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 sites. 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. The timing of recording of portions of the restructuring provision is dependent on receiving social plan approval in certain jurisdictions. Changes in the estimate of costs related to restructuring plans are included in profit or loss in the period when the change is identified.

(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. The estimate of warranty-related costs is updated and revised at each reporting date.

(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. The cost estimates are updated and revised at each reporting date.

(vi) Restoration, rehabilitation and decommissioning costs

Restoration, rehabilitation and decommissioning costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the time such an obligation arises. The costs are charged to the income statement over the life of the operation through depreciation of the asset and the unwinding of the discount on the provision.

Mine rehabilitation costs will be incurred by the Company at the end of the operating life of some of the Company's facilities and mine properties. The Company assesses its mine rehabilitation provision at each reporting date. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. The provision recorded at each reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

Costs for restoration of subsequent site disturbance, which is created on an ongoing basis during production, are provided for at their net present values and charged to the income statement as extraction progresses.

(O) 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.

(P) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested, changes in the discount on provisions, foreign currency gains and gains on derivatives and hedging instruments. Interest income is recognized as it is earned, using the effective interest method.

Finance expenses comprise interest expense on borrowings and interest rate swaps, amendment fees on borrowings, amortization of loan issuance costs, finance charges on finance leases, commitment fees on borrowings, changes in the discount on provisions, interest on tax liabilities, foreign currency losses, losses on derivatives and hedging instruments, fees for letters of credit/ guarantees, interest for accounts receivable factoring 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 through other comprehensive income, 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 through other comprehensive income 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 tax 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, interests in associates and 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for seperate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

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 AND INTERPRETATIONS

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2014.

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

IFRS 10 *Consolidated Financial Statements*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

- an investor has power over an investee;
- the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

The application of IFRS 10 has no impact on the Company.

IFRS 11 *Joint Arrangements*

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The application of IFRS 11 has no impact on the Company since the equity method is currently applied for all joint venture entities.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previous existing disclosure requirements for subsidiaries. While the Company has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities.

Amendments to IFRS 10, IFRS 11, IFRS 12 - Transition Guidance

The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements and also provide additional transition relief in IFRS 10, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments did not have any impact on the Company's financial position and performance.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company, since none of the entities in the Company qualifies to be an investment entity under IFRS 10.

IAS 27 *Separate Financial Statements* (revised 2011)

As a consequence of the new IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The revised standard did not have any impact on the Company's financial position and performance.

IAS 28 *Investments in Associates and Joint Ventures* (revised 2011)

As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard did not have any impact on the Company's financial position and performance.

Amendments to IAS 32 *Financial instruments*: Presentation Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Company, since none of the entities in the Company has any offsetting arrangements.

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* - Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as the Company has not novated its derivatives during the current or prior periods.

(U) STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9 *Financial Instruments*

The IASB issued the final version of IFRS 9 which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Company is currently assessing the impact of this standard. The standard becomes effective for financial years beginning on or after January 1, 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory.

Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment Entities: Applying the Consolidation Exception*

The narrow-scope amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances. This amendment is not relevant to the Company, since none of the entities in the Company would qualify to be an investment entity under IFRS 10. The amendments become effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments are applied prospectively and address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will have no impact on the Company's financial position and performance. The amendments become effective for financial years beginning on or after January 1, 2016. Early adoption is permitted.

Amendments to IFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*

The amendments are applied prospectively and require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments will have no impact on the Company's financial position and performance. The amendments become effective for financial years beginning on or after January 1, 2016. Early adoption is permitted.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. The Company is currently assessing the impact of this standard. The standard becomes effective for financial years beginning on or after January 1, 2017. Full or modified retrospective application is required.

Amendments to IAS 1 *Presentation of Financial Statements – Disclosure Initiative*

The amendments mark the completion of the five, narrow-focus improvements to disclosure requirements. They are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The Company is currently assessing the impact of these improvements. The amendments become effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

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

The amendments are applied prospectively and clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based methods cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments will have no impact on the Company's financial position and performance. The amendments become effective for financial years beginning on or after January 1, 2016. Early adoption is permitted.

Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The Company is currently assessing the impact of this standard. The amendments become effective for financial years beginning on or after February 1, 2015.

Amendments to IAS 27 *Separate Financial Statements – Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments will not have any impact on the Company's consolidated financial statements. The amendments become effective for financial years beginning on or after January 1, 2016. Early adoption is permitted.

IFRIC 21 *Levies*

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation will not have a material impact on the Company as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010–2012 Cycle

The IASB issued the 2010-2012 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording.

IFRS 2 *Share-based Payment*: This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition

- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3 *Business Combinations*: This improvement is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, as applicable).

IFRS 8 *Operating Segments*: These improvements are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if this reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IFRS 13 *Fair Value Measurement*: It was clarified in the Basis for Conclusions that short term receivables and payables with no stated interest can be measured at invoice amounts when the effect of discounting is immaterial.

IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible Assets*: This improvement is applied retrospectively and clarifies that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

IAS 24 *Related Party Disclosures*: This improvement is applied retrospectively and clarifies that a management entity—an entity that provides key management personnel services—is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

These improvements are not expected to have a material impact on the Company's financial position and performance. The improvements become effective for financial years beginning on or after February 1, 2015.

Annual Improvements 2011–2013 Cycle

The IASB issued the 2011-2013 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording.

IFRS 3 Business Combinations: This improvement is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, and not just joint ventures, are outside the scope of IFRS 3
- This scope exemption applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 *Fair Value Measurement*: This improvement is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, as applicable).

IAS 40 *Investment Property*: The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e. property, plant and equipment). This improvement is applied prospectively and clarifies that IFRS 3 Business Combinations, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

These improvements are not expected to have a material impact on the Company's financial position and performance. The improvements become effective for financial years beginning on or after January 1, 2015.

Annual Improvements 2012 – 2014 Cycle

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

IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations:* Changes in methods of disposal

IFRS 7 *Financial Instruments*: Disclosures:

- Servicing contracts
- Applicability of the amendments to IFRS 7 to condensed interim financial statements.

IAS 19 *Employee Benefits*: Regional market issue

IAS 34 *Interim Financial Reporting*: Disclosure of information "elsewhere in the interim financial report"

The Company is currently assessing the impact of these improvements. The improvements become effective for financial years beginning on or after January 1, 2016.

4. Segment Reporting

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

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

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

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

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

AMG Corporate headquarters costs and assets are allocated forty-five percent to AMG Processing, thirty percent to AMG Engineering and twenty-five percent to AMG Mining in 2014 and 2013 based on an estimation of services provided to the operating segments.

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

Year ended December 31, 2014	AMG Processing	AMG Engineering	AMG Mining	Other and eliminations[a]	Total
Revenue					
Revenue from external customers	552,537	220,450	320,902	—	1,093,889
Intersegment revenue	2,018	2,859	4	(4,881)	—
Total revenue	554,555	223,309	320,906	(4,881)	1,093,889
Segment results					
Depreciation and amortization	13,534	8,704	10,256	—	32,494
Restructuring	3,820	256	794	—	4,870
Asset impairment	1,715	7,459	(7,307)	—	1,867
Environmental	5,544	—	—	—	5,544
Operating profit (loss)	14,562	(13,199)	39,269	—	40,632
Statement of financial position					
Segment assets	334,726	232,131	267,079	(56,967)	776,969
Investments in associates and joint ventures	—	1,450	—	—	1,450
Total assets	334,726	233,581	267,079	(56,967)	778,419
Segment liabilities	199,301	203,878	119,026	(56,665)	465,540
Employee benefits	70,620	62,714	26,338	—	159,672
Provisions	26,424	8,768	17,038	—	52,230
Total liabilities	296,345	275,360	162,402	(56,665)	677,442
Other information					
Capital expenditures for expansion – tangible assets	5,213	857	5,124	—	11,194
Capital expenditures for maintenance – tangible assets	5,040	1,839	4,165	—	11,044
Capital expenditures – intangible assets	896	286	537	—	1,719

Year ended December 31, 2013	AMG Processing	AMG Engineering	AMG Mining	Other and eliminations[a]	Total
Revenue					
Revenue from external customers	568,629	260,200	329,615	—	1,158,444
Intersegment revenue	1,375	464	56	(1,895)	—
Total revenue	570,004	260,664	329,671	(1,895)	1,158,444
Segment results					
Depreciation and amortization	13,277	9,129	10,842	—	33,248
Restructuring	5,538	6,960	1,727	—	14,225
Asset impairment	32	15,466	35,526	—	51,024
Environmental	(86)	—	—	—	(86)
Operating profit (loss)	2,139	(10,957)	(17,378)	—	(26,196)
Statement of financial position					
Segment assets	381,546	220,140	265,712	(39,937)	827,461
Investments in associates and joint ventures	—	4,755	—	—	4,755
Total assets	381,546	224,895	265,712	(39,937)	832,216
Segment liabilities	205,549	221,167	117,049	(37,463)	506,302
Employee benefits	62,817	54,567	21,975	—	139,359
Provisions	20,790	14,233	16,942	—	51,965
Total liabilities	289,156	289,967	155,966	(37,463)	697,626
Other information					
Capital expenditures for expansion – tangible assets	9,125	260	5,495	—	14,880
Capital expenditures for maintenance– tangible assets	6,575	1,437	5,533	—	13,545
Capital expenditures – intangible assets	1,593	409	1,598	—	3,600

(a) Other and eliminations column includes intersegment investment and trade eliminations.

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.

	Year ended December 31, 2014		Year ended December 31, 2013	
	Revenues	Non-current assets	Revenues	Non-current assets
United States	343,200	69,670	293,598	73,462
Germany	229,240	109,877	260,231	113,186
China	58,574	1,053	68,042	1,321
France	54,306	19,811	52,708	20,721
United Kingdom	51,097	16,344	55,660	19,158
Brazil	35,751	51,653	45,392	60,441
Italy	29,446	—	30,585	—
Austria	27,517	—	30,006	—
South Korea	23,980	—	22,288	—
Japan	23,877	17	32,838	19
Russia	22,697	4	27,406	—
Mexico	21,861	11,221	22,258	15,531
Belgium	15,832	—	17,607	3
Canada	13,080	—	13,679	—
Spain	12,066	—	7,625	—
India	10,899	938	13,206	2,134
Sweden	10,811	—	15,817	—
Turkey	9,176	441	10,728	5,089
Taiwan	8,744	—	12,557	—
Singapore	7,681	—	12,700	8
Poland	7,307	—	6,160	132
Netherlands	7,004	—	9,314	45
Czech Republic	5,260	1,282	9,797	3,372
Kazakhstan	4,093	—	6,482	—
Thailand	3,356	—	12,957	—
Other	57,034	8,828	68,803	7,774
Total	1,093,889	291,139	1,158,444	322,396

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

5. Acquisitions and disposals

SALE OF INTEREST IN AMG GRAPHIT KROPFMÜHL GMBH

During the year ended December 31, 2014,the Company signed an agreement to sell a 40% equity interest in AMG Graphit Kropfmühl GmbH by way of a capital increase in combination with a 10.33% equity interest in Bogala Graphite Lanka PLC for a combined cash price of $38,000. This transaction is expected to close in the first half of 2015 and as a result had no direct impact on the financial statements for the period ending December 31, 2014 as the sale was subject to certain conditions and the conditions were not met as of the balance sheet date.

SALE OF ASSOCIATE – BOSTLAN S.A.

During the year ended December 31, 2014, the Company sold its 25% ownership in Bostlan S.A. for $740 which was recorded as the sale of an associate. The asset value of the investment had been previously impaired. Prior to the sale the asset value was adjusted to a net realizable value of $689 through the share of loss of associates and joint ventures line on the consolidated income statement. This value represents the selling price of $740 net of selling costs of $51. The Company will receive payments for the purchase of this asset in installments. Upon signing the contract a payment in the amount of $206 was received and an additional payment in the amount of $148 was received in December 2014. The additional payments of $192 and $178 are scheduled to be paid in June 2015 and March 2016, respectively.

SALE OF BENDA-LUTZ-ALPOCO SP. Z O.O

During the year ended December 31, 2014, the Company sold its 51% equity interest in Benda-Lutz-Alpoco Sp. z o.o. for $580, which is in other assets as of December 31, 2014. The Company received full payment for the purchase in January 2015. A gain of $154 was recorded through other income, net on the consolidated income statement as a result of the sale. The amount of the assets and liabilities in which control has been lost is as follows:

Property, plant and equipment	179
Cash	554
Trade receivables	105
Other current assets	21
Total assets	859
Trade payables	24
Total identifiable net assets	835

SHARE SWAP - ALD INDUSTRIE- UND MONTAGEPARK STAAKEN GMBH

During the year ended December 31, 2014, the Company executed a share swap arrangement to obtain 100% ownership of ALD Industrie- und Montagepark Staaken GmbH (ALD IMP). The Company previously owned and controlled ALD IMP through a 51% ownership. In this swap, the Company acquired the remaining 49% non-controlling interest in ALD IMP and disposed of a 49% ownership in the associate ABS Apparate-und Behälterbau Staßfurt GmbH (ABS). The fair value of the 49% interest in ALD IMP acquired was $2,020 and the fair value of the 49% interest in ABS disposed of was $1,895. This share swap resulted in a loss of $1,298, inclusive of related legal and transfer tax charges of $1,166, recorded through share of loss of associates and joint ventures in the consolidated income statement. The combined impact of this transaction to the retained deficit is ($5,081) and has been accounted for as a change in non-controlling interest on the consolidated statement of changes in equity.

ASSETS HELD FOR SALE

MG Trade Services (India) Pvt. Ltd

During the year ended December 31, 2014, Management of the Company has made the decision to sell their 100% ownership in MG Trade Services (India) Pvt. Ltd (MG India). MG India is a metals trading company operating in New Delhi, India. A loss of $1,034 was recognized during the period and is included in the asset impairment expense line on the consolidated income statement as a result of a potential sale. The loss has been calculated as the amount of the tentative sale price negotiated with a prospective buyer in excess of the carrying value of the assets. The sale is expected to be finalized in the first half of 2015. The total assets and total liabilities classified as held for sale as of December 31, 2014 are $1,924 and $248, respectively. The assets consist primarily of accounts receivable and goodwill and the liabilities consist of accounts payable balances. These assets and liabilities are reported within the AMG Mining segment.

Machinery and Equipment

The Company has reclassified a boring machine in Germany to assets held for sale during the year ended December 31, 2014. This is a piece of the equipment that had previously been used in the furnace production process. The asset is carried at fair value less cost of disposal of $629 as of December 31, 2014 and is expected to be sold within one year.

ACQUISITION OF ADDITIONAL SHARES OF THERMIQUE INDUSTRIE VIDE

During the year ended December 31, 2013, the Company acquired $1,007 of additional shares in Thermique Industrie Vide ("TIV") which was recorded as an acquisition of non-controlling interests ("NCI"). This increased the Company's ownership in TIV from 56.8% to 100% as of December 31, 2013 reducing NCI by $837 and adjusting retained earnings by $170. 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 completed in the year ended December 31, 2013, using the weighted average price of shares acquired:

Non-controlling interest at acquisition	837
Transfer to AMG (43.2%)	(837)
0% interest carried forward	—
Adjustment to equity:	
Cash consideration for shares	1,007
Acquisition costs	—
Total fair value of consideration	1,007
Change to NCI (as per above)	(837)
Dilution in AMG equity from purchase of non-controlling interest	170

SALE OF ASSOCIATE - NANJING YUNHAI KB ALLOYS CO., LTD.

During the year ended December 31, 2013, the Company sold its 45% ownership in Nanjing Yunhai KB Alloys Co., LTD for $650 which was recorded as the sale of an associate. The sale was completed at a value which was lower than the book value of shares, which was $1,415. The difference between the book value of the shares sold and the sale price of the associate sold of $765 is recorded as a loss and included on the share of loss of associates and joint ventures line on the consolidated income statement.

6. Revenue

	2014	2013
Sales of goods	1,092,582	1,156,974
Rendering of services (commissions)	1,307	1,470
Total	1,093,889	1,158,444

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

	2014	2013
Contract revenue recognized	139,503	172,841
Contract expenses recognized	123,706	137,854
Recognized profits	15,797	34,987
Contract costs incurred and recognized profits	296,243	189,401
Progress billings and advances received	295,917	170,475
Net amount due from customers	326	18,926
Gross amount due from customers for contract work (note 16)	32,015	35,267
Gross amount due to customers for contract work (shown as advance payments in consolidated statement of financial position)	(31,689)	(16,341)
Net amount due from customers	326	18,926

7. Other income and expense

	Note	2014	2013
Grant income	i	252	41
Gains from asset sales	ii	20	1,603
Rental income	iii	43	201
Sale of scrap	iv	173	125
Contract penalty income	v	1,455	—
Gain on sale of subsidiary	vi	154	—
Other miscellaneous income	vii	68	222
Other income		2,165	2,192
Other expense		(44)	(71)
Other income, net		2,121	2,121

In 2014, other income of $2,165 consisted of:
(i) government grant income of $252 associated with AMG Mining AG; (ii) income from asset sales of $20 (iii) rental income of $43 at two subsidiaries which rent out unused space; (iv) income from the sale of scrap of $173 (v) contract penalty income of $1,455 associated with an AMG Engineering customer sale order cancelation to which there was a contractually stipulated penalty; (vi) gain on sale of subsidiary $154 (see note 5 for additional information); and (vii) other miscellaneous income of $68.

