DECARBONIZATION

AMG ADVANCED METALLURGICAL GROUP N.V.

ANNUAL REPORT 2020

SUPPLY

AMG sources, processes and supplies the critical materials that the market demands

GLOBAL TRENDS

CO_2 emission reduction, circular economy, population growth, increasing affluence, and energy efficiency

DEMAND

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

CRITICAL MATERIALS COMPANY

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 vacuum furnace systems and services to the transportation, infrastructure, energy and specialty metals & chemicals end markets.

TRANSPORTATION

Innovation is driving demand for critical materials in the transportation industry. Highly engineered metallurgical solutions are needed to increase operating efficiency, lower aircraft weight and improve economics. AMG's titanium aluminide is a lightweight aerospace alloy which reduces engine weight, improving fuel consumption and reducing carbon emissions.

ENERGY

Global energy demand growth is driven by two opposing factors—increased energy usage and improvements in energy efficiency. AMG provides metallurgical technologies to improve energy efficiency and increase energy supply, such as silicon metal used for the production of polysilicon by the solar energy industry.

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 that is used to improve the insulating performance of homes and buildings. These technologies are deployed in infrastructure projects that are critical to addressing global urbanization trends.

SPECIALTY METALS & CHEMICALS

Specialty metals and chemicals are used to create products that improve global living standards. AMG produces customized metallurgical solutions that meet the market's exacting demands, including tantalum, a material used as a capacitor in electronics, and vanadium-based chemicals which improve the insulating and infrared absorbent properties of structural glass and chemical compounds.

USA

- Al — Aluminum Master Alloys
- Ti — Titanium Alloys
- Cr — Chrome Metal
- Ni — Nickel
- V — Ferrovanadium
- Mo — Molybdenum
- Eng — Engineering

BRAZIL

- Ta — Tantalum
- Al — Aluminum Master Alloys
- Nb — Niobium
- Li — Lithium

UNITED KINGDOM

- Al — Aluminum Master Alloys
- Al — Aluminum Powders
- Cr — Chrome Metal

MEXICO

- Eng — Engineering

GERMANY

- Ti — Titanium Alloys
- C — Natural Graphite
- Si — Silicon Metal
- Eng — Engineering

CHINA

- Al — Aluminum Master Alloys
- C — Natural Graphite
- Eng — Engineering

FRANCE

- Sb — Antimony
- Eng — Engineering

MOZAMBIQUE

- C — Natural Graphite

SRI LANKA

- C — Natural Graphite

REPORT OF THE

MANAGEMENT BOARD

DR. HEINZ SCHIMMELBUSCH

CHAIRMAN & CHIEF EXECUTIVE OFFICER

BORN 1944

ERIC JACKSON

CHIEF OPERATING OFFICER

BORN 1952

JACKSON DUNCKEL

CHIEF FINANCIAL OFFICER

BORN 1964

Dr. Schimmelbusch was appointed Chief Executive Officer and Chairman of the Management Board on November 21, 2006, and he was reappointed for a term of two years on May 2, 2018, starting 2019. He has served in a similar capacity for businesses comprising AMG since 1998.

Dr. Schimmelbusch served as Chairman of the Management Board of Metallgesellschaft AG from 1989 to 1993. His directorships have included Allianz Versicherung AG, Mobil Oil AG, Teck Corporation, Methanex Corporation, Metall Mining Corporation and MMC Norilsk Nickel.

Dr. Schimmelbusch served as a member of the Presidency of the Federation of German Industries (BDI) and the Presidency of the International Chamber of Commerce (ICC).
Dr. Schimmelbusch received his graduate degree (with distinction) and his doctorate (magna cum laude) from the University of Tübingen, Germany.

Mr. 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 reappointed to the AMG Management Board for a term of four years on May 4, 2017. 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.

Mr. Jackson 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 Bachelor of Science degree in Economics and an MBA, both from the University of Saskatchewan.

Mr. Dunckel was appointed Chief Financial Officer of AMG on February 1, 2016. He was appointed a member of the AMG Management Board on May 4, 2016 and reappointed for a term of four years on May 6, 2020.

Mr. Dunckel joined AMG from the Macquarie Group Limited where he served as Managing Director and US Head of Chemicals from 2010 to 2015. Prior to this, Mr. Dunckel held various senior level positions at JP Morgan Chase since 1995, including Executive Director, Investment Banking Coverage. Mr. Dunckel graduated, cum laude, with a bachelor’s degree in European History from the University of California, Berkeley, and completed his MBA in International Finance at the Leonard Stern School of Business in 1995.