In 2013, other income of $2,192 consisted of:
(i) government grant income of $41 associated with AMG Mining AG; (ii) income from asset sales of $1,603, including a gain of $1,458 from sale of land by AMG Mining AG; (iii) rental income of $201 at two subsidiaries which rent out unused space; (iv) income from the sale of scrap of $125; and (vii) other miscellaneous income of $222.

8. Personnel expenses

	Note	2014	2013
Wages and salaries		165,221	165,490
Contributions to defined contribution plans	24	4,201	4,064
Expenses related to defined benefit plans	24	8,176	7,701
Social security and other benefits		34,256	37,253
Performance share units	25	(2,019)	2,063
Equity-settled share-based payments	25	854	475
Total		210,689	217,046
Included in the following lines of the consolidated income statement:			
Cost of sales		135,442	137,463
Selling, general and administrative expenses		75,247	79,583
Total		210,689	217,046

9. Finance income and expense

	2014	2013
Interest income on bank deposits	410	378
Interest income on tax refunds	264	117
Interest income on escrow deposits	89	62
Other	161	253
Finance income	924	810
Interest expense on loans and borrowings	8,532	11,170
Interest expense on interest rate swap	3,927	3,703
Amortization of loan issuance costs	2,226	2,084
Discount on long term assets, provisions and retirement obligations	2,050	76
Guarantees	1,513	1,418
Amendment fees	849	2,047
Commitment/unutilized fees	499	348
Accounts receivable factoring	338	162
Other	10	695
Finance expense	19,944	21,703
Foreign exchange loss	529	175
Net finance costs	19,549	21,068

See note 22 for additional information on loans and borrowings as well as related fees and see note 35 for additional information on bank charges for guarantees.

10. Income tax

Significant components of income tax (benefit) expense for the years ended:

Consolidated income statement	2014	2013
Current tax expense		
Current period	10,571	5,836
Adjustment for prior periods	(824)	298
Total current taxation charges for the year	9,747	6,134
Deferred tax expense		
Origination and reversal of temporary differences	5,836	(10,014)
Changes in previously unrecognized tax losses, tax credits and unrecognized temporary differences	(17,000)	(5,130)
Changes in previously recognized tax losses, tax credits and recognized temporary differences for changes in enacted tax rates and currency effects	301	2,878
Derecognition of previously recognized tax losses, tax credits and temporary differences	353	3,503
Adjustment for prior periods	(209)	(1,747)
Total deferred taxation for the year	(10,719)	(10,510)
Total income tax (benefit) expense reported in consolidated income statement	(972)	(4,376)
Consolidated statement of comprehensive income		
Deferred tax related to items recognized in OCI in the year:		
Loss (gain) on cash flow hedges	1,558	483
Actuarial losses (gains) on defined benefit plans	(5,230)	3,548
Income tax charged to OCI	(3,672)	4,031

RECONCILIATION OF EFFECTIVE TAX RATE

A reconciliation of income tax expense applicable to accounting profit before income tax at the weighted average statutory income tax rate of 33.03% (2013: 29.35%) to the Company's effective income tax rate for the years ended is as follows:

	2014	2013
Profit (loss) before income tax from continuing operations	20,676	(49,412)
Income tax using the Company's weighted average tax rate	6,832	(14,500)
Non-deductible expenses and tax exempt income	4,111	4,897
Current year losses for which no deferred tax asset was recognized and changes in unrecognized temporary differences	6,604	7,727
Recognition of previously unrecognized tax losses, tax credits and temporary differences of a prior year	(20,422)	(7,180)
Derecognition of previously recognized tax losses, tax credits and temporary differences	1,350	3,503
Changes in previously recognized tax losses, tax credits and recognized temporary differences for changes in enacted tax rates and currency effects	397	2,878
Under (over) provided in prior periods	(1,120)	(1,450)
State and local taxes	981	128
Other	295	(379)
Income tax benefit reported in consolidated income statement	(972)	(4,376)
Included in the following lines in the consolidated income statement:		
Income tax benefit	(972)	(4,376)
Goodwill adjustments relating to deferred tax asset	—	—

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, 2014, the income tax benefits related to the current year losses of certain German, Dutch, French, Belgian, Indian, Turkish, Chinese, and Brazilian entities were not recognized. During the year ended December 31, 2013, the income tax benefits related to the current year losses of certain US, German, Dutch, Belgian, Turkish, Chinese, Mexican, and Canadian entities were not recognized. In total, $6,604 and $7,727 were not recognized in 2014 and 2013, respectively, as it is not probable that these amounts will be realized.

During the years ended December 31, 2014 and 2013, certain income tax benefits related to previously unrecognized tax losses and temporary differences related to certain US and German entities were recognized. In total, $20,422 and $7,180 were recognized in 2014 and 2013, respectively, through an increase to the net deferred tax asset. Of the total benefit recognized, $19,968 related to the US jurisdictions. These benefits were recognized due to financial performance in recent years and forecasted taxable profits.

The main factors considered in assessing the realizability of deferred tax benefits were improved profitability, higher forecasted taxable profitability and carryforward 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 in the foreseeable future.

As it is no longer probable that the benefits of certain net operating losses and temporary differences would be realized due to decreased profitability, $1,350 (2013: $3,503) of previously recognized net operating losses and temporary differences of certain German and Brazilian entities were derecognized in 2014.

Also during the years ended December 31, 2014 and 2013, the net recognized deferred tax assets (liabilities) were adjusted for changes in the enacted tax rates in the UK and the US. The net recognized deferred tax assets (liabilities) were also adjusted to reflect changes in currency rates in Brazil. The impact of the tax rate changes and currency rates was an increase to income tax expense of $397 (2013: $2,878).

There were no income tax consequences attached to the payment of dividends in either 2014 or 2013 by AMG to its shareholders, as no dividend payments were made.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred income 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			
	2014	2013	**2014**	2013	**2014**	2013
Inventories	35,019	30,540	355	1,000	(9,339)	13,847
Long term contracts	—	—	43,291	39,400	9,302	(15,058)
Prepaids and other current assets	10	9	—	37	(1)	(70)
Property, plant and equipment	740	677	12,387	8,378	5,473	(4,118)
Deferred charges and non-current assets	3,922	6,334	4,648	1,644	599	(7,501)
Accruals and reserves	7,063	3,707	811	1,008	(201)	3,676
Environmental liabilities	824	1,025	271	307	108	(548)
Retirement benefits	16,631	18,168	—	—	(5)	(2,097)
Tax loss and tax credit carryforwards	27,215	15,196	19	—	(16,655)	1,359
Tax assets and liabilities	91,424	75,656	61,782	51,774		
Set off of tax	(53,521)	(48,653)	(53,521)	(48,653)		
Net tax assets and liabilities	37,903	27,003	8,261	3,121		
Deferred tax benefit					(10,719)	(10,510)

During the year ending December 31, 2014, the Company recorded income tax benefit (expense) of $1,558 (2013: $483) related to cash flow hedges and ($5,230) (2013: $1,332) related to actuarial losses on defined benefit plans to other comprehensive income. During the year the company recorded a charge to OCI for the reversal of a deferred tax asset relating to pensions in the amount of ($12,792) due to decreased financial performance and future profitability of certain German entities. The amount of the reversal is included in the actuarial losses stated above.

UNRECOGNIZED DEFERRED TAX ASSETS

The net deferred tax assets are fully recognized for each of the jurisdictions in which we operate with the exception of the following: (1) a German entity continues to not recognize a portion of tax loss carryforwards; (2) another German entity did not recognize the specific deferred tax asset recorded for the impact of assets impaired for book purposes and certain tax loss carryforwards; (3) a US entity was fully unrecognized for US Federal and state tax purposes with the exception of state deferred taxes for its ferrovanadium/ferronickel-molybdenum business in 2013 but in 2014 they changed positions and recognized $17,000 of their tax loss carryforwards; (4) Certain Dutch holding companies and operating companies in the UK, China, Turkey, India, Belgium and Mexico do not recognize benefits for their loss carryforward deferred tax assets because management has determined that they will not be able to generate future taxable profits for these respective entities.

Certain deferred tax assets 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, 2014 there were gross unrecognized tax loss carryforwards of $36,680 from US operations which expire through 2033, and $23,103 from German operations which do not expire, $65,265 from Dutch operations which expire through 2023, $4,382 from Brazil which do not expire and $959 from Mexican operations which expire in 2024. At December 31, 2013 there were gross unrecognized tax loss carryforwards of $98,065 from US operations which expire through 2033, and $13,036 from German operations, which do not expire, $12,350 from Canadian operations which expire through 2033, $62,357 from Dutch operations which expire through 2022, $14,283 from Brazil which do not expire and $1,193 from Mexican operations which expire in 2023.

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

	Assets	
	2014	2013
Inventories	625	204
Prepaids and other current assets	—	(8)
Property, plant and equipment	(277)	956
Accruals and provisions	4,968	5,300
Deferred charges and non-current assets	16,940	18,718
Environmental liabilities	6,989	4,192
Retirement benefits	22,467	10,416
Tax loss and tax credit carryforwards	42,533	68,269
Net tax assets – unrecognized	94,245	108,047

11. Non-recurring items

Operating profit (loss) is adjusted for non-recurring items. Non-recurring 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, 2014 and 2013, operating profit was adjusted for non-recurring items which arose during the year.

Operating profit (loss) includes the non-recurring items noted in the following reconciliation:

	2014	2013
Operating profit (loss)	40,632	(26,196)
Restructuring expense	4,870	14,225
Asset impairment expense	1,867	51,024
Environmental expense	5,544	—
Adjusted operating profit	52,913	39,053

RESTRUCTURING EXPENSE

AMG recorded restructuring expense of $4,870 (2013: $14,225) for the year ended December 31, 2014. See note 26 for additional details.

ASSET IMPAIRMENT EXPENSE

In the year ended December 31, 2014, AMG recorded asset impairment charges of $1,867 (2013: $51,024) related to the following:

2014	Property, plant and equipment	Goodwill	Intangible assets	Inventory	Other	Total
	Note 12	*Note 13*	*Note 13*	*Note 15*		
Solar	1,019	—	—	5,576	744	7,339
Suda Maden	2,576	—	1,663	—	—	4,239
AMG Mining AG	(10,984)	—	(2,001)	—	—	(12,985)
Other	2,119	1,155		—	—	3,274
Total	(5,270)	1,155	(338)	5,576	744	1,867

2013	Property, plant and equipment	Goodwill	Intangible assets	Inventory	Other	Total
	Note 12	*Note 13*	*Note 13*	*Note 15*		
Solar	—	—	1,414	13,512	—	14,926
Suda Maden	13,809	—	2,099	4,212	2,024	22,144
AMG Mining AG	13,341	—	—	—	—	13,341
Other	—	41	572	—	—	613
Total	27,150	41	4,085	17,724	2,024	51,024

The majority of asset impairment expense for the year ended December 31, 2014 related to AMG Engineering solar assets and Suda Maden mining assets in Turkey, offset by the reversal of impairment on AMG Mining AG assets. Other asset impairments included machinery and equipment write downs and fair value adjustments for assets held for sale.

In 2013, as a result of the significant slowdown in the global solar market, the Company assessed the long term prospects of its assets associated with AMG Engineering's solar operations and determined to downsize its operations, reducing workforce and decreasing capacity. In 2014, as a result of continued stagnation the Company further reduced its solar operations and recorded additional charges for the period based on the assets' fair value less costs to dispose of nil. Since these amounts related to the closures of operating facilities, the inventory write-downs were classified as asset impairment expense in the consolidated income statement. By not presenting it as part of cost of sales, this classification provides better insight into the gross margin going forward.

The Company recorded asset impairment expense related to mining assets of Suda Maden in Turkey as a result of suspending its short term plans for new mine development in 2013. The remaining assets were tested for further impairment as of December 31, 2014 and additional impairment expense related to mining equipment and licences was required as of December 31, 2014 based on the excess of carrying value over the assets' fair value less costs to dispose of ($269). Since these amounts related to the closures of operating facilities, the inventory write-downs were classified as asset impairment expense in the consolidated income statement. By not presenting it as part of cost of sales, this classification provides better insight into the gross margin going forward.

With respect to AMG Mining AG, an impairment was required in 2013 based on the excess of carrying value over the assets' fair value less costs to dispose. A review of this impairment was performed as of December 31, 2014 and it was determined that a reversal of the impairment was deemed necessary. The reversal was based on a market pricing determined based on a related sale agreement for a non-controlling interest of 40% of AMG Graphit Kropfmühl Gmbh (see note 5 for additional information) and is recorded as income in the asset impairment line in the consolidated income statement.

Other asset impairment charges in 2014 include goodwill impairments related to its Indian subsidiaries including MG India and Dynatech (see note 5 for additional information related to the sale of MG India) and machinery and equipment write downs.

ENVIRONMENTAL EXPENSE

AMG recorded non-recurring environmental expense of $5,544 (2013: nil) for the year ended December 31, 2014 mainly related to its Newfield, NJ site. See notes 26 and 35 for additional details.

12. Property, plant and equipment

	Mining Costs	Land, buildings and improvements	Machinery and equipment	Furniture and fixtures	Construction in progress	Finance leases	Total
Balance at January 1, 2013	32,991	143,386	362,191	23,345	16,163	5,238	583,314
Additions	7	990	7,333	1,887	15,504	1,511	27,232
Retirements and transfers	1,797	2,197	(8,047)	(3,480)	(12,570)	(3,637)	(23,740)
Effect of movements in exchange rates	810	2,967	4,794	516	225	(24)	9,288
Balance at December 31, 2013	35,605	149,540	366,271	22,268	19,322	3,088	596,094
Balance at January 1, 2014	35,605	149,540	366,271	22,268	19,322	3,088	596,094
Additions	66	590	7,437	1,350	10,601	71	20,115
Retirements and transfers	561	248	5,867	(1,033)	(14,699)	—	(9,056)
Effect of movements in exchange rates	(2,544)	(10,256)	(21,037)	(1,865)	(681)	(182)	(36,565)
Balance at December 31, 2014	33,688	140,122	358,538	20,720	14,543	2,977	570,588
Depreciation and impairment							
Balance at January 1, 2013	(6,786)	(47,503)	(219,291)	(13,794)	(7,283)	(388)	(295,045)
Depreciation for the year	(1,553)	(4,660)	(21,639)	(2,332)	—	(805)	(30,989)
Retirements and transfers	171	816	17,438	3,159	—	535	22,119
Impairments	(13,809)	—	(13,341)	—	—	—	(27,150)
Effect of movements in exchange rates	(891)	(1,095)	(3,072)	(288)	—	—	(5,346)
Balance at December 31, 2013	(22,868)	(52,442)	(239,905)	(13,255)	(7,283)	(658)	(336,411)
Balance at January 1, 2014	(22,868)	(52,442)	(239,905)	(13,255)	(7,283)	(658)	(336,411)
Depreciation for the year	(1,382)	(4,621)	(21,904)	(2,225)	—	(361)	(30,493)
Retirements and transfers	273	1,458	5,478	1,474	—	—	8,683
Impairments	—	(302)	(5,261)	(151)	—	—	(5,714)
Reversal of impairment	—	—	10,984	—	—	—	10,984
Effect of movements in exchange rates	2,116	3,872	12,656	1,061	—	76	19,781
Balance at December 31, 2014	(21,861)	(52,035)	(237,952)	(13,096)	(7,283)	(943)	(333,170)
Carrying amounts							
At January 1, 2013	26,205	95,883	142,900	9,551	8,880	4,850	288,269
At December 31, 2013	12,737	97,098	126,366	9,013	12,039	2,430	259,683
At January 1, 2014	12,737	97,098	126,366	9,013	12,039	2,430	259,683
At December 31, 2014	11,827	88,087	120,586	7,624	7,260	2,034	237,418

MINING COSTS

Mining costs include assets related to the Company's tantalum and graphite mines. During the years ended December 31, 2014 and 2013, $1,382 and $1,553 of these costs have been depreciated, respectively.

PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION

During the years ended December 31, 2014 and 2013, the subsidiaries of the Company embarked on several different expansion projects as well as certain required maintenance projects. Costs incurred up to December 31, 2014, which are included in construction in progress, totalled $7,260 (2013: $12,039).

BORROWING COSTS

The Company capitalized borrowing costs of $137 during 2014 (2013: $97) primarily for a furnace in Germany. The Company used a rate of 4.50% (2013: 4.50%) for its capitalization which is its average cost of borrowing for the project. This amount is included in additions in the table above.

PROPERTY, PLANT AND EQUIPMENT INCLUDED IN PAYABLES

At December 31, 2014, the Company had $1,359 (2013: $3,482) of property, plant and equipment included in payables. This amount is included in additions in the table above.

FINANCE LEASES

At December 31, 2014, the Company had $2,034 (2013: $2,430) of finance leases for equipment and software. A portion of this balance relates to an asset that was previously leased under an operating lease.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation expense for the year ended December 31, 2014 was $30,493 (2013: $30,989). Depreciation expense is recorded in the following line items in the consolidated income statement:

	2014	2013
Cost of sales	27,673	27,625
Selling, general and administrative expenses	2,820	3,364
Total	30,493	30,989

SALE OF PROPERTY, PLANT AND EQUIPMENT

Certain land and equipment was sold in the years ended December 31, 2014 and 2013. In those years, the Company received proceeds of $493 and $2,515, respectively. In 2014, the proceeds were less than the book value of the assets and a loss of $297 was recognized during the year. In 2013, the proceeds were more than the book value of the assets and the gain on disposal of assets was $1,296. The primary source of proceeds and gain in 2013 was related to the sale of land by AMG Mining AG where proceeds and gain were both $1,458.

IMPAIRMENT TESTING

Impairment losses were recorded at certain locations in 2014 and 2013. IAS 36 requires that assets be carried at a value no greater than their recoverable amount. To meet this standard, the Company is required to test tangible and intangible assets for impairment when indicators of impairment exist, or at least annually, for goodwill and intangible assets with indefinite useful lives. See note 11 for additional information on asset impairments.

SECURITY

At December 31, 2014 properties with a carrying amount of $175,522 (2013: $191,130) are pledged as collateral to secure certain bank loans of subsidiaries.

13. Goodwill and intangible assets

		Intangible assets				
Cost	Goodwill	Customer relationships	Capitalized development costs	Mining assets	Other intangible assets	Total intangible assets
Balance at January 1, 2013	34,403	16,146	4,258	8,937	22,912	52,253
Additions	—	—	459	1,574	1,567	3,600
Disposals, reversals and transfers	—	—	—	—	970	970
Effect of movements in exchange rates	771	584	137	(398)	778	1,101
Balance at December 31, 2013	35,174	16,730	4,854	10,113	26,227	57,924
Balance at January 1, 2014	35,174	16,730	4,854	10,113	26,227	57,924
Additions	—	—	500	300	919	1,719
Disposals, reversals and transfers	(728)	—	(190)	(372)	372	(190)
Effect of movements in exchange rates	(3,758)	(1,706)	(375)	(1,144)	(2,701)	(5,926)
Balance at December 31, 2014	30,688	15,024	4,789	8,897	24,817	53,527
Amortization and impairment						
Balance at January 1, 2013	(9,652)	(14,798)	(1,686)	(2,123)	(19,675)	(38,282)
Amortization	—	(431)	(351)	(306)	(1,171)	(2,259)
Impairment	(41)	—	(1,594)	(2,099)	(392)	(4,085)
Effect of movements in exchange rates	(403)	(583)	(104)	192	(687)	(1,182)
Balance at December 31, 2013	(10,096)	(15,812)	(3,735)	(4,336)	(21,925)	(45,808)
Balance at January 1, 2014	(10,096)	(15,812)	(3,735)	(4,336)	(21,925)	(45,808)
Amortization	—	(430)	(129)	(140)	(1,302)	(2,001)
Impairment	(1,155)	—	—	(1,663)	—	(1,663)
Reversal of impairment	—	2,001	—	—	—	2,001
Disposals	—	—	190	—	—	190
Effect of movements in exchange rates	1,181	1,535	269	657	2,409	4,870
Balance at December 31, 2014	(10,070)	(12,706)	(3,405)	(5,482)	(20,818)	(42,411)
Carrying amounts						
At January 1, 2013	24,751	1,348	2,572	6,814	3,237	13,971
At December 31, 2013	25,078	918	1,119	5,777	4,302	12,116
At January 1, 2014	25,078	918	1,119	5,777	4,302	12,116
At December 31, 2014	20,618	2,318	1,384	3,415	3,999	11,116

Intangible assets are comprised of customer relationships, capitalized development costs, mining assets 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 IAS 36. The Company transferred $728 from goodwill to assets held for sale during the year ending December 31, 2014. See note 5 for additional information.

The other intangibles amount represents certain licenses and registrations, including software licenses and REACH environmental registrations, as well as patents for certain manufacturing processes.

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 expenses are included in selling, general and administrative expenses and were $4,064 and $4,924 in the years ended December 31, 2014 and 2013, respectively.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization expense for year ended December 31, 2014 was $2,001 (2013: $2,259). Amortization expense is recorded in the following line items in the consolidated income statement:

	2014	2013
Cost of sales	158	90
Selling, general and administrative expenses	1,843	2,169
Total	2,001	2,259

IMPAIRMENT TESTING FOR INTANGIBLE ASSETS

See note 11 for additional information on asset impairments.

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. AMG Antimony is included in the Mining segment, while AMG Superalloys UK is included in the Processing segment and ALD is included in the Engineering segment.

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

	2014	2013
AMG Antimony cash-generating unit	9,616	12,557
AMG Superalloys UK cash-generating unit	1,510	1,510
ALD cash-generating unit	9,492	11,011
Goodwill at cash-generating units	20,618	25,078

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 are generally used as a guideline for future pricing.

Discount rates – Discount rates reflect the current market assessment of the time value of money and the risks specific to the asset, based on a comparable peer group.

Growth rate assumptions – Rates are based on management's interpretation of published industry research. As most businesses follow economic trends, an inflationary factor of 1% 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 AMG Antimony, AMG Superalloys UK and ALD's cash-generating units, the recoverable amounts are the higher of the fair value less costs of disposal or the value in use. The value in use was determined using the discounted cash flow method. In 2014 and 2013, the carrying amounts of the AMG Antimony, AMG Superalloys UK and ALD units were determined to be lower than their recoverable amounts and no impairment losses were recognized.

1) AMG Antimony's value in use was determined by discounting the future cash flows 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. Metal prices used in the projections are generally at current market prices at the time the plan is prepared.
- The growth rate of 1% was used to extrapolate cash flow projections beyond the period covered by the most recent business plans. Management believes that this growth rate does not exceed the long term average growth rate for the metallurgical industry in Europe.
- Revenue projections were based on an internal 3-year business plan.
- Pre-tax discount rates of 14.35% and 14.80% were applied in determining the recoverable amount of the unit for the years ended December 31, 2014 and 2013, respectively. The discount rates were derived from a group of comparable companies (peer group) and have been compared to external advisor reports for reasonableness.
- AMG Antimony's value in use exceeds its carrying value at December 31, 2014 by $8,458 (2013: $19,469).

Sensitivities related to the value in use calculation for AMG Antimony would imply that a 1% increase in the discount rate or using a 0% growth rate would not have created an impairment.

2) AMG Superalloys UK'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. Metal prices used in the projections are generally at current market prices at the time the plan is prepared.
- The growth rate of 1% was used to extrapolate cash flow projections beyond the period covered by the most recent business plans. Management believes that this growth rate does not exceed the long term average growth rate for the metallurgical industry in Europe.
- Revenue projections were based on an internal 3-year business plan.
- Pre-tax discount rates of 13.16% and 13.65% were applied in determining the recoverable amount of the unit for the years ended December 31, 2014 and 2013, respectively. The discount rates were derived from a group of comparable companies (peer group) and have been compared to external advisor reports for reasonableness.
- AMG Superalloys UK's value in use exceeds its carrying value at December 31, 2014 by $8,471 (2013: $1,891).

Sensitivities related to the value in use calculation for AMG Superalloys UK would imply that a 1% increase in the discount rate or using a 0% growth rate would not have created an impairment.

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 1% was used to extrapolate cash flow projections beyond the period covered by the most recent business plans. Management believes that this growth rate does not exceed the long term average growth rate for the capital equipment sector of the metallurgical industry.
- Revenue projections were based on an internal 3-year business plan.
- Pre-tax discount rate of 14.66% was applied in determining the recoverable amount of the unit for the years ended December 31, 2014 and 2013. 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, 2014 by $43,758 (2013: $112,931).

Sensitivities related to the value in use calculation for ALD would imply that a 1% increase in the discount rate or using a 0% growth rate would not have created an impairment.

14. Associates and joint ventures

The Company's share of loss in associates and joint ventures for 2014 was $407 (2013: $2,148).

IMPAIRMENT OF EQUITY INVESTMENT IN ABS APPARATE-UND BEHÄLTERBAU STASSFURT GMBH (ABS) AND SUBSEQUENT SHARE SWAP

During the year ended December 31, 2014 ALD executed a share swap arrangement to obtain 100% ownership of ALD Industrie- und Montagepark Staaken GmbH and dispose of the 49% ownership in ABS. This share swap resulted in a loss of $1,298 recorded through share of loss of associates and joint ventures in the consolidated income statement and was based on an external valuation of ABS. See note 5 for additional information. The carrying amount of this individual asset as of December 31, 2013 was $3,239 after recording an impairment of $2,067 during 2013.

SALE OF ASSOCIATE BOSTLAN S.A. ("BOSTLAN")

During the year ended December 31, 2014, the Company sold its 25% ownership in Bostlan S.A. for $740 which was recorded as the sale of an associate. The asset value of the investment had been previously impaired. Prior to the sale the asset value was adjusted to a net realizable value of $689 through the share of profit (loss) of associates line on the consolidated income statement. This value represents the selling price of $740 net of selling costs of $51.

SALE OF ASSOCIATE - NANJING YUNHAI KB ALLOYS CO., LTD.

During the year ended December 31, 2013, the Company sold its 45% ownership in Nanjing Yunhai KB Alloys Co., LTD for $650 which was recorded as the sale of an associate. The sale was completed at a value which was lower than the book value of shares, which was $1,415. The difference between the book value of the shares sold and the sale price of the associate sold of $765 is recorded as a loss and included the share of (loss) profit of associates and joint ventures line on the consolidated income statement. See note 5 for additional information.

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 (loss)	Carrying Amount
2014									
Bostlan S.A.[1]	Spain	—	—	—	—	—	—	703	—
ALD Holcroft Vacuum Technologies Co.	US	50%	3,349	1,750	1,599	3,964	3,842	122	1,450
ABS Apparaté und Behälterbrau Staßfurt GmbH[2]	Germany	—	—	—	—	—	—	(1,232)	—
Silmag DA	Norway	50%	894	1,591	(697)	—	—	—	—
Total								(407)	1,450
2013									
Bostlan S.A.[1]	Spain	25%	8,589	5,578	3,011	11,782	11,782	—	—
ALD Holcroft Vacuum Technologies Co.	US	50%	2,878	1,403	1,475	7,027	6,407	620	1,516
ABS Apparaté und Behälterbrau Staßfurt GmbH[2]	Germany	49%	4,566	913	3,653	5,231	5,167	(2,003)	3,239
Silmag DA	Norway	50%	1,008	2,434	(1,426)	—	—	—	—
Nanjing Yunhai KB Alloys Co LTD[3]	China	—	—	—	—	—	—	(765)	—
Total								(2,148)	4,755

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
2014						
ALD Holcroft Vacuum Technologies Co.	3,292	57	3,349	1,745	5	1,750
Silmag DA	894	—	894	1,591	—	1,591
2013						
ALD Holcroft Vacuum Technologies Co.	2,811	67	2,878	1,400	3	1,403
Silmag DA	1,008	—	1,008	2,434	—	2,434

(1) The Company sold its 25% of Bostlan S.A. during 2014
(2) The Company divested its 49% of ABS Apparaté und Behälterbrau Staßfurt GmbH during 2014
(3) The Company sold its 45% of Nanjing Yunhai KB Alloys Co., LTD. during 2013

15. Inventories

	2014	2013
Raw materials	54,838	65,937
Work in process	17,900	28,265
Finished goods	65,040	78,484
Other	7,640	6,657
Total	145,418	179,343

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

In 2014 raw materials, changes in finished goods and work in process contributed to cost of sales by $620,678 (2013: $660,044). In the year ended December 31, 2014, the net adjustment to net realizable value amounted to a write-down of $2,812 (2013: $2,793) and was included in cost of sales. The net realizable value write-downs were related to obsolescence as well as inventory costing adjustments due to variability in metals pricing.

AMG incurred $5,576 of asset impairment expense on inventory during the year ended December 31, 2014 (2013: $17,724). See note 11 for additional information on asset impairments.

Inventory in the amount of $129,017 (2013: $143,552) is pledged as collateral to secure the bank loans of certain subsidiaries (see note 22).

16. Trade and other receivables

	2014	2013
Trade receivables, net of allowance for doubtful accounts	103,278	115,540
Gross amount due from customers for contract work (POC)	238,228	159,091
Less: progress payments received	(206,213)	(123,824)
Net POC receivables	32,015	35,267
Total	135,293	150,807

At December 31, 2014 and 2013, 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, 2014, receivables in the amount of $114,330 (2013: $129,616) are pledged as collateral to secure the term loan and multicurrency credit facility of the Company (see note 22).

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

		Neither past due nor impaired	Past due but not impaired				
	Total		< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
2014	135,293	115,765	14,258	2,299	286	353	2,332
2013	150,807	128,523	16,775	1,717	579	398	2,815

At December 31, 2014, trade receivables are shown net of an allowance for doubtful accounts of $2,592 (2013: $1,635) arising from customer unwillingness or inability to pay. Bad debt charges in the amount of $2,253 and $581 were recorded in the years ended December 31, 2014 and December 31, 2013, respectively.

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

	2014	2013
At January 1	1,635	3,828
Charge for the year	2,253	581
Amounts written off	(962)	(2,499)
Amounts recovered / collected	(35)	(356)
Foreign currency adjustments	(299)	81
At December 31	2,592	1,635

FACTORING OF RECEIVABLES

The Company maintains accounts receivable facilities with banks and credit insurance companies in Germany, France and the US. The German and French facilities are fixed fee arrangements and the US facility is the equivalent of LIBOR plus 3.75%. The Company sold receivables in the amount of $14,636 throughout the year which includes security deposits of $798 and cash proceeds of $13,469 which are included in cash flows from operating activities during the year ended December 31, 2014. During 2014, the Company incurred costs of $369 in conjunction with the sale of these receivables of which $338 were included in finance expense and $31 were recorded to selling, general and administrative expenses on the consolidated income statement. In 2013 the Company sold receivables in the amount of $7,888 which includes a security deposit of $998 and cash proceeds of $6,640, which are included in cash flows from operating activities. During 2013, the Company incurred finance expense of $105 in conjunction with the sale of these receivables.

Under these facilities, the Company continues to collect the receivables from the customer but retains no interest in the receivables, therefore, the Company has derecognized the receivables. The revolving credit facility (described further in note 22) does not permit the Company to transfer the receivables to any other institution and the Company is not permitted to repurchase the transferred receivables. The transfer of receivables provides additional liquidity to the Company.

17. Other assets

Other assets are comprised of the following:

	2014	2013
Prepaid taxes (income and indirect)	30,289	30,880
Prepaid inventory	14,714	1,761
Deferred stripping costs	6,072	7,578
Supplier prepayments	3,920	105
Insurance	2,279	3,103
Environmental trusts	4,106	3,077
Deposits	2,032	3,236
Officers life insurance	686	660
Maintenance and subscriptions	373	453
Prepaid tooling and parts	193	1,140
Mining rights	—	4,000
Other miscellaneous assets	4,378	3,956
Total	69,042	59,949
Thereof:		
Current	47,055	34,430
Non-current	21,987	25,519

On April 1, 2013, the Company paid $4,000 for an option to acquire all of the mineral rights associated with certain mines in Brazil. The Company performed due diligence to determine whether it wanted to move forward with the purchase of the mineral rights. The Company has not elected to exercise its acquisition rights and therefore based on the terms of the agreement the amount paid will be credited over a period of three years against purchases of raw materials.

Prepaid inventory includes inventory purchased for specific percentage of completion contracts. In addition to inventory related to these percentage of completion contracts, there was a deposit in the amount $9,240 required to secure raw materials to be consumed in 2015 at AMG Vanadium and prepaid inventory related to the conversion of the mining rights noted above.

The Company maintains factoring agreements as discussed in note 16. In the year ended December 31, 2014, $798 (2013: $998) was included in deposits related to the factoring agreements.

As a result of Suda Maden suspending its plans for new mine development, AMG incurred $2,024 of asset impairment expense on prepaid indirect taxes during the year ended December 31, 2013. Since these amounts related to the shut-down of an operating facility, it was classified as asset impairment expense in the consolidated income statement. See note 11 for additional information.

18. Restricted cash

Restricted cash at December 31, 2014 is $7,582 (2013: $7,967) and is comprised of $4 (2013: $217) security deposits to secure leasing activities and $7,578 (2012: $7,750) which provides security to financial institutions who issue letters of credit or other forms 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 segment and to provide financial assurance to banks, vendors and regulatory agencies to whom the Company is obligated.

19. Cash and cash equivalents

	2014	2013
Bank balances	99,537	92,626
Call deposits	8,492	10,441
Total	108,029	103,067

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, 2014, the Company had $92,399 available liquidity (2013: $71,693) on undrawn committed borrowing facilities.

20. Capital and reserves

SHARE CAPITAL

At December 31, 2014, the Company's authorized share capital was comprised of 65,000,000 ordinary shares (2013: 65,000,000) with a nominal share value of €0.02 (2013: €0.02) and 65,000,000 preference shares (2013: 65,000,000) with a nominal share value of €0.02 (2013: €0.02).

At December 31, 2014, the issued and outstanding share capital was comprised of 27,641,956 ordinary shares (2013: 27,592,924), with a nominal value of €0.02 (2013: €0.02) which were fully paid. No preference shares were outstanding at December 31, 2014 (2013: nil). The nominal value of the outstanding shares as of December 31, 2014 was $672 (2013: $760) as compared to the value using historical exchange rates which was $745 (2013: $744).

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. AMG's dividend policy is to retain future earnings to finance the growth and development of its business. 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 and is subject to limitations based on the Company's revolving credit facility. 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.

A rollforward of the total shares outstanding is noted below:

Balance at January 1, 2013	27,551,269
Shares issued to Supervisory Board	41,655
Balance at December 31, 2013	27,592,924
Shares issued to Supervisory Board	49,032
Balance at December 31, 2014	27,641,956

SUPERVISORY BOARD REMUNERATION

During the years ended December 31, 2014 and 2013, 49,032 and 41,655 shares were issued, respectively, as compensation to its Supervisory Board members for services provided in 2014 and 2013. These shares were awarded as part of the remuneration policy approved by the Annual General Meeting.