FINANCIAL & OPERATIONAL

HIGHLIGHTS

937.1
REVENUE $M

112.7
GROSS PROFIT $M

66.8
EBITDA $M

19.6
CASH FROM OPERATING ACTIVITIES $M

9
WORKING CAPITAL DAYS

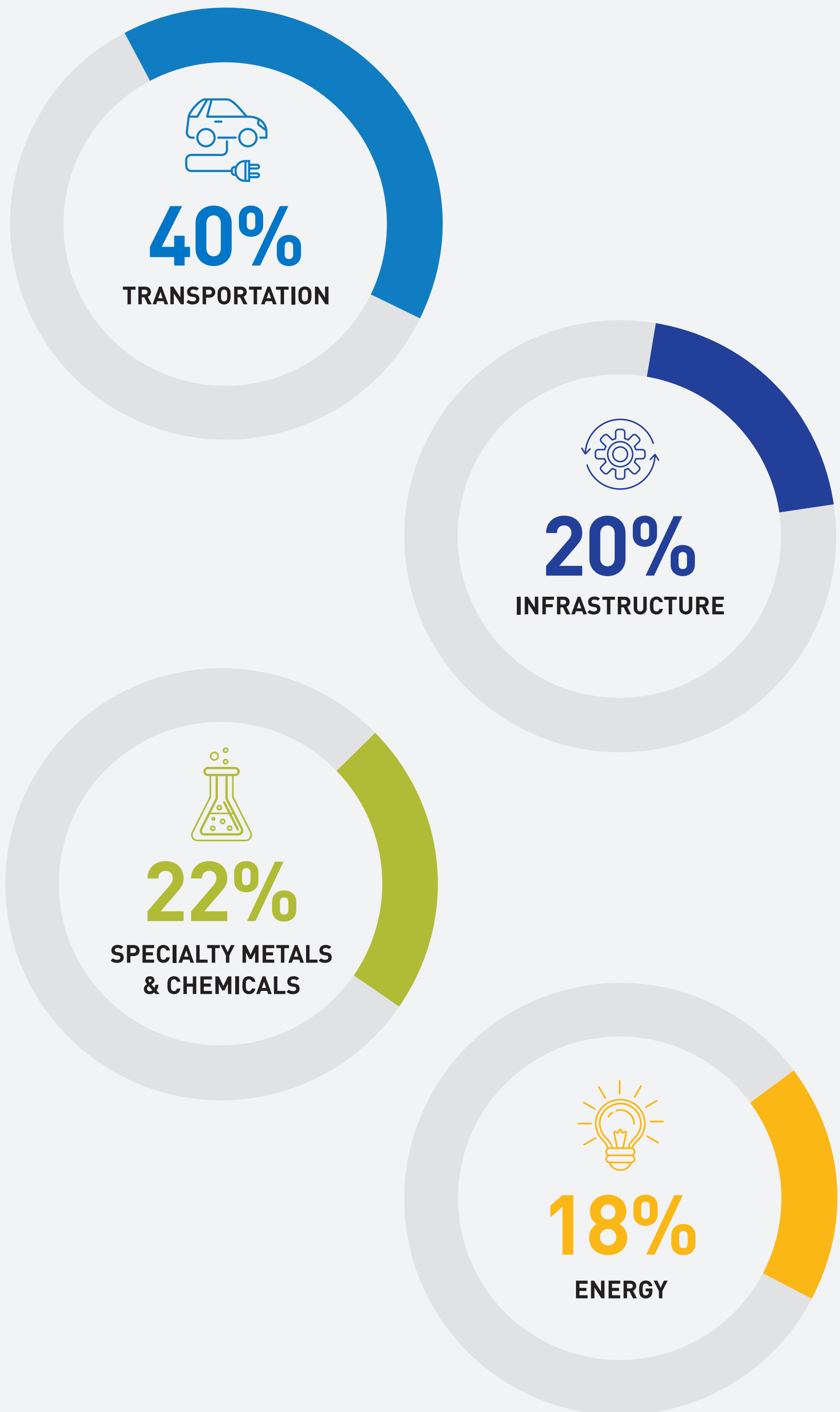
287.9
NET DEBT $M

0.62
LOST TIME INCIDENT RATE

1.05
TOTAL INCIDENT RATE

(1.47)
DILUTED LOSS PER SHARE $

REVENUE BY END MARKET



937.1 REVENUE $M

66.8 EBITDA $M

AMG Group

AMG and Shell Catalysts & Technologies received all regulatory consents necessary for the formation of the Shell and AMG Recycling B.V. joint venture.

Shell & AMG Recycling B.V. signed a memorandum of understanding with Shandong Yulong Petrochemical Co., Ltd. to enter into exclusive arrangements to evaluate the potential for construction and operation of a spent catalyst recycling facility in Yantai, China.

The Saudi Arabian Oil Company ("Saudi Aramco"), Shell, and AMG Recycling B.V. signed a memorandum of understanding to evaluate the feasibility of building a catalyst manufacturing and recycling "supercenter" in Saudi Arabia.

575.7 REVENUE $M

41.0 EBITDA $M

AMG Critical Materials

AMG Vanadium signed a major new long-term, multi-year agreement to process and recycle spent catalysts from a major oil refinery operator in North America.

AMG Lithium GmbH, Frankfurt, invested in a solid state battery (SSB) pilot plant to complement its state-of-the-art battery materials laboratory located in Frankfurt, Germany.

AMG formed AMG Chrome US LLC ("US Chrome"). US Chrome will manufacture chrome metal products in New Castle, PA, and will be the only producer of chrome metal in the United States.

AMG Aluminum's Henderson, Kentucky Plant completed over 6 years without a Lost Time Incident. As a result of this achievement, the Henderson plant and all its employees have received the Governor's Safety Award from Governor Andy Beshear and the Kentucky Labor Cabinet.

361.4 REVENUE $M

25.8 EBITDA $M

AMG Technologies

AMG Engineering's order intake in 2020 exceeded $200 million for the year due to significant orders in market segments outside aerospace, including strong orders from specialty steel producers.

AMG Engineering's Heat Treatment Services business experienced higher demand at the end of 2020 as a result of the rapidly recovering automotive sector.

FROM THE CEO

LETTER TO SHAREHOLDERS

As is the case for every industrial company, 2020 will be remembered as the year of the COVID-19 pandemic. Early in the year, we developed a plan to keep our employees healthy, preserve liquidity, and cut costs in the face of severely depressed commodity markets relevant to AMG.

At the start of 2020, we were preparing a separate listing of AMG Technologies, given our technology position in the traditionally strong aerospace engine market with multiyear order books. Seemingly overnight, that was all gone—the aerospace market went into a severe dive and the depressed commodity markets were, incredibly, sinking to new lows.

REARRANGEMENT OF PRIORITIES

First: Find ways to contain the COVID-19 infections in AMG facilities, site by site, and do whatever necessary to support the recovery of those employees testing positive;

Second: Protect our liquidity with the target to have cash at $200 million, or higher, and to maintain the availability of our senior credit lines at $170 million, or higher, quarter by quarter;

Third: Keep the large spent catalyst recycling project in Ohio to double the vanadium recycling capacity "on time and on budget"; and

Fourth: Further sharpen our focus on sustainability, especially our strategy to significantly reduce (relative to AMG's size) atmospheric CO_2 levels through circular economy initiatives and the further expansion of our efforts to "enable" our customers to reduce CO_2 emissions via energy-saving.

COVID-19

In March 2020, we set up a daily monitoring system to track the number of infections among our approximately 3,000 employees at 33 operating sites across 15 countries, forming the foundation for organizing any necessary countermeasures.