OTHER RESERVES

	Share-based payment reserve	Foreign currency translation reserve	Unrealized (losses) gains reserve	Legal participations reserve	Capitalized development expenditures reserve	Defined benefit obligation reserve	Total
Balance at January 1, 2013	46,819	(12,279)	(8,793)	4,021	2,572	(42,249)	(9,909)
Currency translation differences	—	840	—	—	—	—	840
Movement on cash flow hedges	—	—	1,332	—	—	—	1,332
Tax effect on net movement on cash flow hedges	—	—	483	—	—	—	483
Actuarial gains	—	—	—	—	—	(1,942)	(1,942)
Tax effect on net movement on defined benefit plans	—	—	—	—	—	3,548	3,548
Transfer to retained deficit	—	—	—	1,863	(1,845)	—	18
Equity-settled share-based payments	1,025	—	—	—	—	—	1,025
Balance at December 31, 2013	47,844	(11,439)	(6,978)	5,884	727	(40,643)	(4,605)
Balance at January 1, 2014	47,844	(11,439)	(6,978)	5,884	727	(40,643)	(4,605)
Currency translation differences	(1,590)	(10,479)	—	—	—	5,706	(6,363)
Movement on cash flow hedges	—	—	(5,239)	—	—	—	(5,239)
Tax effect on net movement on cash flow hedges	—	—	1,558	—	—	—	1,558
Actuarial losses on defined benefit plans	—	—	—	—	—	(37,065)	(37,065)
Tax effect on net movement on defined benefit plans	—	—	—	—	—	(5,230)	(5,230)
Transfer to retained deficit	—	—	—	(4,295)	657	—	(3,638)
Equity-settled share-based payments	854	—	—	—	—	—	854
Balance at December 31, 2014	47,108	(21,918)	(10,659)	1,589	1,384	(77,232)	(59,728)

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 25 for details regarding these plans.

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.

Resulting translation adjustments were reported in foreign currency translation reserve through other comprehensive income.

The Company did not record any share of comprehensive income related to associates or joint ventures in the years ended December 31, 2014 and 2013.

The significant movement in the foreign currency translation reserve was largely driven by the strengthening of the USD in relation to the Euro over the period. The Euro to USD exchange rate declined 12% from 1.3766 at December 31, 2013 to 1.2155 at December 31, 2014.

UNREALIZED (LOSSES) GAINS RESERVE

The unrealized (losses) gains 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.

DEFINED BENEFIT OBLIGATION RESERVE

The obligation reserve for defined benefit plans for the year ended December 31, 2014 decreased other reserves $36,589 while actuarial gains increased other reserves $1,606 in the year ended December 31, 2013.

RESTRICTIONS ON DISTRIBUTIONS

Certain restrictions apply on equity of the Company due to Dutch legal requirements. Please see note 9 in the parent company financial statements for additional details.

DIVIDENDS

No dividends have been paid or proposed in the years ended December 31, 2014 and 2013.

21. 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, 2014 and 2013, the calculation of basic earnings per share is performed using the weighted average shares outstanding for 2014 and 2013, respectively.

DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by dividing the net profit 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, 2014 and 2013 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.

	2014	2013
Earnings		
Net profit (loss) attributable to equity holders for basic and diluted earnings per share	21,910	(41,538)
Number of shares (in 000's)		
Weighted average number of ordinary shares for basic earnings per share	27,600	27,557
Dilutive effect of share-based payments	28	19
Weighted average number of ordinary shares adjusted for effect of dilution	27,628	27,576

22. 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 note 31.

Non-current	Effective interest rate	Maturity	2014	2013
Term Loan	EURIBOR/LIBOR+2.25%	04/2014-04/2016	69,800	89,310
Revolving Credit Facility	EURIBOR/LIBOR+2.25%	04/2016	95,042	128,902
€3,600 subsidiary debt	2.45%	03/2017	1,287	2,624
€3,466 subsidiary debt	4.70%	03/2023	731	937
€125 subsidiary debt	10.50%–12.00%	12/2015	—	25
Finance lease obligations	4.49%–12.00%	08/2014-07/2017	1,130	1,990
Total			167,990	223,788

Current	Effective interest rate	Maturity	2014	2013
Term Loan	EURIBOR/LIBOR+2.25%	04/2014-04/2016	4,558	17,208
€3,600 subsidiary debt	2.45%	03/2017	1,030	1,166
€413 subsidiary debt	6.58%	12/2014	—	179
€3,466 subsidiary debt	4.70%	03/2023	102	114
€125 subsidiary debt	10.50%–12.00%	12/2015	24	21
$2,275 subsidiary debt	6.75%–9.30%	07/2014-09/2014	—	1,036
Finance lease obligations	4.49%–12.00%	08/2014-07/2017	848	1,149
Total			6,562	20,873

TERM LOAN AND REVOLVING CREDIT FACILITY

On April 28, 2011, the Company entered into a five-year multicurrency term loan and revolving credit facility. The credit facility was composed of a €64,200 term loan ("term loan") and a $214,200 revolving credit facility ("revolving credit facility"). The facility was structured to be able to increase borrowing capacity using an incremental term loan and revolving facility feature under certain conditions. In 2012, the Company utilized this feature to increase the term loan and revolver capacities to €100,850 and $243,000, respectively. The five-year facility terminates in April 2016. Installment payments for the term loan began in 2013 and as of December 31, 2014 the term loan balance outstanding was $75,955 (2013: $109,577).

Borrowings under the revolving credit facility may be used for general corporate purposes of the Company. As of December 31, 2014, $96,500 was borrowed (excluding letters of credit) under the revolving credit facility (2013: $131,380). At December 31, 2014, there was unused availability (including unused letters of credit) of $92,399 (2013: $71,693).

Interest on the revolving credit facility is based on current LIBOR (or in the case of any loans denominated in Euros, EURIBOR) plus a margin. The margin is dependent on the leverage ratio. At December 31, 2014, the margin was 2.25 (2013: 2.875). To mitigate risk, the Company entered into an interest rate swap for €64,200 to fix the interest rate on the initial term loan at 2.87% (exclusive of margin). The term loan interest rate swap declines with the scheduled term repayments and is for €52,950 as of December 31, 2014. The Company also used an interest rate swap for $95,000 of the revolving credit facility to fix the interest rate at 2.10% (exclusive of margin).

The credit facility is subject to several affirmative and negative covenants including, but not limited to, the following (as currently amended):

- EBITDA to Net Finance Charges: Not to be less than 4.00:1
- Net Debt to EBITDA: Not to exceed 3.00:1
- Tangible Net Worth to Total Assets: Not to be less than 17.5%.

EBITDA, Net Finance Charges, Net Debt, Tangible Net Worth and Total Assets are defined in the credit facility agreement. During 2013, the Company was in breach of its tangible net worth ("TNW") covenant as a result of asset impairments that were recognized in the first half of 2013. The Company obtained an amendment to the TNW covenant, decreasing the minimum ratio to 16.0% for the remainder of 2013 and to 17.5% for Q1 and Q2 2014, and 25% thereafter. On May 27, 2014, the Company further amended the facility to extend the TNW covenant reduction to 17.5% for the remainder of the term of the credit facility, through April 2016. Fees related to this amendment were $849 (2013: $2,047) and are included in finance expense.

The Company is in compliance with all debt covenants as of December 31, 2014 and expects to continue to be compliant for the remaining period of the credit facility.

Actual ratios as defined by the credit facility are as follows as of December 31, 2014:

- EBITDA to Net Finance Charges: 5.80:1
- Net Debt to EBITDA: 1.26:1
- Tangible Net Worth to Total Assets: 20.8%.

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 2011, the Company incurred issuance costs of $10,848 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 5.94% for the costs associated with the US dollar dominated debt and a rate of 7.08% for the costs associated with the Euro denominated debt. The balance of unamortized costs which is net against the book value of debt was $3,055 as of December 31, 2014 (2013: $5,537).

AMG MINING AG DEBT

The Company acquired the outstanding minority shares of its previously majority-controlled entity, AMG Mining AG (formerly known as Graphit Kropfmühl), in the fourth quarter of 2012. Certain debt remained after the acquisition of the Company. The remaining debt includes capital lease instruments and limited credit facilities for its operations in Sri Lanka. The weighted average interest rates for the leases and facilities are 5.88% (2013: 5.77%) and 2.45% (2013: 2.64%), respectively.

FINANCE LEASE OBLIGATIONS

As of December 31, 2014, AMG subsidiaries had five capital leases outstanding to finance machinery. Monthly payments under these leases are $80. The leases mature from 2015 through 2017.

As of December 31, 2014, the Company had finance lease obligations of $1,050 (2013: $1,426) related to heat treatment modules. See note 33 for additional information.

DEBT REPAYMENTS

The Company made capital lease and debt repayments of $60,649 during 2014. The payments included $22,642 on the term loan and $34,554 on the revolving credit facility. Additional payments of $3,453 were to various banks related to capital leases and other debt repayments.

The Company made capital lease and debt repayments of $50,487 during 2013. The payments included $28,689 on the term loan and $12,640 on the revolving credit facility. Also, ALD purchased two heat treatment modules during the year for $3,555 in accordance with a lease agreement reducing the lease obligation. Additional payments of $5,603 were to various banks related to capital leases and other debt repayments.

23. Short term bank debt

The Company's Brazilian subsidiaries maintain short term secured and unsecured borrowing arrangements with various banks. Borrowings under these arrangements are included in short term debt on the consolidated statement of financial position and aggregated $19,881 at December 31, 2014 (2013: $16,705) at a weighted-average interest rate of 5.1% (2013: 3.3%).

The Company's Indian subsidiaries maintain a short term unsecured borrowing arrangement with ICICI Bank Limited, Mumbai. Borrowings under this arrangement are included in short term debt on the consolidated statement of financial position and was $1,445 at December 31, 2014 (2013: $2,097) at a fixed interest rate of 11.5% (2013: 11.5%).

AMG Mining AG maintains a short term unsecured credit facility and other loans with an outstanding balance of nil (2013: $117) at December 31, 2014.

During the year ended December 31, 2014, the Company made short term debt borrowings (repayments) in the amount of $2,691 (2013: ($11,192)).

24. Employee benefits

DEFINED CONTRIBUTION PLANS

Tax qualified defined contribution plans are offered which cover 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, under the control of trustees, from the assets of the subsidiaries. When 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 governments in the countries where the employees work. 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, 2014 recognized in the consolidated income statement of $4,201 (2013: $4,064) represents contributions paid and payable to these plans.

DEFINED BENEFIT PLANS

North America plans

The Company offers tax-qualified, noncontributory defined benefit pension plans for certain salaried and hourly employees at US subsidiaries. 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 at least equal to the minimum funding requirements of the US Employee Retirement Income Security Act.

Non-qualified additional supplemental executive retirement plans (SERPs) also cover three of the Company's current executive officers as well as one of the Company's former executive officers. Pursuant to the terms of the agreements, these officers earn additional retirement benefits for continued service with the Company. Under the terms of the SERPs, the Company 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.

During 2013, the Company's former Chief Financial Officer stepped down and as a result a remeasurement and curtailment of the SERP employee benefits liability occurred. The net impact of the remeasurement and curtailment was a reduction in the employee benefits liability of $542, a change in other comprehensive income of $113 and a net gain in the consolidated income statement of $429 which is included in service costs in the following employee benefits disclosure. The full value of his SERP was paid out with payments in 2013 and 2014. Also in 2013, the Company entered into an additional Supplemental Executive Retirement Plan with its current Chief Financial Officer. Pursuant to the terms of the plan, the Chief Financial Officer is to earn additional retirement benefits for continued service with the Company. The maximum retirement benefit payment under the plan is equal to 50% of the final two 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.

Actuarial assumptions

A majority of the North America plans are frozen to new entrants. As a result, the principal actuarial assumption for these plans is the rate of discount. The rate of discount utilized as of December 31, 2014 (expressed as a weighted average) was 3.86% (2013: 4.36%). The SERP plan assumptions are developed using specific assumptions about the individual participants.

Assumptions regarding future mortality are based on published statistics and the mortality tables including RP-2014 Combined Healthy mortality table (2013: RP-2000 Combined Healthy mortality table) and the IRS 2014 Generational mortality table (2013: IRS 2008 Generational mortality table). The updated mortality tables utilized in 2014 indicated improved lifespan longevity of participants and therefore contributed to the increase in benefit obligation during the period. 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 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, 2015 is $2,105

European plans

The Company's European plans include qualified defined benefit plans in Germany, the UK, and France as well as a nonqualified German supplemental executive retirement plan for a former executive officer. The plans in Germany and France are partially funded or unfunded while the UK plan is funded. 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 AMG. Substantially all plan assets are invested in listed stocks and bonds.

One of the Company's Management Board members was released from his responsibilities at the Company and was formally terminated effective May 31, 2013. He received the value of his SERP with payments beginning in June 2013 and ending in December 2014.

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages) are presented below.

	2014	2013
	% per annum	% per annum
Inflation	2.07	2.07
Salary increases	2.03	2.25
Rate of discount at December 31	2.18	3.47
Pension payments increases	1.88	1.96

Assumptions regarding future mortality are based on published statistics and mortality tables including the RT 2005G and S1PxA mortality tables.

The best estimate of contributions to be paid to the primary plans for the year ending December 31, 2015 is $6,026.

Presented below are employee benefits disclosures for plans aggregated by geographical location into the North American and European groups.

2014 changes in the defined benefit obligation and fair value of plan assets:

	North America			Europe			Total		
	Total	Defined Benefit Obligation	Fair Value of Plan Assets	Total	Defined Benefit Obligation	Fair Value of Plan Assets	Total	Defined Benefit Obligation	Fair Value of Plan Assets
January 1, 2014	(21,317)	(48,811)	27,494	(118,042)	(227,699)	109,657	(139,359)	(276,510)	137,151
Service costs	(543)	(543)	—	(2,288)	(2,288)	—	(2,831)	(2,831)	—
Net interest	(904)	(2,194)	1,290	(4,441)	(9,224)	4,783	(5,345)	(11,418)	6,073
Subtotal included in profit or loss	(1,447)	(2,737)	1,290	(6,729)	(11,512)	4,783	(8,176)	(14,249)	6,073
Benefits paid	—	2,792	(2,792)	4,493	11,347	(6,854)	4,493	14,139	(9,646)
Return on plan assets (excluding amounts included in net interest expense)	273	—	273	10,344	—	10,344	10,617	—	10,617
Actuarial changes arising from changes in demographic assumptions	(2,459)	(2,459)	—	374	374	—	(2,085)	(2,085)	—
Actuarial changes arising from changes in financial assumptions	(4,464)	(4,464)	—	(20,944)	(20,944)	—	(25,408)	(25,408)	—
Experience adjustments	351	351	—	(20,540)	(20,540)	—	(20,189)	(20,189)	—
Subtotal included in OCI	(6,299)	(6,572)	273	(30,766)	(41,110)	10,344	(37,065)	(47,682)	10,617
Contributions by employer	2,290	—	2,290	2,333	—	2,333	4,623	—	4,623
Effect of movements in foreign exchange rates	—	—	—	15,812	22,748	(6,936)	15,812	22,748	(6,936)
Transfers	—	—	—	—	—	—	—	—	—
December 31, 2014	(26,773)	(55,328)	28,555	(132,899)	(246,226)	113,327	(159,672)	(301,554)	141,882

2013 changes in the defined benefit obligation and fair value of plan assets:

	North America			Europe			Total		
	Total	Defined Benefit Obligation	Fair Value of Plan Assets	Total	Defined Benefit Obligation	Fair Value of Plan Assets	Total	Defined Benefit Obligation	Fair Value of Plan Assets
January 1, 2013	(27,361)	(52,953)	25,592	(110,596)	(219,462)	108,866	(137,957)	(272,415)	134,458
Service costs	(171)	(171)	—	(2,344)	(2,344)	—	(2,515)	(2,515)	—
Net interest	(1,023)	(2,034)	1,011	(4,163)	(8,858)	4,695	(5,186)	(10,892)	5,706
Subtotal included in profit or loss	(1,194)	(2,205)	1,011	(6,507)	(11,202)	4,695	(7,701)	(13,407)	5,706
Benefits paid	—	2,590	(2,590)	5,848	11,845	(5,997)	5,848	14,435	(8,587)
Return on plan assets (excluding amounts included in net interest expense)	1,579	—	1,579	(3,591)	—	(3,591)	(2,012)	—	(2,012)
Actuarial changes arising from changes in demographic assumptions	301	301	—	2,826	2,826	—	3,127	3,127	—
Actuarial changes arising from changes in financial assumptions	3,629	3,629	—	(464)	(464)	—	3,165	3,165	—
Experience adjustments	(173)	(173)	—	(4,513)	(4,513)	—	(4,686)	(4,686)	—
Subtotal included in OCI	5,336	3,757	1,579	(5,742)	(2,151)	(3,591)	(406)	1,606	(2,012)
Contributions by employer	1,902	—	1,902	3,565	—	3,565	5,467	—	5,467
Effect of movements in foreign exchange rates	—	—	—	(4,610)	(6,729)	2,119	(4,610)	(6,729)	2,119
Transfers	—	—	—	—	—	—	—	—	—
December 31, 2013	(21,317)	(48,811)	27,494	(118,042)	(227,699)	109,657	(139,359)	(276,510)	137,151

Plan assets consist of the following:

	North America plans		European plans		Total	
	2014	2013	**2014**	2013	**2014**	2013
Equity securities and ownership of equity funds	16,563	17,461	28,190	28,419	44,753	45,880
Debt securities	10,838	9,784	78,622	73,734	89,460	83,518
Cash and equivalents	57	249	164	546	221	795
Insurance contracts and other	1,097	—	6,351	6,958	7,448	6,958
Total	28,555	27,494	113,327	109,657	141,882	137,151

The expense is recognized in the following line items in the income statement:

	North America plans		European plans		Total	
	2014	2013	**2014**	2013	**2014**	2013
Cost of sales	356	440	2,378	2,197	2,734	2,637
Selling, general and administrative expenses	1,091	754	4,351	4,310	5,442	5,064
Total	1,447	1,194	6,729	6,507	8,176	7,701

A quantitative sensitivity analysis for significant assumptions as of December 31, 2014 is as shown below:

Assumptions	Discount rate		Future salary increases		Future pension cost increase		Life expectancy	
Sensitivity level	**1% increase**	1% decrease	**1% increase**	1% decrease	**0.5% increase**	0.5% decrease	**1 year increase**	1 year decrease
Impact on the net defined benefit obligation North American Plans	(5,685)	7,039	233	(120)	118	(109)	256	(264)
Impact on the net defined benefit obligation European Plans	(36,938)	42,648	4,677	(4,100)	10,652	(9,901)	11,929	(11,950)
Total impact on the net defined benefit obligation	(42,623)	49,687	4,910	(4,220)	10,770	(10,010)	12,185	(12,214)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected to be made in the future years out of the defined benefit plan obligation for the year ending December 31:

	North America Plans	European Plans	Total
2015	8,846	2,443	11,289
2016	9,392	2,501	11,893
2017	9,665	3,003	12,668
2018	9,945	3,399	13,344
2019	10,312	3,341	13,653
2020-2024	55,178	20,164	75,342

The average duration of the defined benefit plan obligation at the end of the reporting period is 16 years (2013: 15 years).

25. Share-based payments

EQUITY-SETTLED SHARE-BASED PAYMENTS

On May 13, 2009, the Annual General Meeting approved an 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. All outstanding options granted under this plan are fully vested. 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 2014 were 122,937 (2013: 132,334). During the year ended December 31, 2014, grants expired or forfeited were 650,258 (2013: 151,851). 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 black-scholes model. The assumptions used in the calculation are set out below.

During the year ended December 31, 2014 and 2013, there were no options granted or exercised under the 2007 Plan. Expired or forfeited options under this plan were 41,051 (2013: 60,000). 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.

During the year ended December 31, 2014, AMG recorded compensation from equity-settled share-based payment transactions of $854 (2013: $475) which is included in selling, general and administrative expenses in the income statement.

Movements

	2014		2013	
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	2,850	19.98	2,929	20.42
Granted during the year	123	7.82	132	6.80
Forfeited or expired during the year	(691)	19.36	(211)	9.06
Outstanding at December 31	2,281	19.52	2,850	19.98
Exercisable at December 31	1,781	22.86	2,386	22.26

1,781,101 options were exercisable as of December 31, 2014 (2013: 2,385,545).

At December 31, 2014, the number of common shares subject to options outstanding and exercisable was as follows:

Price range	Outstanding options	Weighted average exercise price (in €)	Weighted average remaining life (in years)	Exercisable options	Weighted average exercisable price (in €)
€6.44 to €9.84	931,936	7.73	6.9	474,707	8.51
€12.70 to €24.00	944,454	21.11	3.6	901,394	21.40
€29.45 to €40.50	345,000	39.77	4.0	345,000	39.77
€44.00 to €64.31	60,000	61.06	3.9	60,000	61.06

At December 31, 2013, the number of common shares subject to options outstanding and exercisable was as follows:

Price range	Outstanding options	Weighted average exercise price (in €)	Weighted average remaining life (in years)	Exercisable options	Weighted average exercisable price (in €)
€6.44 to €9.84	1,028,641	7.82	5.9	650,545	8.44
€12.70 to €24.00	1,321,121	21.37	4.5	1,235,000	21.80
€29.45 to €40.50	440,000	38.67	4.9	440,000	38.67
€44.00 to €64.31	60,000	61.06	4.9	60,000	61.06

The maximum number of options that can be granted under either the 2007 Plan or the 2009 Plan is 10% of total shares outstanding up to a maximum of 50,000,000. As of December 31, 2014, total shares outstanding under the 2007 Plan were 1,524,575 (2013: 2,174,833) and the total options outstanding under the 2009 Plan were 756,815 (2013: 674,929).

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 2014 and 2013 under the 2009 Plan:

	2014	2013
Exercise price	€7.82	€6.80
Share price at date of grant	€7.82	€6.80
Contractual life (years)	10	10
Dividend yield	Nil	Nil
Expected volatility	59.5%	65.5%
Risk-free interest rate	1.25%	1.06%
Expected life of option (years)	6	6
Weighted average share price	€4.31	€4.02
Expected departures	10%	10%

The expected volatility was calculated using the average share volatility of the Company (over a period equal to the expected term of the options). 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 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 two and five-year Dutch government bonds.

AMG's option expense is recorded in the share-based payment reserve (refer to note 20). The cumulative amount recorded in the share-based payment reserve in shareholders' equity was $47,108 as of December 31, 2014 (2013: $47,844).

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, 2014, the Company issued 539,084 (2013: 642,635) performance share units ("PSUs") to certain employees which are cash-settled. In the year ended December 31, 2014, 43,523 and 108,831 were terminated and settled, respectively. The total number of PSUs outstanding as of December 31, 2014 was 1,337,994. Fair value of those PSUs is determined using the black-scholes method with the following assumptions:

	2014	2013
Contractual life (years)	1–3	1–3
Dividend yield (%)	Nil	Nil
Expected volatility (%)	28%–35%	25%–38%
Risk-free interest rate (%)	(0.2%)–(0.1%)	0.0%–0.4%
Expected life of unit (years)	1–3	1–3

The liability for cash-settled share-based payments has been rolled forward as noted below:

	Value of liability
Balance as at January 1, 2013	371
Current year expense	2,063
Vesting and payments on second and third tranches 2010	(387)
Currency / other	107
Balance as at December 31, 2013	2,154
Balance as at January 1, 2014	2,154
Current year expense (reversal)	(2,019)
Currency / other	(135)
Balance as at December 31, 2014	—

Due to the total shareholder return performance of the Company relative to its peers, no tranches of PSUs carried any fair value at December 31, 2014.

26. Provisions

	Environmental remediation costs and recoveries	Restructuring	Warranty	Cost estimates	Partial retirement	Restoration costs	Other	Total
Balance at January 1, 2013	19,160	4,791	4,211	3,138	2,479	11,592	871	46,242
Provisions made during the period	(86)	14,225	1,582	1,572	204	554	(33)	18,018
Provisions used during the period	(1,368)	(8,254)	(766)	(926)	(1,001)	(66)	(35)	(12,416)
(Decrease) increase due to discounting	(269)	—	—	—	—	345	—	76
Currency, transfers and reversals	(916)	295	208	161	63	211	23	45
Balance at December 31, 2013	16,521	11,057	5,235	3,945	1,745	12,636	826	51,965
Balance at January 1, 2014	16,521	11,057	5,235	3,945	1,745	12,636	826	51,965
Provisions made during the period	5,544	4,870	(747)	65	429	169	703	11,033
Provisions used during the period	(572)	(6,473)	(1,034)	(1,171)	(494)	(96)	(31)	(9,871)
Increase due to discounting	285	—	—	—	—	1,178	—	1,463
Currency, transfers and reversals	632	(1,125)	(527)	(369)	(172)	(652)	(147)	(2,360)
Balance at December 31, 2014	22,410	8,329	2,927	2,470	1,508	13,235	1,351	52,230
Non-current	15,240	227	—	—	1,742	12,636	598	30,443
Current	1,281	10,830	5,235	3,945	3	—	228	21,522
Balance at December 31, 2013	16,521	11,057	5,235	3,945	1,745	12,636	826	51,965
Non-current	21,663	—	—	—	1,492	13,235	666	37,056
Current	747	8,329	2,927	2,470	16	—	685	15,174
Balance at December 31, 2014	22,410	8,329	2,927	2,470	1,508	13,235	1,351	52,230

ENVIRONMENTAL REMEDIATION COSTS AND RECOVERIES

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. Due to timing and low interest rates, the undiscounted and discounted liability amounts do not differ significantly, except for with respect to the liabilities in the United States.

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. According to the PICO guidelines, these slag piles were capped in 2009, thereby lowering the radioactive emissions from the piles.

The PICO also required 1,000 years of operations and maintenance expenses ("O&M") through the year 3009 at the site. The Company has reserved for ongoing O&M which is expected to cost $44,203 on an undiscounted basis and $1,934 on a discounted basis. Annual payments for O&M are expected to be $59 for the next 25 years, declining from that point on. These amounts will be paid out of an environmental trust already established by the Company. One additional provision relates to groundwater monitoring. This project is expected to create cash outflows of $166, on an undiscounted basis, and is expected to be completed within the next 20 years. Discount rates of 0.25%-2.75% (depending on the expected timing of payments) were used in determining the liabilities recorded.

Reversals of environmental expense in the amount of $251 were recorded in the year ended December 31, 2014 (2013: $110) related to the Cambridge site. The 2014 and 2013 reversals related to a reserve for storm water remediation and a reserve for wetlands remediation, respectively, which were no longer required.

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 its Newfield facility. Since the initial administrative consent order was signed in 1997, many of the obligations have been completed.

Similar to the Cambridge, Ohio facility, Newfield conducted operations that created a substantial slag pile with low-level radioactive materials. AMG is currently in negotiations with the NJDEP regarding a removal plan for the Newfield Site. AMG has historically believed a decommissioning plan involving capping the slag pile was the most likely scenario, however, as a result of a US District Court decision which occurred in late 2014 and current discussions with the NJDEP the Company now believes removal of the pile will be the most likely outcome. The Company is in the preliminary stages of assessing potential costs and developing a decommissioning plan reflecting this scenario. Negotiations with the NJDEP began in January 2015 and are therefore at an early stage. The Company is analyzing and attempting to value a variety of remediation options. Management has recorded an accrual for $17,000 (on an undiscounted basis) which represents its best estimate of the cost of removal, at this early stage. These costs would be paid over the next five years, subject to negotiations with the NJDEP. In addition, O&M for the site may be required subsequent to the removal. As of December 31, 2014, AMG has an accrual of $1,934 recorded related to possible future O&M costs for the Newfield site. These costs are also subject to negotiations with the regulator. AMG recorded environmental expense of $5,795 related to the Newfield site during the year ended December 31, 2014.

Remediation trust funds

The Company's US subsidiaries have established trust funds for future environmental remediation payments. The amounts are kept by 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 O&M at the two US sites. Amounts are paid out following completion and approval of rehabilitation work. 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, 2014 are $3,505 (2013: $2,475). The undiscounted amounts as of December 31, 2014 are $5,629 (2013: $5,495).

Sao Joao del Rei, Brazil

The chemical plant facility in Brazil has waste from its operations that has accumulated over time. Management has negotiated with the Brazilian government on the best way to dispose of the waste material. The removal began in 2013 and is expected to be finalized in 2015. As of December 31, 2014, the provision for this liability is $21 (2013: $153). This amount is undiscounted as removal is expected to be finalized in 2015.

Nazareno, Brazil

Brazilian authorities have made certain demands with respect to the operations and the related environmental impacts of the tantalum mine in Brazil. The total provision for meeting the Brazilian authorities' demands as of December 31, 2014 was $247 (2013: $484). No additional provision was required in the year ended December 31, 2014. Payments of $202 were made against this provision and additional payments are expected in 2015 and 2016.

Pocking, Germany

An environmental remediation liability exists with respect to the silicon metal operation and its waste storage. As of December 31, 2014, the liability for the remediation of this site is valued at $583 (2013: $633). There were no payments made during 2014, however payments of approximately $608 in total are expected to be made between 2015 and 2017. A discount rate of 2.9% was used to determine the liability recorded

Nuremberg, Germany

Over time, damage to the sewer lines from the plant in Nuremberg, Germany 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. In the year ended December 31, 2014, there was no additional expense recorded. The expected liability for continued work on the sewer rehabilitation project is $1,328 (2013: $1,554). Payments for this project are expected to occur over the next six years with spending taking place in a relatively consistent pattern over those years. Discount rates of 2.8%–3.6% (depending on the expected timing of payments) were used in determining the liabilities recorded.

RESTRUCTURING

During the year ended December 31, 2014, the Company recorded restructuring expense of $4,870 (2013: $14,225).

The impact of the 2014 restructuring expense of $4,870 is noted on the following actions taken by segment:

- AMG Processing – Expense of $3,770 for an estimated headcount reduction of 143 in the US, Germany and Brazil
- AMG Engineering – Expense of $222 for an estimated headcount reduction of 6 for the reorganization of an operation in Germany
- AMG Mining – Expense of $767 related to Turkey mine closure

- AMG Corporate – Expense of $111 related to the separation of 2 members of the Company's Management

The restructuring provision as of December 31, 2014 is mainly comprised of a provision for value added tax at a shut-down facility, Turkey mine closure costs, and headcount reduction costs in the US, Germany, and the UK.

In 2013, the largest portion of the restructuring expense related to the reorganization of a solar furnace operation in Germany, which led to an expense of $6,345.

WARRANTY

The Company's Engineering segment 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. Warranty payments of $851 were made and warranty provisions of $1,037 were reversed in the year ended December 31, 2014. The reversal was primarily related to a warranty rate change from 7% to 3% on certain contacts and the expiration of warranties for two large projects. Warranty payments of $766 were made and warranty provisions of $1,883 were recorded during the year ended December 31, 2013. The Company has limited warranties for certain other products.

Two German subsidiaries provide for warranties for certain products. The provisions are based on actual claims made by customers. There were $290 of additional provisions recorded during 2014 (2013: ($301)) and payments of $183 (2013: nil).

COST ESTIMATES

AMG Engineering builds a project cost provision on its percentage of completion contracts. The provision is developed on a contract by contract basis. The amounts recorded as a provision are the result of the expected total project costs and are based on historical percentages. Over the life of the percentage of completion contracts, the provision for project cost is utilized or derecognized depending on actual performance of the contracts. A provision of $65 was recorded in 2014 (2013: $1,572) related to projects that are currently in process while $1,171 (2013: $926) 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, the Company's German subsidiaries have made provisions for those employees who are eligible per their employment contracts. During 2014, there were additional provisions of $429 (2013: $204) and payments of $494 (2013: $1,001). Additional payments of approximately $1,145 are expected to occur over the next four years. Discount rates of 0.4%, 0.08% and 2.81% were used by the Company's German subsidiaries to determine the liabilities recorded.

RESTORATION, REHABILITATION AND DECOMMISSIONING COSTS

Decommissioning provisions represent the accrued cost required to provide adequate restoration and rehabilitation upon the completion of extraction activities. These amounts will be settled when rehabilitation is undertaken, generally at the end of the project's life.

Hauzenberg, Germany

The Company maintains a recultivation provision related to its graphite mine in Germany. This mine was previously closed and the Company was in negotiations with the German authorities on a plan to close the site and the timeline. However, in June 2012, this mine was re-opened and $135 of environmental expense was recorded in the consolidated income statement as mining restarted. There was no additional provision recorded in 2014 (2013: $344). The total restoration liability for this mine is $5,331 as of December 31, 2014 (2013: $5,303). A discount rate of 1.3% was used to determine the liability recorded.

Nazareno, Brazil

In the year ended December 31, 2014, a Brazilian subsidiary recorded an expense of $169 (2013: $210) related to an asset retirement obligation at its mine. The additional provision reflects the ongoing development of the obligation. As of December 31, 2014, the total provision amount was $7,904 (2013: $7,333). A discount rate of 6.35% was used to determine the liability recorded.

OTHER

Other is comprised of additional accruals including certain guarantees made to various customers.

If the estimated pre-tax discount rate used in the calculations had been 10% higher than management's estimate, the carrying amount of the provisions balance would have been approximately $744 lower.

27. Government grants

	Government grants
Balance at January 1, 2013	527
Grants received during the period	460
Grant used during the period	(41)
Repayments during the period	—
Currency and reversals	11
Balance at December 31, 2013	957
Balance at January 1, 2014	957
Grants received during the period	147
Grants used during the period	(252)
Repayments during the period	—
Currency and reversals	(98)
Balance at December 31, 2014	754
Non-current	883
Current	74
Balance at December 31, 2013	957
Non-current	666
Current	88
Balance at December 31, 2014	754

AMG Mining AG has government grant obligations related to retention of personnel and its capital investment in the state of Bavaria, Germany. According to the grants received, AMG Mining AG is expected to create or maintain a certain number of employees over the course of the grant. The liability for the grant is reduced as money is spent on capital expansion. As of December 31, 2014, the current and non-current portions of the grants were $57 and $490, respectively. As of December 31, 2013, the current and non-current portions of the grants were $43 and $691, respectively. During the years ended December 31, 2014 and 2013, AMG Mining AG met the requirements established for government grants.