At the end of 2020, we had 30 positive cases and one hospitalization. This infection count represented a peak for AMG and was the result of outbreaks over the vacation period. The current COVID infection case count is three positive cases with no hospitalizations.

We made the important decision to maintain critical operations during this unprecedented crisis because of the vital role our company plays in sustaining global infrastructure. Keeping our operations running meant modifying how we work to keep our employees, contractors, and visitors safe during a pandemic.

AMG operations drew upon worldwide guidance to develop location-specific programs which included educating personnel to recognize signs and symptoms of COVID infection, implementing self-quarantine protocols, establishing temperature checks at every entrance, elevating workplace hygiene and cleaning protocols, social distancing, and enacting global travel restrictions.

SAFETY

We are very happy with our safety performance. The lost time incident rate (number of lost time incidents per 100 employees) in 2020 was 0.62, a 23% improvement over the prior year. The total incident rate (number of OSHA recordable-equivalent incidents per 100 employees) was 1.05, a 28% improvement over 2019. Both ratios are year-end all-time-lows for AMG and compare very favorably with industry standards. Twenty-three of our thirty-three sites (70%) had zero workplace lost time injuries in 2020, which is a further indication that zero workplace injuries is an obtainable goal.

For AMG, 2020 was a crisis year. Our primary focus was the challenge of protecting the health and safety of our employees, suppliers, customers, and their families. As noted previously, we are satisfied with the safety performance of our team in the face of this unprecedented challenge and are grateful to everyone throughout the organization who worked diligently to protect one another.

COMMODITY MARKETS AND AEROSPACE

Economically, the global depression drove most of the AMG relevant commodity markets to new lows in terms of both volumes and prices. Furthermore, AMG Technologies was impacted dramatically as the aerospace industry was decimated by COVID-19 and other highly publicized airline safety crises.

In regard to the AMG relevant commodity markets, we are on the road to recovery. That can be seen simply by comparing the 2020 lows with the latest spot prices (shown on the next page). The aerospace markets will take time to turn around.

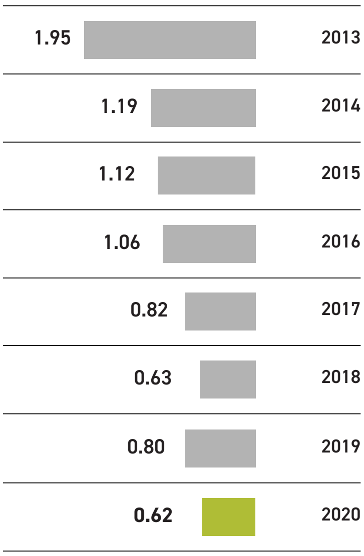
METAL PRICES: 10-YEAR AVG, 2020 LOW, AND SPOT

Materials	10-YEAR AVG[4]	2020 LOW	FEBRUARY 28, 2021 SPOT
Ferrovanadium ($/lb)	$16.23	$9.55	$16.10
Molybdenum ($/lb)	$10.33	$7.08	$12.40
Nickel ($/MT)	$14,491	$11,055	$18,607
Vanadium Oxide ($/lb V_2O_5)	$7.11	$5.10	$7.63
Lithium Carbonate ($/MT)[1]	$11,570	$5,658	$12,502
Spodumene ($/MT)[2]	$638	$390	$445
Aluminum ($/MT)	$1,897	$1,422	$2,203
Antimony ($/MT)	$9,050	$5,275	$9,900
Chrome ($/MT)	$10,237	$6,460	$7,716
Tantalum ($/lb)	$86.09	$49.00	$66.00
Graphite ($/MT)[3]	$962	$830	$1,000
Silicon Metal (€/MT)	€2,032	€1,585	€2,135

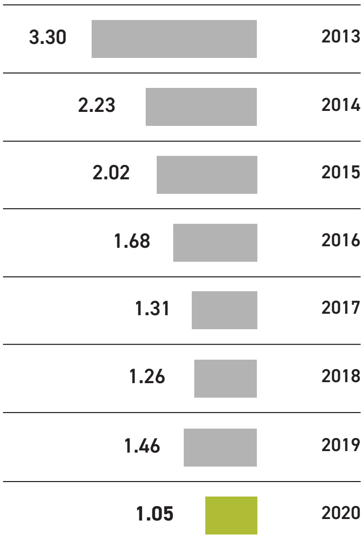
1 Lithium Carbonate pricing (Asian Metal) was not published prior to June 2011
2 Spodumene Concentrate pricing (Asian Metal) was not published prior to January 2018
3 Graphite pricing (Benchmark Minerals) was not published prior to January 2013
4 10-year average price defined as the average of the monthly prices from January 1, 2011 through December 31, 2020

SAFETY PROGRESS

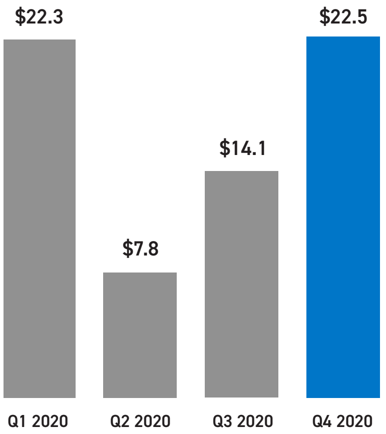
LOST TIME INCIDENT RATE



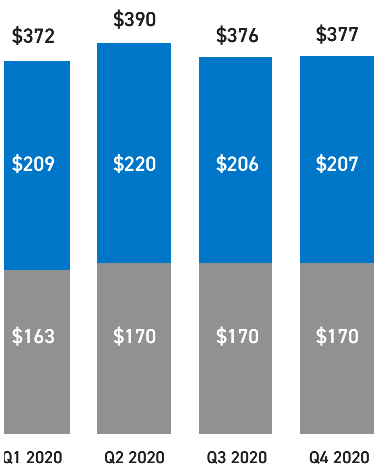
TOTAL INCIDENT RATE



EBITDA
(USD millions)



LIQUIDITY
(USD millions)



Unrestricted Cash and Cash Equivalents
Revolving Credit Facility

LIQUIDITY PROTECTION

We ended the first quarter of 2020 with a cash position of $209 million and unused senior credit lines of $163 million. In March 2020, we initiated an intensive program of liquidity maintenance. This program included cuts to variable compensation, professional fees, and other ancillary expenses that resulted in a reduction of our SG&A cost of $26 million versus 2019 levels. It also included extensive operational changes which resulted in a cost savings program of $18 million across our global operations base. As a management team, we made the choice to sacrifice profitability by reducing production, reducing inventories, and harvesting cash via lower working capital levels. We also decided to limit all non-essential capital projects. The net result of this multi-pronged effort was that despite poor profitability, we ended the year with the same high level of liquidity with which we started.

QUARTERLY EBITDA SEQUENCE

We are pleased that our stated projection that the second quarter of 2020 would be our most pandemic-affected quarter was correct. Given our cash flow performance and our steadily increasing EBITDA, AMG has demonstrated that we can manage cumulative downside risk occurrences.

SEGMENTAL OVERVIEW

	CLEAN ENERGY MATERIALS	CRITICAL MINERALS	CRITICAL MATERIALS TECHNOLOGIES
BUSINESS UNITS	**Lithium** **Tantalum** **Vanadium**	**Silicon** **Antimony** **Graphite**	**Titanium Alloys** **Engineering** **Superalloys**
PRIMARY MARKETS	Energy Storage Recycling Infrastructure	Specialty metals & chemicals Infrastructure	Aerospace Renewable Energy Recycling
CHARACTERISTICS	• Energy storage materials • Growth in recycling • Global expansion in vanadium from refinery residues	• Business model similarity • Global leader in graphite processing • Sole silicon metal producer in Germany • Largest provider of antimony flame retardants in Europe	• Traditional focus on aerospace • Project engineering and procurement demand within AMG • US-based critical materials sourcing efforts (titanium alloys and chrome metal)

STRATEGY

Reflecting thoroughly on our critical materials portfolio, we concluded that a re-segmentation was in order. The focus of the new segment Clean Energy Materials (CEM) is energy storage materials. More than 90% of AMG's capital expenditures are going to CEM and therefore CEM is at the center of AMG's growth strategy. The Critical Minerals segment (CMI) represents a portfolio of stable conversion businesses. Critical Materials Technologies (CMT) is a technology partner to the aerospace engine industry and is enabling the circular economy through the high-performance metals produced and recycled in our vacuum furnaces.

ECO_2RP, the Enabling CO_2 Reduction Portfolio, is a virtual portfolio tracing enabled CO_2 reduction and financial performance. We are accelerating our innovation drive to allocate capital to new ECO_2RP candidates. Some significant candidates are undergoing Life Cycle Analysis right now. Irrespective of our big projects, that is AMG's base.

LITHIUM

When we built the 90,000 ton per annum lithium concentrate plant in Brazil, we were seeking an optimal way to go downstream while assembling what we believe is a world-class lithium management team. We finally decided that the next step should be building a 20,000 ton per annum battery-grade hydroxide refinery in Germany—our first module. After that, we are developing plans to build a lithium chemical plant in Brazil and, if the expected demand proves tangible, a second module in Germany. All of that is being handled by our battery materials management and technology center in Frankfurt. AMG's Supervisory Board approved moving ahead with the detailed engineering for the battery-grade hydroxide module, as well as the purchase of long lead-time items and the site. Our lithium production in Brazil is partially based on existing tailings waste and provides a less carbon-intensive process compared to mineral lithium mining.

It should not be overlooked that we have allocated considerable resources in commissioning a pilot plant for solid-state electrolyte materials in our Frankfurt laboratory facilities. This pilot plant is based on materials and process patent applications, and the material it produces will be purchased by the top solid-state battery manufacturers globally. If we are successful in this field—and we believe we are included in the "short list" of solid-state materials providers—this could shift the future of AMG.

BATTERY MATERIALS PILOT PLANT

The most exciting development in energy storage materials is the search for a solid-state electrolyte for use in next generation batteries. AMG Lithium GmbH has invested in a solid-state battery material pilot plant within its state-of-the-art battery materials laboratory located in Frankfurt, Germany.

According to Dr. Vera Nickel, project lead of the solid electrolyte research at AMG Lithium, "The annual production capacity of one metric ton allows us to send samples to key customers with tailor-made solid electrolytes. Pilot plant operations will pave the way to scale up production according to market needs."

VANADIUM

Regarding the spent catalyst recycling project in Ohio, AMG's largest investment allocation to date, we are very pleased that we are currently on time and on budget despite the challenges of COVID-19. Through its conversion of waste products into ferrovanadium, AMG provides a substantially less carbon-intensive process than primary mining.

In Nuremberg, Germany, AMG produces vanadium pentoxide from combustion and gasification waste residues. Vanadium pentoxide is used as an electrolyte in vanadium redox batteries, enabling a higher efficiency of renewable energy production by "buffering" intermittency issues through stationary electricity storage.

The platform for AMG's global strategy to offer its superior recycling technology to the spent refinery catalyst market is Shell AMG Recycling B.V. The JV has announced a project to explore the feasibility of building a recycling "Supercenter" with Saudi Aramco in the Kingdom of Saudi Arabia. Also, the JV has signed an agreement with Shandong Yulong Petrochemical company to evaluate building a spent catalyst recycling facility in Yantai, China. We have recognized that our environmentally-proven technology combined with the CO_2 reduction of the recycling route is very attractive to our potential refinery suppliers and partners.

We are active in vanadium battery technology development. The vanadium battery industry is very fragmented and still at an early stage. Through our battery materials technology center in Frankfurt, intertwined with AMG Engineering and our vanadium recycling activities in Ohio and Nuremberg, we feel we have a strategic advantage in the rollout of the stationary vanadium battery. We have allocated considerable resources to advance on that front.