AMG Superalloys UK has a government grant given by the Welsh Assembly Government for the Anglesey plant to help safeguard jobs in the area. According to the grant received, AMG Superalloys UK is expected to maintain a certain number of employees over the course of the grant and required to produce or improve products, processes or launch a service. The grant funds will be used for a capital project that will introduce a new product. AMG Superalloys UK receives money over the course of the grant period and the liability for the grant is reduced as money is spent on capital expansion. As of December 31, 2014, the current and non-current portions of the grant were $31 and $176, respectively. As of December 31, 2013, AMG Superalloys UK received the final grant payment of $125, resulting in current and non-current liabilities of $31 and $192, respectively.

28. Deferred revenue

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

The Company also received prepayments of $7,833 in the year ended December 31, 2014 (2013: nil) which relate to expected future deliveries of products to customers. Shipments to these customers began in 2014. This prepayment was classified as an operating cash flow. The deferred revenue liability will be reduced using a prescribed formula over the course of the contracts based on the material shipped.

	Deferred revenue
Balance at January 1, 2013	5,257
Deferred during the year	15,000
Released to the income statement	(3,472)
Balance at December 31, 2013	16,785
Balance at January 1, 2014	16,785
Deferred during the year	7,833
Released to the income statement	(7,254)
Balance at December 31, 2014	17,364
Non-current	11,776
Current	5,009
Balance at December 31, 2013	16,785
Non-current	8,950
Current	8,414
Balance at December 31, 2014	17,364

29. Other liabilities

Other liabilities are comprised of the following:

	2014	2013
Accrued bonus	14,184	11,702
Accrued interest	4,163	4,140
Accrued professional fees	5,944	4,734
Accrued employee payroll expenses	3,056	5,760
Accrual for performance share units	—	2,154
Accruals for operational costs	7,508	5,637
Claims	1,222	1,055
Fiscal contingency	6,567	8,538
Sales commission	1,318	1,132
Other benefits and compensation	7,605	8,162
Taxes, other than income	6,226	5,064
Other miscellaneous liabilities	4,349	4,730
Total	62,142	62,808
Thereof:		
Non-current	8,885	8,425
Current	53,257	54,383

30. Trade and other payables

	2014	2013
Trade payables	118,636	113,550
Trade payables – percentage of completion	15,737	13,831
Total	134,373	127,381

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 risks.

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 5% of the Company's revenue. There are no geographic 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 16.

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.

The Company's maximum exposure is the carrying amounts as discussed in notes 18, 19 and 32.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 bi-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:

- $243,000 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.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2014 based on contractual undiscounted payments. The financial derivatives obligations are presented on a net basis for balances where it is appropriate to net the obligation position within a subsidiary for the respective period.

2014	Contractual cash flows	< 3 months	3-12 months	2016	2017	2018	2019	> 2019
Term loan / revolver	172,455	—	4,559	167,896	—	—	—	—
Cash interest on term loan	4,989	—	3,603	1,386	—	—	—	—
Fixed rate loans and borrowings	3,172	265	884	1,130	356	97	97	343
Cash interest on loans and borrowings	243	23	64	55	29	24	19	29
Financial derivatives	14,219	3,124	10,248	847	—	—	—	—
Financial lease liabilities	2,097	212	636	867	363	15	4	—
Trade and other payables	134,346	114,673	19,673	—	—	—	—	—
Short term bank debt	21,326	—	21,326	—	—	—	—	—
Accruals and other liabilities	53,135	24,930	18,217	2,331	967	797	792	5,101
Total	405,982	143,227	79,210	174,512	1,715	933	912	5,473

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2013 based on contractual undiscounted payments.

2013	Contractual cash flows	< 3 months	3-12 months	2015	2016	2017	2018	> 2018
Term loan / revolver	240,958	3,442	13,766	5,162	218,588	—	—	—
Cash interest on term loan	13,660	210	5,514	5,658	2,278	—	—	—
Fixed rate loans and borrowings	6,097	857	1,651	1,297	1,279	403	110	500
Cash interest on loans and borrowings	416	35	104	97	63	33	28	56
Financial derivatives	13,000	3,477	4,882	3,098	1,543	—	—	—
Financial lease liabilities	3,365	296	890	956	862	361	—	—
Trade and other payables	127,381	112,659	14,722	—	—	—	—	—
Short term bank debt	18,919	118	18,801	—	—	—	—	—
Accruals and other liabilities	47,795	29,530	11,122	3,167	647	650	837	1,842
Total	471,591	150,624	71,452	19,435	225,260	1,447	975	2,398

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 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 $3,055 and $5,537 as of December 31, 2014 and 2013, 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 positions as at December 31, 2014 and 2013.

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, 2014.

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, 2014 and 2013 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 policy is to maintain approximately 75% 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 swaps. These are designed to hedge underlying debt obligations. At December 31, 2014, after taking into account the effect of interest rate swaps, approximately 84% of the Company's borrowings are at a fixed rate of interest (2013: 68%). This percentage is higher than policy due to significant debt repayments in 2013 and 2014, but will be addressed in the next refinancing of the Company.

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, 2014 and 2013, 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.

2014	Increase/decrease in basis points	Effect on profit before tax
US Dollar ***		(30)
Euro	+10	(1)
US Dollar ***		30
Euro	–10	1

2013	Increase/decrease in basis points	Effect on profit before tax
US Dollar ***		(70)
Euro	+10	(13)
US Dollar ***		70
Euro	–10	13

***Historic volatility on certain USD short term debt varies across a wide range from +25 basis points to -25 basis points. Sensitivities are calculated on the actual volatility for each debt instrument.

See note 22 for loans and borrowings explanations.

At December 31, 2014, the Company's interest rate swaps had a fair value of ($4,546) (2013: ($7,702)). Per the agreements, the Company pays a fixed rate and receives a floating rate based on the six month 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 were no ineffective interest rate swaps in the years ended December 31, 2014 and 2013. Changes in sensitivity rates reflect various changes in the economy year-over-year.

2014	Increase/decrease in basis points	Effect on equity	Effect on profit before tax
US Dollar	+5	119	—
US Dollar	–10	(237)	—

2013	Increase/decrease in basis points	Effect on equity	Effect on profit before tax
US Dollar	+5	203	—
US Dollar	–10	(405)	—

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 the 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, Euros, British Pound Sterling and Brazilian Reais. 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 maximize hedge effectiveness. The Company seeks to mitigate this risk by hedging a range of 60% to 90% 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 primary 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.

2014	Strengthening/ weakening in functional rate	Effect on profit before tax	Effect on equity before tax
US Dollar	+5%	978	739
Euro	+5%	(1,287)	(172)
US Dollar	–5%	(978)	(739)
Euro	–5%	1,287	172

2013	Strengthening/ weakening in functional rate	Effect on profit before tax	Effect on equity before tax
US Dollar	+5%	1,248	(14)
Euro	+5%	(1,037)	129
US Dollar	–5%	(1,248)	14
Euro	–5%	1,037	(129)

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.

2014	Change in price	Effect on profit before tax	Effect on equity before tax
Aluminum	+10%	147	102
Aluminum	–10%	(147)	(102)

2013	Change in price	Effect on profit before tax	Effect on equity before tax
Aluminum	+10%	169	109
Aluminum	–10%	(169)	(109)

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%.

	2014	2013
Loans and borrowings	174,552	244,661
Short term bank debt	21,326	18,919
Less: cash and cash equivalents	108,029	103,067
Net debt	87,849	160,513
Net debt	87,849	160,513
Total equity	100,977	134,590
Total capital	188,826	295,103
Debt to total capital ratio	0.47	0.54

32. Financial instruments

FAIR VALUES

As of December 31, 2014, fixed rate loans and borrowings had a carrying value $117 greater than the fair value of the instruments. Excluding fixed rate loans and borrowings, the carrying amounts presented in the financial statements approximate the fair values for all of the Company's financial instruments.

The fair value of the financial assets and liabilities are included at the price that would be received to sell the instrument in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

- Short term assets and liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.
- The calculation of fair value for derivative financial instruments depends on the type of instruments: Derivative interest rate contracts are estimated by discounting expected future cash flows using current market interest rates and yield curves over the remaining term of the instrument; Derivative currency and commodity contracts are based on quoted forward exchange rates and commodity prices respectively.
- Floating rate loans and borrowings and notes receivable maintain a floating interest rate and approximate fair value. Fair value of the Company's floating rate loans and borrowings are estimated by discounting expected future cash flows using a discount rate that reflects the Company's borrowing rate at December 31, 2014.
- The consideration of non-performance risk did not significantly impact the fair values for fixed and floating rate loans and borrowings.
- The fair value of fixed rate loans and borrowings are estimated by discounting future cash flows using rates currently available for debt.

FAIR VALUE HIERARCHY

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

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

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

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

As of December 31, 2014, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	December 31, 2014	Level 1	Level 2	Level 3
Financial assets				
Forward contracts – hedged	1,667	—	1,667	—
Forward contracts – non-hedged	330	—	330	—

Liabilities measured at fair value

	December 31, 2014	Level 1	Level 2	Level 3
Financial liabilities				
Forward contracts – hedged	9,614	—	9,614	—
Interest rate swaps	4,546	—	4,546	—

As of December 31, 2013, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

December 31, 2013		Level 1	Level 2	Level 3
Financial assets				
Forward contracts – hedged	2,437	—	2,437	—
Forward contracts – non-hedged	11	—	11	—

Liabilities measured at fair value

December 31, 2013		Level 1	Level 2	Level 3
Financial liabilities				
Forward contracts – hedged	3,659	—	3,659	—
Forward contracts – non-hedged	1,639	—	1,639	—
Interest rate swaps	7,702	—	7,702	—

During the years ended December 31, 2014 and 2013, 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.

The Company's fixed and floating rate loans and borrowings are considered Level 2 fair value.

HEDGING ACTIVITIES

Interest rate hedges

In April 2011, the Company entered into two interest rate swap hedge agreements for the entire drawdown of the term loan of €64,200 as well as $95,000 of the revolver (see note 22). These interest rate swaps were executed so that the Company could hedge its exposure to changes in the benchmark interest rate on the term loan of €64,200 and $95,000 of the revolver. These swap agreements provide for a fixed annual interest rate of 2.87% for the euro denominated term loan and a fixed annual interest rate of 2.10% for the US dollar denominated revolver (exclusive of the margin) paid semi-annually by AMG and a semi-annual payment by the counterparty of EURIBOR and LIBOR, respectively, expiring in 2016. Management has designated the interest rate swap as a cash flow hedge of the forecasted interest payments on the debt. The fair value of the term loan interest rate swap as at December 31, 2014 is a non-current liability of $2,454 (2013: $4,284). The fair value of the revolver interest rate swap as at December 31, 2014 is a non-current liability of $2,092 (2013: $3,418).

The amount from effective interest rate swap cash flow hedges included in equity through other comprehensive income is ($3,578) and ($6,382) in the years ended December 31, 2014 and 2013, respectively. The amount included in equity is anticipated to impact the income statement over the life of the related debt instrument. During the years ended December 31, 2014 and 2013, $3,927 and $3,703, respectively, were transferred from equity to the income statement as increases to interest expense. There are no ineffective interest rate swap contracts as at December 31, 2014 or as at December 31, 2013.

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. Certain commodity forward contracts have been designated as cash flow hedges and contracts not designated as cash flow hedges are immediately recognized in cost of sales.

The open commodity forward contracts as at December 31, 2014 are as follows:

	Metric tons	Average price	Fair value assets	Fair value liabilities
US Dollar denominated contracts to purchase commodities:				
Aluminum forwards	4,250	1,940	—	(443)
Nickel forwards	30	14,635	7	—
Copper forwards	575	6,685	—	(231)

The open commodity forward contracts as at December 31, 2013 are as follows:

	Metric tons	Average price	Fair value assets	Fair value liabilities
US Dollar denominated contracts to purchase commodities:				
Aluminum forwards	4,325	1,820	27	(132)
Nickel forwards	54	14,635	—	(35)
Copper forwards	150	6,998	54	-

The amount from the commodity cash flow hedges included in equity was ($592) and $136 in the years ended December 31, 2014 and 2013, respectively. The amount included in equity is anticipated to impact the income statement over the next 12 months. During the years ended December 31, 2014 and 2013, $605 and $256, respectively, were transferred from equity to the income statement as increases to cost of sales. During the year ended December 31, 2014, nil (2013: $174) was recorded to the income statement as interest expense related to commodity hedges. There was no ineffectiveness for contracts designated as cash flow hedges during the years ended December 31, 2014 and 2013.

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, 2014 are as follows:

Exposure	Notional amount	Contract rate	Fair value assets	Fair value liabilities
Cash Flow Hedges				
Euro (versus USD)	€17.3 million	0.773	1,396	—
USD (versus Euro)	$53.7 million	1.303	—	(3,541)
Economic Hedges				
Euro (versus USD)	€7.5 million	0.822	35	—

The open foreign exchange forward sales contracts as at December 31, 2013 are as follows:

Exposure	Notional amount	Contract rate	Fair value assets	Fair value liabilities
Cash Flow Hedges				
Euro (versus USD)	€26.6 million	0.744	2	(772)
USD (versus Euro)	$43.5 million	1.329	1,831	(2)
Economic Hedges				
Euro (versus USD)	€19.6 million	0.769	—	(1,458)

The open foreign exchange forward purchase contracts as at December 31, 2014 are as follows:

Exposure	Notional amount	Contract rate	Fair value assets	Fair value liabilities
Cash Flow Hedges				
USD (versus Euro)	$8.3 million	1.256	264	—
GBP (versus USD)	£23.4 million	1.644	—	(1,963)
BRL (versus USD)	R$78.1 million	2.446	—	(3,436)
Economic Hedges				
USD (versus Euro)	$15.0 million	1.238	295	—

The open foreign exchange forward purchase contracts as at December 31, 2013 are as follows:

Exposure	Notional amount	Contract rate	Fair value assets	Fair value liabilities
Cash Flow Hedges				
USD (versus Euro)	$6.2 million	1.296	5	(47)
GBP (versus USD)	£6.5 million	1.606	227	—
BRL (versus USD)	R$94.1 million	2.293	291	(2,671)
Economic Hedges				
USD (versus Euro)	$ 11.9 million	1.364	—	(128)
Euro (versus USD)	€ 8.8 million	0.725	11	(53)

The amounts from the foreign currency cash flow hedges included in equity were ($6,489) and ($732) in the years ended December 31, 2014 and 2013, respectively. The amount included in equity is anticipated to impact the income statement over the next 12 months. During the years ended December 31, 2014 and 2013, $1 and $1,304, respectively, were transferred from equity to the income statement as increases to cost of sales and selling, general, and administrative expenses. There was additional expense of $64 (2013: $28) recognized in profit or loss during the year ended December 31, 2014 due to ineffectiveness.

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-cancellable operating leases as at December 31 are as follows:

	2014	2013
Less than one year	6,468	7,205
Between one and five years	10,306	15,716
More than five years	8,727	8,329
Total	25,501	31,250

During the year ended December 31, 2014 $6,732 (2013: $7,183) was recognized as an expense in the income statement in respect of operating leases.

FINANCE LEASES AS LESSEE

Certain subsidiaries of the Company have finance leases for equipment and software. These non-cancellable leases have remaining terms between one and five years. Future minimum lease payments under finance leases are as follows:

	2014	2013
Less than one year	883	1,186
Between one and five years	1,214	2,179
Total minimum lease payments	2,097	3,365
Less amounts representing finance charges	(119)	(226)
Present value of minimum lease payments	1,978	3,139

The Company built two heat treatment modules in 2006 and sold the modules to a financial institution. Subsequently, the financial institution and the Company entered a leasing agreement according to which the financial institution leased the modules to the Company. The lease term started on October 1, 2006 and ended on October 1, 2012. At the end of the lease term the Company exercised its right to prolong the lease agreement. The lease agreement was prolonged on the same lease payment conditions for another year and ended on October 1, 2013. Furthermore, the lease prolongation agreement included a purchase clause. According to this clause the Company purchased the leased objects at the end of the extended lease term for $2,950.

The Company then sold another unit to a leasing company and entered into a new leasing agreement according to which the leasing company leased the module to the Company. The lease term started on July 1, 2013 and expires on July 31, 2017. The balance as of December 31, 2014 of $1,050 (2013: $1,426) is included in the finance lease obligations in the table.

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 26). As of December 31, 2014, the Company had committed to capital requirements in the amount of $3,171 (2013: $4,745).

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, 2014 and 2013:

	Business-related guarantees	Credit-related guarantees	Letters of credit	Total
2014				
Total amounts committed:	58,109	322	9,578	68,009
Less than 1 year	35,353	322	—	35,675
2–5 years	7,397	—	—	7,397
After 5 years	15,359	—	9,578	24,937
2013				
Total amounts committed:	48,148	165	4,840	53,153
Less than 1 year	29,268	165	—	29,433
2–5 years	4,575	—	—	4,575
After 5 years	14,305	—	4,840	19,145

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.

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

In 2006, 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 US subsidiary is also still subject to remediate any contamination associated with perchlorate, which currently has no regulated levels, in the event that regulation is put in place that would require remediation.

The Company has other contingent liabilities related to certain environmental regulations at certain locations. 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 26) which we expect will be removed within the next five years. In 2014, the Company was unsuccessful in its latest legal challenge to the oversight party and now believes that an offsite disposal option will be legally required. Since the decision from the US District Court occurred in late 2014, AMG is in the preliminary stages of assessing the potential costs. Negotiations with the current regulator, NJDEP, began in January 2015 and are therefore at an early stage. The Company has developed a range of estimates based on all information gathered to date which range from $9,000 - $25,000 and has recorded an accrual for $17,000 of remediation costs, which represents its best estimate of the cost of removal at this early stage.