ESG STATEMENT

AMG was founded on the basis of a key global trend of energy transformation: clean energy and energy saving demands materials science-based solutions, activating new demand for elements in the periodic table. AMG was formed to be a leader in these "critical" materials. As a result, and by design, AMG has created and continues to grow a portfolio of products enabling its customers to reduce CO_2.

Since 2012, AMG has developed a methodology to measure the CO_2 reduction enabled by its activities. In 2018, we further refined the methodology to measure our enabled CO_2 reduction, in partnership with ERM, by conducting Life Cycle Analysis. As a result, ECO$_2$RP delivered a combined CO_2 reduction of 67 million tons in 2019, an amazing figure. In 2020 the same methodology resulted in 54 million tons. The decrease in the CO_2 reduction impact was a net result of reduced aerospace activity, compensated partly by two new entrants into ECO$_2$RP. It is important to note that, consistently over the past ten years, ECO$_2$RP key highlights include higher growth in revenue and gross profit than AMG in total, with gross margin growing faster than related revenues, and gross margin higher than that of the group as a whole.

DR. HEINZ SCHIMMELBUSCH

CHIEF EXECUTIVE OFFICER

AMG CRITICAL MATERIALS

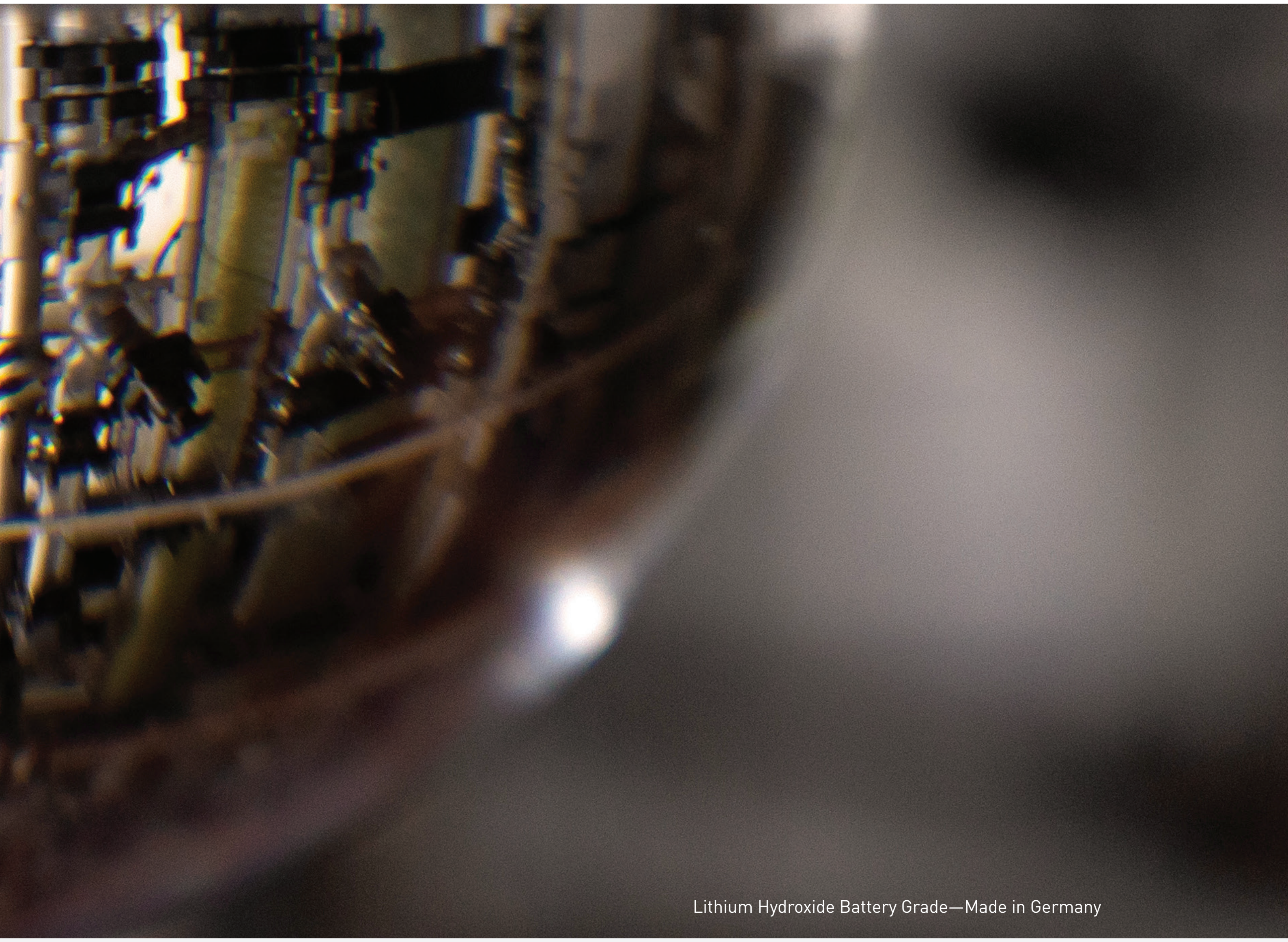
AMG's doubling of its recycling capacity for refinery residues is proceeding as planned in Zanesville, Ohio, utilizing the funds raised from our municipal bond.

AMG Critical Materials' gross profit before non-recurring items[1] in 2020 decreased by $42.4 million to $68.0 million, driven largely by decreased revenue, which was $575.7 million for the year.

AMG Critical Materials' pandemic-related impacts continued throughout the year, but we saw increased volumes being sold to customers in five of seven of the business units by the end of 2020.

The division continued to advance several key strategic programs in 2020. The construction of AMG's second ferrovanadium plant in Zanesville, Ohio, which will essentially

1 Non-recurring items include exceptional non-cash inventory cost adjustments. In 2020 these were $6.2 million, primarily associated with our Brazilian operations, and in 2019 these were $87.8 million, primarily associated with our vanadium operations.


Lithium Hydroxide Battery Grade—Made in Germany

double its recycling capacity for refinery residues, is proceeding as planned. As of December 31, 2020, AMG had committed $206 million in construction and engineering contracts for the project, utilizing the funds raised from its municipal bond. In addition, the lithium hydroxide upgrader project has commenced in Germany, and AMG's Supervisory Board approved moving ahead with the detailed engineering as well as the purchase of long lead-time items and the site.

Shell & AMG Recycling B.V. continues to pursue refinery residue recycling opportunities globally with a focus on the Middle East and China, including the signed MOU with Shandong Yulong Petrochemical Co., Ltd. to enter into exclusive arrangements to evaluate the potential for construction and operation of a spent catalyst recycling facility in Yantai, China. In addition, Saudi Aramco, Shell & AMG Recycling B.V. signed an MOU to evaluate the feasibility of creating a venture in support of Saudi Arabia's vision to maximize value from its vast natural resources. Shell & AMG Recycling B.V., along with Shell Catalysts & Technologies, will explore the feasibility of building a catalyst manufacturing and recycling "supercenter" in Saudi Arabia.

AMG TECHNOLOGIES

AMG Engineering's order intake in 2020 exceeded $200 million for the year due to significant orders in market segments outside aerospace, including strong orders from specialty steel producers.

AMG Technologies' revenue during 2020 decreased by 15% due to reduced aerospace activity and volumes due to the pandemic, as well as lower profitability associated with metal price declines for the Titanium Alloys business. Consequently, gross profit for the year decreased by $42.6 million to $56.3 million.

EBITDA in 2020 decreased 54%, from $56.0 million in 2019 to $25.8 million, due to lower profitability related to the challenging economic environment.

Turbine Blade Coater

Order intake in the Engineering business unit in 2020 remained strong at $208.6 million, representing a 0.83x book to bill ratio. Order backlog decreased by 11% from $222.6 million at the end of 2019 to $198.1 million at the end of 2020.

AMG Technologies benefited from its market diversification but is recovering at a slower pace as a result of the dramatic impacts of the pandemic on the aerospace industry. We also experienced difficulty finalizing vacuum furnace orders and servicing our customers with replacement parts due to global travel restrictions. These effects were partially offset by an improved performance from our Heat Treatment Services business, which experienced higher demand at the end of 2020 as a result of the rapidly recovering automotive sector.

AMG'S

RISK MANAGEMENT & INTERNAL CONTROLS

AMG employs a risk management approach that identifies and mitigates risk at all levels of the organization.

The Audit & Risk Management Committee is comprised of Donatella Ceccarelli (Chair), Willem van Hassel and Frank Löhner, and meets on a quarterly basis. In addition to its Audit Committee duties, this committee is responsible for monitoring and advising the Supervisory Board on the risk environment as well as the risk management process 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 faced by its global employee base. AMG utilizes 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 and discussed in detail by AMG's risk management function in coordination with the senior management of each business unit. Direct follow-up calls take place by AMG's Chief Financial Officer and his team with the Presidents of the business units. The corporate Legal, Finance and HSE (Health, Safety and Environment) functions also contribute to the quarterly submission of risks identified. Key risks from all business units and functions are then summarized and presented to the Management Board, which reviews them. Any new material risk assessment observed by a business unit or function is reported instantly to the Management Board, while individual risks of special note are regularly discussed at the Management Board's bi-weekly meetings. The Chair of the Audit & Risk Management Committee of the Supervisory Board is informed immediately of any new material risk assessments which have been reported to the Management Board. The Audit & Risk Management Committee of the Supervisory Board formally reviews the consolidated risk package provided by AMG's Management Board during its quarterly meetings. In addition, the Audit & Risk Management Committee of the Supervisory Board supervises, monitors, and reports on the Company's internal control and risk management programs.

During 2020, special attention was given to:

- COVID-19 global pandemic;
- liquidity and cash flow;
- managing price and volume risk associated with the volatility of commodities;
- improving contractual terms to lessen inventory price risk;
- understanding global political and environmental risks; and
- 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 be broadly categorized as:

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

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

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-EU 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.

COVID-19 PANDEMIC

The public health crisis caused by the COVID-19 pandemic and the unprecedented containment and mitigation measures taken by governments and businesses to limit COVID-19's spread have had, and may continue to have, certain negative impacts on the broader global economy and our business including, but not limited to: decrease or postponement in customer demand, especially in our aerospace exposed businesses; supply chain disruptions; travel restrictions that impact project timing; and ongoing health risks to our employee population.

Throughout the pandemic, AMG has maintained operations sufficient to meet our customer demand. The Company's ongoing focus is the health and safety of our employees; preserving a strong liquidity position; and improving cash generation by reducing operating costs, SG&A, and working capital, and limiting all non-essential capital expenditures.

AMG is continuing to monitor the global outbreak of the COVID-19 pandemic and the vaccination rollout and although the potential future magnitude and duration of the business and economic impacts of the COVID-19 pandemic are uncertain, currently we do not believe the COVID-19 pandemic will impact the Company's ability to meet any of its financial obligations. The Company has not experienced and does not anticipate material negative impacts to its access to the capital markets or disruption to the Company's supply chain.

METAL PRICE VOLATILITY RISK

AMG is exposed to metal price volatility. AMG is primarily a processor of metals, so risk can arise from short-term changes in price between purchase, process, and sale of the metals or from end-user 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. However, most metals, alloys, and chemicals that AMG processes and sells, such as vanadium, chrome metal, tantalum, graphite, niobium, and antimony trioxide, cannot be hedged on an exchange. The drop in prices across AMG's portfolio in 2020, including vanadium, tantalum, spodumene, and chrome, caused ongoing profitability challenges throughout the year.

To mitigate price risk across its portfolio, 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 the cost of production.

Success of the mitigation plan is dependent on the severity of metal price volatility and on the stability of counterparties performing under their contracts. Due to the diverse mix of metals that AMG processes and the fact that metal processing has more pass-through risk than long-position risk, this risk is difficult to quantify.