As discussed in note 26, a German subsidiary of the Company has a sewer system liability, which is in the process of being resolved via a sewer replacement project. Based on the liability associated with the sewer, it is also believed that there may be a groundwater contamination issue. This German subsidiary has performed remediation feasibility trials but has not received a demand from the government with respect to any potential wider groundwater treatment and it has recorded no provision for this, but it is possible that some remediation will eventually be required. The Company believes that the maximum exposure related to this contamination is $10,000.

TAXATION

A subsidiary filed for a tax domination agreement in its local jurisdiction in 2007. The Company has recognized the benefits of this agreement since its inception. This agreement has never been challenged by the tax authorities, even during recent audits, but there is a potential that it may be challenged which could lead to taxes and penalties approximating $9,400. The Company has not provided for this contingency as it believes that the likelihood of a negative result is remote.

There are two outstanding sales tax cases with a subsidiary in Brazil whereby the authorities allege that $5,537 is due based on certain administrative requirements. The Company does not believe that there is any merit with respect to these cases and has not accrued any amount as of December 31, 2014 as the probability to pay these amounts is remote. In one case, as is required in matters such as these in Brazil, the subsidiary obtained a Letter of Credit to post as collateral while the appeal is being adjudicated. The principal amount of this Letter of Credit was $3,330 at December 31, 2014.

LITIGATION

One of Company's subsidiaries in Germany entered into a joint venture in 1999 for the purpose of extracting vanadium from the residues of oil refineries in Italy. The project has never been realized, but the former partner in this joint venture has made a claim for a commission fee of $770 and $54,717 for unrealized estimated earnings with respect to the former joint venture. The claim for commission was admitted and the claim for unrealized estimated earnings was dismissed by the Italian court of first instance. Both decisions have been appealed by the respective parties and the appellate court has scheduled a hearing in 2016.

On January 14, 2014, the German subsidiary received an Italian court ruling in the matter to pay the amount of $770 as a preliminary execution of the first instance judgment. Upon the objection filed by the German subsidiary such execution was set aside. Based on the confirmation of legal counsel, the requested commission fee would only have been payable if public funding for the project would have been obtained and the plant for the project would have been built. As neither condition was met, the subsidiary would have no legal or contractual obligation to pay the commission fee. Our legal counsel has determined a likelihood of more than 50% that the German subsidiary will succeed in the appeal and believes that the claim is without merit which is indicated as well by the fact that the preliminary execution was stopped.

Since, for reasons outside of the responsibility of the German subsidiary, the project has never been started and therefore has not been realized by the subsidiary, they would have no legal or contractual obligation to compensate for unrealized estimated earnings. Therefore, the first instance judgment in favor of the subsidiary is correct and our legal counsel has determined a likelihood of more than 50% that this judgment will be upheld by the appellate court. Therefore, the Company has no reserve related to this claim as of December 31, 2014.

In addition to the environmental matters, which are discussed previously and in note 26, 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. However, there can be no assurance 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.

OTHER

One of the Company's subsidiaries closed a pension plan in 2005, prior to becoming part of AMG. The Company has been made aware that there are potential flaws in the paperwork which substantiates the closure, which could make this closure invalid. If a claim was made on this basis, the potential liability could potentially approximate $10,000. Due to the length of time since the closure, the Company does not believe that any claim is likely and no provision has been made for this contingency.

The Company has an interest in the Somikivu mine in the Democratic Republic of the Congo which has not been operated by the Company since the 1990s as a result of political instability in the country. Former employees of the mine allege unpaid wages of $2,700 from when the mine was operational. Management believes that the claim is without merit and 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.

CONTINGENCIES OF FORMER ASSOCIATES AND JOINT VENTURES

The Company was a shareholder in Timminco Limited, which had a Canadian subsidiary called Becancour Silicon, Inc. In 2009, two proposed class actions were issued in Ontario, each alleging misrepresentations by Timminco as to the value of Becancour Silicon's solar grade production process. Only one of the two class actions named AMG as a defendant, and that action was stayed by the Ontario Court in 2009, in order to allow the other lawsuit ("Pennyfeather") to proceed. In January 2012, Timminco filed for court protection in Ontario while it sought to re-organize its financial affairs, under Canada's federal insolvency legislation (the "CCAA") and as part of that process, all lawsuits were stayed, including the Pennyfeather lawsuit. In 2014, the Plaintiff in the Pennyfeather litigation had the CCAA stay order lifted (as against the Directors and officers in Timminco only). No provision has been made for this matter as the Company is not a named defendant, the Pennyfeather Plaintiff previously took the position that the Company was not a necessary party to the litigation; and the Company has an insurance policy which will provide reimbursement for costs and expenses incurred in connection with the lawsuit, as well as damages awarded, if any, subject to certain policy limits and deductibles.

36. Related parties

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel compensation

As at December 31, 2014 and 2013, Dr. Schimmelbusch is the Chief Executive Officer for the Company, and in his position receives salary, benefits and perquisites from the Company.

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:

	Salaries and bonus	Share-based compensation	Post-employment benefits including contributions to defined contribution plans	Other remuneration[c]	Total
For the year ended December 31, 2014					
Heinz Schimmelbusch	2,596	(111)	292	104	2,881
Eric Jackson	1,316	(54)	338	52	1,652
Amy Ard	1,007	(134)	123	19	1,015
Total	4,919	(299)	753	175	5,548
For the year ended December 31, 2013					
Heinz Schimmelbusch	1,954	1,352	269	100	3,675
Eric Jackson	1,022	433	349	40	1,844
Amy Ard[a]	714	232	154	14	1,114
William Levy[b]	226	3	—	6	235
Total	3,916	2,020	772	160	6,868

(a) Ms. Ard was appointed as Chief Financial Officer ("CFO") on May 13, 2013 and was appointed to the Management Board effective November 8, 2013.The amounts shown represent the amounts paid to her for the fiscal year ended December 31, 2013 without regards to her appointment date.

(b) Mr. Levy stepped down from his position as CFO and Management Board member effective May 13, 2013. This led to a reversal of a portion of the accrual related to his postretirement benefits in the amount of $424, which is shown as nil for purposes of this tabular presentation. Conditional payments of $400 were made in the year ended December 31, 2013 in line with the terms of his supplemental retirement benefit. An additional $400 in payments were made in 2014 to close out the liability.

(c) 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, 2013, William Levy resigned from the Management Board. In accordance with his employment contract, he received the following payments:

- Cash payments for severance, payments in lieu of notice and vacation amounting to $1,267, to be paid out over two years
- Performance share units paid out on a pro-rata basis according to the PSU plan in the amount of $119
- Additional perquisite benefits in the amount of $119

The compensation of the Supervisory Board of the Company comprised:

For the year ended December 31, 2014	Cash remuneration	Share-based remuneration	Total compensation
Pedro Pablo Kuczynski	95	80	175
Jack L. Messman	90	53	143
Norbert Quinkert	80	47	127
Guy de Selliers	80	47	127
Martin Hoyos	80	47	127
Ute Wolf	60	52	112
Steve Hanke	60	52	112
Herb Depp	60	52	112
Donatella Ceccarelli[1]	39	32	71
Total	644	462	1,106

(1) Donatella Ceccarelli was appointed to the Supervisory Board effective May 8, 2014.

For the year ended December 31, 2013	Cash remuneration	Share-based remuneration	Total compensation
Pedro Pablo Kuczynski	95	79	174
Jack L. Messman	90	53	143
General Wesley Clark[1]	23	—	23
Norbert Quinkert	80	47	127
Guy de Selliers	80	47	127
Martin Hoyos	80	47	127
Ute Wolf[2]	38	32	70
Steve Hanke[2]	38	32	70
Herb Depp[3]	9	6	15
Total	533	343	876

(1) General Clark stepped down from the Supervisory Board effective May 3, 2013.
(2) Ute Wolf and Professor Steve Hanke were appointed to the Supervisory Board effective May 3, 2013.
(3) Herb Depp was appointed to the Supervisory Board effective November 8, 2013.

Total Management Board and Supervisory Board Compensation for the year ended:	Cash remuneration	Share-based compensation	Post-employment benefits including contributions to defined contribution plans	Other remuneration(c)	Total
December 31, 2014	5,563	163	753	175	6,654
December 31, 2013	4,449	2,363	772	160	7,744

ENTITIES WITH SIGNIFICANT INFLUENCE OVER THE COMPANY

Foundation

In July 2010, the foundation "Stichting Continuiteit 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 cancelled or repurchased preferences 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. During the year ended December 31, 2014, the amounts paid by the Company to or on behalf of the Foundation were $66 (2013: $65).

OTHER TRANSACTIONS

In 2013, subsequent to the Company's acquisition of Intellifast, certain office space and services continued to be provided by PFW Aerospace AG ("PFW"). Rent and services of $343 were charged by PFW in 2013 and nil was due to PFW as of December 31, 2013. No amounts were charged or paid in 2014. The Company's Chief Executive Officer is on the Supervisory Board of PFW.

The Company has a small payroll processing function that processes payroll and administers the benefits of certain employees (less than 10) who are employed by Allied Resources ("Allied") or Puralube GmbH ("Puralube"). The Chief Executive Officer of the Company is the Chairman of the Board for Allied and Puralube. There are no amounts outstanding as of December 31, 2014 or 2013 from Allied or Puralube.

AMG Invest paid service fees of $145 (2013: $113) to PA Capital GmbH ("PA Capital") during the year ended December 31, 2014. Services provided included secretarial work and the rental of a conference room in Frankfurt, Germany. The Chief Executive Officer of the Company has an indirect ownership in PA Capital.

ACQUISITION OF BUSINESS OF INTELLIFAST GMBH

On October 5, 2011, the Company acquired all of the assets and assumed certain liabilities of Intellifast GmbH ("Intellifast"), a subsidiary of Safeguard International, which was the former parent of the Company, prior to its initial public offering. The Chief Executive Officer of the Company was also a Managing Director of Safeguard International.

Due to a lack of profitability within this business, impairment tests using value in use were performed in the year ended December 31, 2013. The result of the impairment tests was an impairment expense of $540. This impairment charge was based on the inability of the business to generate cash flows which would recover its carrying value.

All outstanding balances with these related parties are priced on an arm's length basis. None of the balances are secured.

37. Subsequent events

SALE OF MG TRADE SERVICES (INDIA) PVT. LTD

On February 23, 2015 the Company executed an agreement to sell its ownership interest in MG Trade Services (India) Pvt. Ltd (MG India) to MG Trading Services Holdings Pvt. Ltd for a sales price of $1,750. The assets and liabilities of MG India were classified as held for sale as of December 31, 2014. See note 5 for additional details. The Company has received $250 related to this sale and the remainder of the sale price is to be received as follows:

On or before December 31, 2015	375
On or before December 31, 2016	375
On or before December 31, 2017	375
On or before December 31, 2018	375
Total	1,500

Parent Company Financial Statements

AMG Advanced Metallurgical Group, N.V. — Parent Company Statement of Financial Position

(AFTER PROFIT APPROPRIATION)

As at December 31	Note	2014	2013
In thousands of US Dollars			
Assets			
Investments in subsidiaries	4	46,820	45,539
Loans due from subsidiaries	4	145,912	177,921
Deposits	5	84	84
Financial Fixed Assets		192,816	223,544
Property, plant and equipment, net	2	240	292
Intangible assets, net	3	58	102
Total non-current assets		193,114	223,938
Trade and related party receivables	6	2,497	11,277
Loans due from subsidiaries	4	105,086	123,910
Prepayments	7	454	668
Cash and cash equivalents	8	4,962	3,699
Total current assets		112,999	139,554
Total assets		306,113	363,492
Equity			
Issued capital	9	745	744
Share premium	9	382,978	382,518
Share based payment reserve	9	47,108	47,844
Foreign currency translation reserve	9	(21,918)	(11,439)
Unrealized (losses) gains reserve	9	(10,659)	(6,978)
Legal participations reserve	9	1,589	5,884
Capitalized development expenditures reserve	9	1,384	727
Defined benefit obligation reserve	9	(77,232)	(40,643)
Retained earnings (deficit)		(225,843)	(246,304)
Total equity attributable to shareholders of the Company		98,152	132,353
Provisions			
Provision for negative participation	4	74,825	67,283
Liabilities			
Long term debt	10	105,532	137,701
Loans due to subsidiaries	10	16,000	—
Derivative financial instruments	13	2,093	3,418
Total non-current liabilities		123,625	141,119
Current portion of long term debt	10	—	8,604
Taxes and premium		77	87
Trade and other payables	11	7,880	7,859
Amounts due to subsidiaries	12	1,554	6,065
Derivative financial instruments	13	—	122
Total current liabilities		9,511	22,737
Total liabilities		207,961	231,139
Total equity, provisions and liabilities		306,113	363,492

AMG Advanced Metallurgical Group, N.V. — Parent Company Income Statement

For the year ended December 31	2014	2013
In thousands of US Dollars		
Income (loss) from subsidiaries, after taxes	25,722	(30,907)
Other income and expenses, net	(3,812)	(10,631)
Net income (loss)	21,910	(41,538)

The notes are an integral part of these financial statements.

Notes to Parent Company Financial Statements

1. Summary of significant accounting policies

For details of the Company and its principal activities, reference is made to the Consolidated Financial Statements.

The parent company financial statements have been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, as generally accepted in the Netherlands. In accordance with the provisions of article 362-8 of Book 2 of the Netherlands Civil Code, the accounting policies used in the financial statements are the same as the accounting policies used in the Notes to the Consolidated Financial Statements, prepared under IFRS as endorsed by the European Union. Investments in subsidiaries are valued at their net equity value including allocated goodwill.

For a listing of all material operating entities in which the Company has an ownership interest, please refer to note 1 in the consolidated financial statements. The Company has filed a complete list of entities in which AMG has an ownership interest, with the Dutch Chamber of Commerce.

As of December 31, 2014, the statement of financial position has been converted to USD from Euros using a conversion rate of EUR:USD of 1.2155 (2013: 1.3766).

2. Property, plant and equipment

Cost	Leasehold improvements	Machinery and equipment	Office furniture	Total
Balance January 1, 2013	599	91	456	1,146
Additions	—	—	20	20
Balance at December 31, 2013	599	91	476	1,166
Balance January 1, 2014	599	91	476	1,166
Additions	—	—	—	—
Balance at December 31, 2014	599	91	476	1,166
Depreciation				
Balance at January 1, 2013	(529)	(91)	(134)	(754)
Depreciation	(70)	—	(50)	(120)
Balance at December 31, 2013	(599)	(91)	(184)	(874)
Balance at January 1, 2014	(599)	(91)	(184)	(874)
Depreciation	—	—	(52)	(52)
Balance at December 31, 2014	(599)	(91)	(236)	(926)
Carrying amounts				
At January 1, 2013	70	—	322	392
At December 31, 2013	—	—	292	292
At January 1, 2014	—	—	292	292
At December 31, 2014	—	—	240	240

All property, plant and equipment is pledged as collateral under the AMG Revolving Credit Facility.

3. Intangible assets

Intangible assets include computer and software licenses. They are carried at amortized cost and are amortized over their anticipated useful life.

Cost	
Balance January 1, 2013	479
Additions	54
Balance at December 31, 2013	533
Balance January 1, 2014	533
Additions	—
Balance at December 31, 2014	533

Amortization	
Balance at January 1, 2013	(402)
Amortization	(29)
Balance at December 31, 2013	(431)
Balance at January 1, 2014	(431)
Amortization	(44)
Balance at December 31, 2014	(475)
At January 1, 2013	77
At December 31, 2013	102
At January 1, 2014	102
At December 31, 2014	58

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, 2013	79,276	(58,747)	20,529
Dividend received from subsidiary	(9,000)	—	(9,000)
Investment in companies	392	—	392
Subsidiary options	478	—	478
Profit for the period	(30,907)	—	(30,907)
Deferred losses on derivatives	389	—	389
Pension adjustment impact on OCI	1,606	—	1,606
Other	(197)	—	(197)
Currency translation adjustment	(5,034)	—	(5,034)
Balance at December 31, 2013	37,003	(58,747)	(21,744)
Reclassification for provision for negative participation:			
Provision for negative participation	8,536	(8,536)	—
Balance at December 31, 2013	45,539	(67,283)	(21,744)
Balance at January 1, 2014	45,539	(67,283)	(21,744)
Subsidiary options	891	—	891
Investment in companies	9,716	—	9,716
Profit for the period	25,724	—	25,724
Deferred losses on derivatives	(5,293)	—	(5,293)
Pension adjustment impact on OCI	(42,295)	—	(42,295)
Share swap	(5,081)	—	(5,081)
Currency translation adjustment	10,077	—	10,077
Balance at December 31, 2014	39,278	(67,283)	(28,005)
Reclassification for provision for negative participation:			
Provision for negative participation	7,542	(7,542)	—
Balance at December 31, 2014	46,820	(74,825)	(28,005)

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, 2013	176,636	126,315	302,951
Loans	4,138	1,500	5,638
Repayments	(9,990)	(3,976)	(13,966)
Accrual of interest	197	—	197
Currency translation adjustment	6,940	71	7,011
Balance at December 31, 2013	177,921	123,910	301,831
Balance at January 1, 2014	177,921	123,910	301,831
Loans	7,488	—	7,488
Repayments	(19,713)	(18,824)	(38,537)
Accrual of interest	277	—	277
Currency translation adjustment	(20,061)	—	(20,061)
Balance at December 31, 2014	145,912	105,086	250,998

There are two non-current loans due from a German subsidiary, which is a holding company for several German companies within the group, and one loan due from a Brazilian mining company. The first loan to the German holding company has a fixed interest rate of 7.5% and a term through December 31, 2018. The second German loan has a term through June 2017, but has an interest rate of 4.5%. The loan to the Brazilian subsidiary has a term through April 2017 with an interest rate of 8.8%. Current loans are due from several subsidiaries in Europe and the United States. Loans in the amount of $105,086 (2013: $123,910) are due in one year but can be extended by both parties upon request. All current loans have an interest rate in the range of 5.45 - 6.35% at December 31, 2014 (5.61 - 6.85% at December 31, 2013).