MINING RISK

At its lithium and tantalum mine in Brazil and three graphite mines in Germany, Sri Lanka and Mozambique, 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, the performance of key machinery and the ability to maintain appropriate tailings dams. These risks are all mitigated by continuous monitoring and maintenance of all mining activities. AMG has always recognized the need to carefully manage the risk associated with tailings dams within its operations and takes its commitment to ensuring the safety of its workforce and the surrounding communities very seriously. AMG leadership commissioned a study that was conducted by a third-party to ensure that its three tailings dams in Brazil are legally compliant and technically sound. The outcome of the legal study indicated we are compliant with applicable regulation as they relate to our three tailings facilities.

In accordance with the Church of England Investor Mining and Tailings Safety Initiative, AMG posted a comprehensive disclosure, which was signed by our CEO, on our company website.

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. Geological risk is managed by continuously updating mine maps and plans; however, 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. Continued future price volatility could cause commercial production to be impracticable. Mitigation strategies include managing price risk by entering into long-term fixed-price contracts with customers, and via vertical integration strategies.

Other cost-related strategies include continuously reducing cost of production for current products or expanding product lines to enable profitable mine production even in low price environments.

CUSTOMER RISK

Customer concentrations in certain business units amplify the importance of monitoring customer risk. In addition, turbulent economic conditions for commodity producers increase customer risk. Since AMG has a low appetite for customer credit risk, the Company attempts to mitigate this exposure by insuring and monitoring receivables, maintaining a diversified product and contract 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 monthly. Given that the Company has thousands of customers, this risk is difficult to quantify. However, no single customer accounts for more than 10% of AMG's revenues, and therefore, while the impact of a customer failure is manageable, it may have an adverse impact on results. In particular, AMG Engineering can mitigate a portion of customer payment and performance risk due to the collection of prepayments from many of its customers. In addition to risks associated with collectability of receivables, 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 and a replacement customer cannot be immediately found, it could have an adverse impact on results.

SUPPLY RISK

AMG Critical Materials is dependent on supplies of metals and metal-containing raw materials to produce its products. Despite a normally low appetite for risk in most categories, supply risk is more difficult to manage given the limited number of suppliers for certain materials. 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 because 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. 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 are available. 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, and AMG's appetite for regulatory compliance risk is very low. Additionally, changes to these laws could limit AMG's ability to conduct certain business. 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 33 to the consolidated financial statements for more details on the currently known environmental sites. More stringent regulations may be enacted for 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. As regulations change, the Company proactively works to implement any required changes in advance of the deadlines. The REACH Directive is in effect in the European Union, and AMG's business units pre-registered all required materials and made complete registrations for those products. AMG has continuing obligations to comply with international and national 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. The Corporate Code of Business Conduct and AMG's Values have been distributed to all employees and are displayed in all workplace locations in local languages. A Speak Up and Reporting policy is widely available to employees, who are advised to report situations that do not comply with AMG's guidelines and policies on how to deal with its employees, business partners and stakeholders. Continuous mandatory training programs, and updates thereof, are provided by the Company to its management and employees to ensure appropriate business conduct. An estimate of potential impact related to regulatory risk is not possible.

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 US dollar, the Company's primary areas of exposure are the euro, Brazilian real, and British pound. Given the location of our operations, it is not possible to mitigate translation risk in a cost-effective manner. AMG has developed a uniform foreign exchange policy that governs the activities of its subsidiaries and corporate headquarters. AMG enters into non-speculative spot and forward hedge transactions to mitigate its transaction risk exposure and employs hedges to limit certain balance sheet translation risks. The Company will also at times hold cash in foreign currencies to naturally hedge certain translation risks. AMG's overall economic foreign exchange risk is somewhat mitigated by the natural hedge provided by its global operations and diversified portfolio of products: namely, a majority of AMG's products are sold in the country in which they are produced. 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. AMG competes primarily on product technology, quality, availability, distribution, price, and service. Competition may also arise from alternative materials and the development of new products. Increased competition could lead to higher supply or lower overall pricing. 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. Failure to maintain strict quality control could result in material liabilities and reputational damage. The Company maintains a stringent quality control program to ensure its products meet or exceed customer requirements and regulatory standards. AMG further mitigates this risk via liability insurance.

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. AMG's financing risk was mitigated in early 2018 with its expansion and extension of the Company's syndicated credit facilities. It is further mitigated by the year-end 2020 liquidity of $377 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 31, 2020, the Company was in compliance with all financial covenants.

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 subject to certain terms. AMG attempts to further mitigate this risk by actively monitoring the supply chain and maintaining rigorous training programs on operational and safety procedures.

INFORMATION TECHNOLOGY

The Company utilizes both internal and external information technology (IT) systems to achieve our overall business objectives. Our IT systems are used for, but not limited to, the processing and storing of financial information, business planning, order processing, and intellectual property.

We believe AMG is exposed to IT threats given the Company's global footprint and our use of technology. An information security incident, including a cybersecurity breach, could have a negative impact on the Company's business, financial condition, and reputation. No information or cybersecurity breaches were reported at AMG and its group companies in 2020.

The Company believes its preventative measures in place adequately mitigate our risk of a significant company-wide information technology incident. Such measures include:

- Diversity and physical separation of systems across our businesses—each unit maintains their own IT platform disconnected from other units
- Disaster recovery planning
- Information security training and compliance programs
- IT measures at all businesses include firewalls, encryption, physical access controls, virus and malware software and offsite backups

AMG's Management Board has overall responsibility for the Company's information technology. The Company's CFO is responsible for oversight and compliance and provides updates to the Management Board on a regular basis and reports to the Supervisory Board on IT matters at least annually.

AMG maintains a cybersecurity insurance policy; however, such insurance is subject to a number of exclusions and may not cover the total financial loss or damage caused by an information security incident.

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 AMG Corporate Risk Committee 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 2020, 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 the 2016 Dutch Corporate Governance Code. AMG's Management Board believes the 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 2020.

STATEMENT OF RESPONSIBILITIES

The Management Board regularly assesses the effectiveness of the design and operation of the internal control and risk management systems.