5. Deposits

The deposit account includes security deposits for the Amsterdam and Frankfurt office locations of the Company.

6. Receivables from associates and related parties

Trade and related party receivables of $2,497 (2013: $11,277) primarily represents interest owed to the Company on loans due from subsidiaries $1,027 (2013: $10,227) and management fees owed $1,145 (2013: $710). 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.

7. Prepayments

At December 31, 2014 and 2013, prepayments primarily represent prepaid insurance for the Company.

8. Cash and cash equivalents

Bank balances earn interest at floating rates based on daily bank deposit rates.

9. Shareholders' equity and other capital reserves

For the statement of changes in consolidated equity for the year ended December 31, 2014, please refer to page 61 in the consolidated financial statements. Additional information on shareholders' equity is disclosed in note 20 to the consolidated financial statements.

OTHER RESERVES

		Legal Reserves				
	Share-based payment reserve	Foreign currency translation reserve	Unrealized (losses) gains reserve	Legal participations reserve	Capitalized development expenditures reserve	Defined benefit obligation reserve
Balance at January 1, 2013	46,819	(12,279)	(8,793)	4,021	2,572	(42,249)
Currency translation differences	—	840	—	—	—	—
Movement on cash flow hedges	—	—	1,332	—	—	—
Tax effect on net movement on cash flow hedges	—	—	483	—	—	—
Transfer to retained deficit	—	—	—	1,863	(1,845)	—
Actuarial gains on defined benefit plans	—	—	—	—	—	(1,942)
Tax effect on net movement on defined benefit plans	—	—	—	—	—	3,548
Equity-settled share-based payments	1,025	—	—	—	—	—
Balance at December 31, 2013	47,844	(11,439)	(6,978)	5,884	727	(40,643)
Balance at January 1, 2014	47,844	(11,439)	(6,978)	5,884	727	(40,643)
Currency translation differences	(1,590)	(10,479)	—	—	—	5,706
Movement on cash flow hedges	—	—	(5,239)	—	—	—
Tax effect on net movement on cash flow hedges	—	—	1,558	—	—	—
Transfer to retained deficit	—	—	—	(4,295)	657	—
Actuarial losses on defined benefit plans	—	—	—	—	—	(37,065)
Tax effect on net movement on defined benefit plans	—	—	—	—	—	(5,230)
Equity-settled share-based payments	854	—	—	—	—	—
Balance at December 31, 2014	47,108	(21,918)	(10,659)	1,589	1,384	(77,232)

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.

LEGAL RESERVES

AMG is a company incorporated under Dutch law. In accordance with the Dutch Civil Code, legal reserves have to be established in certain circumstances. The legal reserves consist of the cumulative translation adjustment reserve, the unrealized losses on derivatives reserve, the legal participation reserve and the capitalized development expenditure reserve. Legal reserves are non-distributable to the Company's shareholders.

DEFINED BENEFIT OBLIGATION RESERVE

The obligation reserve for defined benefit plans for the year ended December 31, 2014 decreased other reserves $36,589 while actuarial gains increased other reserves $1,606 in the year ended December 31, 2013.

DIVIDENDS

No dividends have been paid or proposed in the years ended December 31, 2014 and 2013.

Preference shares

In July 2010, the foundation "Stichting Continuiteit 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 cancelled or repurchased preferences shares acquired by the Foundation.

10. Long term debt

On April 28, 2011, the Company entered into a five-year multicurrency term loan and revolving credit facility. The credit facility was composed of a €64,200 term loan ("term loan") and a $214,200 revolving credit facility ("revolving credit facility"). The facility was structured to be able to increase borrowing capacity using an incremental term loan and revolving facility feature under certain conditions. In 2012, the Company utilized this feature to increase the term loan and revolver capacities to €100,850 and $243,000, respectively. The five-year facility terminates in April 2016. Installment payments for the term loan began in 2013 and as of December 31, 2014 the term loan balance outstanding was $75,955 (2013: $109,577).

Borrowings under the revolving credit facility may be used for general corporate purposes of the Company. As of December 31, 2014, $96,500 was borrowed (excluding letters of credit) under the revolving credit facility (2013: $131,380). At December 31, 2014, there was unused availability (including unused letters of credit) of $92,399 (2013: $71,693).

Interest on the revolving credit facility is based on current LIBOR (or in the case of any loans denominated in Euros, EURIBOR) plus a margin. The margin is dependent on the leverage ratio. At December 31, 2014, the margin was 2.25 (2013: 2.875). To mitigate risk, the Company entered into an interest rate swap for €64,200 to fix the interest rate on the initial term loan at 2.87% (exclusive of margin). The term loan interest rate swap declines with the scheduled term repayments and is for €52,950 as of December 31, 2014. The Company also used an interest rate swap for $95,000 of the revolving credit facility to fix the interest rate at 2.10% (exclusive of margin).

The credit facility is subject to several affirmative and negative covenants including, but not limited to, the following (as currently amended):

- EBITDA to Net Finance Charges: Not to be less than 4.00:1
- Net Debt to EBITDA: Not to exceed 3.00:1
- Tangible Net Worth to Total Assets: Not to be less than 17.5%.

EBITDA, Net Finance Charges, Net Debt, Tangible Net Worth and Total Assets are defined in the credit facility agreement. During 2013, the Company was in breach of its tangible net worth ("TNW") covenant as a result of asset impairments that were recognized in the first half of 2013. The Company obtained an amendment to the TNW covenant, decreasing the minimum ratio to 16.0% for the remainder of 2013 and to 17.5% for Q1 and Q2 2014, and 25% thereafter. On May 27, 2014, the Company further amended the facility to extend the TNW covenant reduction to 17.5% for the remainder of the term of the credit facility, through April 2016. Fees related to this amendment were $849 (2013: $2,047) and are included in finance expense.

The Company is in compliance with all debt covenants as of December 31, 2014.

Actual ratios as defined by the credit facility are as follows as of December 31, 2014:

- EBITDA to Net Finance Charges: 5.80:1
- Net Debt to EBITDA: 1.26:1
- Tangible Net Worth to Total Assets: 20.8%.

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.

LOANS DUE TO SUBSIDIARIES

During 2014, a UK subsidiary of the Company loaned it $16,000. The loan from the UK subsidiary has a fixed interest rate of 6.35% and a term through October 24, 2017. As of December 31, 2014, the outstanding balance due to the subsidiary was $16,000.

11. Trade and other payables

Trade and other payables represent amounts owed to professional service firms, accrued employee costs and accrued interest. See note 16.

12. Amounts due to subsidiaries

Certain payroll, travel and entertainment and other expenses are paid directly by two subsidiaries and billed to the Company at cost. As of December 31, 2014 and 2013, these amounted to $1,469 and $6,065, respectively. There was also interest due to a subsidiary of $85 as of December 31, 2014 (2013: nil).

13. 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, 2014, the company had no outstanding foreign currency forward contracts (2013: ($122)).

INTEREST RATE SWAP

The Company uses an interest rate swap to hedge its cash flow related to interest payments owed on its long term debt. At the inception of the new revolving credit facility, the Company entered into an interest rate swap to swap $95,000 of its variable rate debt into fixed rate debt with a rate of 2.10% (exclusive of margin). This hedge is treated as a cash flow hedge. The fair value of this contract is recorded in the statement of financial position. As of December 31, 2014, the fair value of this contract was a derivative liability of $2,093 (2013: $3,418). Since the hedge is effective, the changes in this instrument are recorded in equity as a deferred gain or loss on derivatives until the hedge is settled at which point, it will be recorded through the income statement.

14. Commitments and contingencies

The Company has entered into leases for office space in Amsterdam and Frankfurt. The Amsterdam lease term originally had a termination date of March 31, 2013 but it has since been extended through March 2018. The Frankfurt lease term has an unlimited term but can be cancelled with six months notice beginning December 31, 2012.

Future minimum lease payments under these leases as at December 31 are payable as follows:

	2014	2013
Less than one year	735	762
Between one and five years	1,691	1,214
More than five years	—	—
Total	2,426	1,976

15. Related parties

Key management compensation data is disclosed in note 36 of the consolidated financial statements.

The Company entered into a cost compensation agreement with the Foundation dated December 22, 2010 (see note 9). 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. During the year ended December 31, 2014, the Company funded $66 into an account for the expenses of the Foundation. Through December 31, 2013, the amounts paid by the Company on behalf of the Foundation were $65.

16. Employees

At December 31, 2014 the Company had 22 employees (2013: 21), of which 3 are employed in the Netherlands.

17. 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, 2014 and December 31, 2013. The following table sets forth the total fees in accordance with Part 9 of Book 2, article 382a of the Netherlands Civil Code.

	2014	2013
Audit fees	595	648
Audit related fees	10	10
Total	605	658

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.

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 2014 and that the 2014 net profit will be added to the retained earnings.

Subsequent Events

SALE OF MG TRADE SERVICES (INDIA) PVT. LTD

On February 23, 2015 the Company executed an agreement to sell its ownership interest in MG Trade Services (India) Pvt. Ltd (MG India) to MG Trading Services Holdings Pvt. Ltd for a sales price of $1,750. The assets and liabilities of MG India were classified as held for sale as of December 31, 2014. See note 5 to the consolidated financial statements for additional details. The Company has received $250 related to this sale and the remainder of the sale price is to be received as follows:

On or before December 31, 2015	375
On or before December 31, 2016	375
On or before December 31, 2017	375
On or before December 31, 2018	375
Total	1,500

Amsterdam, March 26, 2015

Independent Auditor's Report

To: The Shareholders and Supervisory Board of AMG Advanced Metallurgical Group N.V.

All amounts are stated in $'000

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2014

Our opinion

We have audited the financial statements 2014 of AMG Advanced Metallurgical Group N.V. (the Company), based in Amsterdam. The financial statements include the consolidated financial statements and the parent company 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, 2014, and of its result and its cash flows for 2014 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;
- the parent company financial statements give a true and fair view of the financial position of AMG Advanced Metallurgical Group N.V. as at December 31, 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2014;
- the following statements for 2014: consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The parent company financial statements comprise:

- the parent company statement of financial position as at December 31, 2014;
- the parent company income statement for 2014, and;
- the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of AMG Advanced Metallurgical Group N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they may reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at $2,350. The materiality is based on EBITDA and approximates 3% of reported EBITDA. We consider this basis to be the most relevant given the nature of the business and relevance for the Company's financing covenants and the expected focus of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons.

We report to the Supervisory Board misstatements in excess of $120, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

AMG Advanced Metallurgical Group N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of AMG Advanced Metallurgical Group N.V.

Given the fact that we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and / or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly concentrated on 16 components which represent the principal business units within the Company's three reportable segments AMG Processing, AMG Engineering and AMG Mining. Seven of these components were subject to a full audit, and for nine components specific audit procedures were performed, based on our assessment of risk of material misstatement and of the materiality of the Company's business operations at those units.

We have:

- performed audit procedures ourselves on the parent company financial statements of AMG Advanced Metallurgical Group N.V.;
- performed certain audit procedures at group level such as financing and debt compliance, impairment testing and other holding related activities;
- used the work of other EY auditors when auditing the remainder of the group;
- visited component teams in Germany, United States of America, United Kingdom, France and Brazil;
- reviewed key working papers of component teams, participated in their planning and closing meetings including the component team's discussion of fraud and error.

By performing the procedures mentioned above, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Financing and debt covenants

Financing and covenants compliance is a key audit matter as the Company's credit facility is subject to several covenants. In the course of 2013 the Company was in breach of its tangible net worth covenant primarily as result of asset impairments that were recognized. In 2014 AMG Advanced Metallurgical Group N.V. agreed an amendment to lower the minimum ratio of the Tangible Net Worth covenant to 17.5%, as disclosed in note 22 of the financial statements. The Company assessed to be in compliance with this and other applicable debt covenants as per December 31, 2014 and expects to continue to be compliant for the remaining period of the credit facility.

We have verified the Company's debt covenant calculation and compliance with applicable debt covenants as per December 31, 2014 and paid specific attention to the Company's assessment of continued covenant compliance.

Goodwill and other long lived assets

The Company is required to test goodwill for impairment on an annual basis and long-lived assets with definite life when a triggering event has been identified. The impairment tests and assessments are largely based on management expectations and estimates of future results of the cash generating units.

Given the complexity we involved a valuation expert in evaluating the valuation models, assumptions and parameters used by the Company. We paid specific attention to forecasts used with respect to future revenues and results. In addition, we performed procedures relating to the disclosures and verified whether these are adequate and provide sufficient insight into the assumptions and sensitivities of the assumptions underlying the valuation.

Disclosures relating to goodwill, other long lived assets and their relating impairments are enclosed in note 12, 13 and 11 of the financial statements, respectively. Particularly we draw your attention to the Company's agreement to sell a 40% equity interest in AMG Graphit Kropfmühl GmbH. The transaction is expected to close in the first half of 2015 and led to reversal of impairment in 2014 of property, plant and equipment and customer relationships of $10,984 and $2,001, respectively

Deferred tax assets

The Company has recorded net deferred tax assets in the financial statements resulting from temporary differences and losses carried forward as disclosed in note 10 of the financial statements. The Company recognizes these deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered. The probability of recovery is impacted by uncertainties regarding the likely timing and level of future taxable profits, together with tax planning strategies and the expiration date of losses.

Our audit procedures included, amongst others, evaluating assumptions and methodologies used by the Company to determine the recoverable amount per tax jurisdiction, involving our component team auditors and EY tax specialists. Furthermore, we ascertained that information used was derived from the Company's business plans that have been subject to internal reviews and were approved by those charged with governance.

Environmental contingencies and obligations

Certain subsidiaries of the Company are faced with environmental clean-up requirements, largely resulting from historical solid and hazardous waste handling and disposal practices at their facilities.

The accounting for (contingent) liabilities from environmental obligations is complex and judgemental and the amounts involved are, or can be, material to the Company's financial statements as a whole. As disclosed in note 26 the total provision for restoration costs amounts to $22,410 as per December 31, 2014.

We draw the attention to the Company's disclosures in notes 26 and 35 of the financial statements in which, amongst others, the environmental provisions and contingencies relating to Newfield, NJ USA are discussed for which the Company has recorded an accrual of $17,000 which represents their current best estimate of the relating environmental obligations.

Our audit procedures included, amongst others, inquiries with both legal and financial management in respect of ongoing developments, proceedings and investigations, inspection of relevant correspondence and re-performance of relating calculations. Furthermore, we requested external legal confirmation letters and obtained legal representation letters from the Company. We also assessed the relevant disclosures regarding the environmental contingencies and provisions.

Revenue recognition

Certain furnace construction contracts in the Engineering sector are reported using the percentage of completion method and therefore require management estimates. Sales in other sectors are generally recognized when the risks and rewards of the underlying products have been transferred to the customer.

Our audit procedures included assessing the appropriateness of the Company's revenue recognition policies including those relating to the percentage of completion method and the related management assessments. We tested internal controls and performed substantive procedures relating to contractual terms and conditions and the appropriate accounting hereof. Furthermore we assessed sales transactions taking place before and after year-end to ensure that revenue was recognized in the appropriate period. Revenue and percentage of completion related disclosures are included in note 6 of the financial statements.

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and 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, the Management Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for oversight of the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

We performed our audit with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We maintained professional skepticism and exercised professional judgment where relevant throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included, amongst others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a

material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements fairly represent the underlying transactions and events.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement confirming that we have complied with the relevant ethical requirements pertaining to independence. We also communicate with the Supervisory Board regarding all relationships and any other matters that may reasonably be deemed to influence our independence and any related measures to safeguard our independence.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Report on other legal and regulatory requirements

Report on the Management Board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- 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 the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the Management Board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the general meeting of shareholders as auditor of AMG Advanced Metallurgical Group N.V. on May 8, 2014 for the year 2014. We have operated as statutory auditor since 2007.

Eindhoven, March 26, 2015
Ernst & Young Accountants LLP

/s/ W.T. Prins

Shareholder Information

Management Board

Dr. Heinz Schimmelbusch
Chairman and Chief Executive Officer

Amy Ard
Chief Financial Officer

Eric Jackson
Chief Operating Officer

Supervisory Board

Pedro Pablo Kuczynski
Chairman
Selection and Appointment Committee

Jack L. Messman
Vice-Chairman
Remuneration Committee (Chair)

Martin Hoyos
Audit Committee (Chair)

Norbert Quinkert
Selection and Appointment Committee (Chair)

Guy de Selliers
Risk Management Committee (Chair)

Herb Depp
Remuneration Committee

Ute Wolf
Audit Committee

Steve Hanke
Risk Management Committee

Donatella Ceccarelli
Selection and Appointment Committee

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

Copies of the Annual Report

and further information are obtainable from
the Investor Relations Department of the
Company or by accessing the Company's website:

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info@amg-nv.com

Website

amg-nv.com

Design and production by TMX Equicom

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