Based on this report and in accordance with best practice 1.4.3 of the Dutch corporate governance code as adopted on December 8, 2016 and effective as of January 1, 2017 ("the 2016 Code"), and article 5:25c of the Financial Supervision Act, the aforementioned assessment, the current state of affairs, the Management Board confirms that, to the best of its knowledge:

- the internal risk management and control systems of the Company provide reasonable assurance that financial reporting does not contain any material inaccuracies;
- there have been no material failings in the effectiveness of the internal risk management and control systems of the Company;
- there are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of the Company's operations in the coming twelve months; and
- it is appropriate that the financial reporting is prepared on a going concern basis.

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. Nor can they provide certainty that we will achieve our objectives.

In view of all 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 of companies included in the consolidation;
- the management report provides a fair review of the position at the balance sheet date, the development and performance of the business during the financial year of the Company; and
- the management report describes the principal risks and uncertainties that the Company faces.

DR. HEINZ SCHIMMELBUSCH

ERIC JACKSON

JACKSON DUNCKEL

Management Board
AMG Advanced Metallurgical Group N.V.
March 11, 2021

REPORT OF THE

SUPERVISORY BOARD

STEVE HANKE
CHAIRMAN

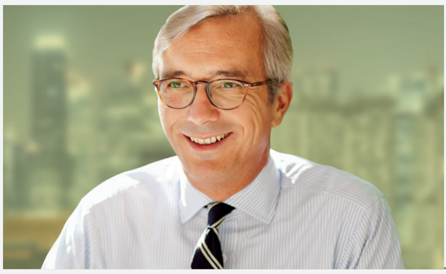
Born 1942

WILLEM VAN HASSEL
VICE CHAIRMAN

Born 1946

HERB D. DEPP
Born 1944

DONATELLA CECCARELLI
Born 1959



FRANK LÖHNER
Born 1965

DAGMAR BOTTENBRUCH
Born 1960

Nationality: American

Date of initial appointment:
May 3, 2013

Date of end of term: 2023

Professor of Applied Economics and Founder & Co-Director of the Institute for Applied Economics, Global Health and the Study of Business Enterprise at The Johns Hopkins University in Baltimore, Maryland, USA, Senior Fellow at the Cato Institute in Washington, D.C., USA, and Chairman Emeritus, the Friedberg Mercantile Group, Inc. (Toronto, Canada)

Former positions: Professor, Colorado School of Mines, Professor, the University of California, Berkeley, and senior economist, President's Council of Economic Advisers (Ronald Reagan)

Nationality: Dutch

Date of initial appointment:
May 4, 2017

Date of end of term: 2021

Current board position: Investigator/director a.i. by appointment of Enterprise Chamber (Court of Appeals Amsterdam)

Former positions: Attorney-at-law with Trenite van Doorne law firm (Chairman), Dean of the Dutch Bar Association

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Nationality: American

Date of initial appointment:
November 8, 2013

Date of end of term: 2021

Current board positions: Teller Wildlife Refuge (Chairman), Providence Montana Health Foundation, University of Montana Athletics

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)

Nationality: Italian

Date of initial appointment:
May 8, 2014

Date of end of term: 2022

Current board position: Executive Board of the Flick Foundation (Chairwoman)

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

Nationality: German

Date of initial appointment:
December 18, 2018

Date of end of term: 2022

Director of Montagu Private Equity GmbH in Germany (Frankfurt)

Former positions: Managing Director SEB AG (Head of Corporate Finance Germany), Managing Director Investment Banking Credit Suisse Securities (Europe), Head of Corporate Accounting (Germany) at Celanese AG, Project Leader Mergers & Acquisitions at Hoechst AG (Germany)

Nationality: German and American

Date of initial appointment:
May 1, 2019

Date of end of term: 2023

Current board positions: Berentzen Gruppe AG, Pepper Media International AG, CFA Society (Germany), Klimawette

Former positions: Managing Director of Rabobank International (Germany), Director Investment Banking at Credit Suisse (London and Frankfurt)

The Supervisory Board advises the Management Board and monitors the implementation of AMG's long-term value-creation strategy, ensuring that all stakeholder interests are appropriately considered.

2020: THE YEAR OF THE PANDEMIC

The year 2020 was an extraordinarily difficult one for AMG and its employees due to the COVID-19 (coronavirus) pandemic that took hold of the world in early 2020 and continues to imperil it, with vast human and economic tolls, as of the date of publication of this Annual Report. During 2020, the coronavirus evolved into a global pandemic on a scale not seen in generations. The virus initially infected people in China and thereafter evolved rapidly throughout the world, affecting five continents.

First and foremost, the AMG Management Board and the heads of its units have been focused on the health and safety of AMG's employees. As of today, AMG fortunately has had only a limited number of employees globally who have been diagnosed with the virus.

At the onset of the pandemic in the beginning of 2020, AMG's corporate health and safety experts developed and distributed an AMG Pandemic Response Plan that was heeded immediately and has been fully enacted since then. Across the company, all individuals who have the capacity to work remotely have been instructed to do so. Additional extensive safety and control measures have been enacted at all of AMG's facilities to protect AMG's employees. It is important to note that the vast majority of AMG's main production facilities globally have continued operations.

As the uncharted territory of 2020 is behind us, the Supervisory Board can now report that the Management Board and the management of its units and staff took the necessary actions and came up with appropriate initiatives and ideas to withstand the challenges presented by the pandemic. Despite the impact of COVID-19, and the geopolitical turbulence caused by the US-China trade war and Brexit during 2020, the Supervisory Board is very pleased to report that the Management Board kept control of and focus on its strategic agenda and preserved a strong liquidity position during the year.

TASKS AND RESPONSIBILITY

The Supervisory Board supervises the actions taken by the Management Board and the general affairs of AMG. In doing so, the Supervisory Board focuses on the effectiveness of AMG's internal risk management and control system and the integrity and quality of the financial system. The Supervisory Board is also responsible for determining the remuneration of the individual members of the Management Board within the context of the Remuneration Policy as adopted by the General Meeting of Shareholders.

While retaining overall responsibility, it has assigned certain of its preparatory tasks to three committees: the Audit & Risk Management Committee, the Selection & Appointment Committee, and the Remuneration Committee, each of which reports on a regular basis to the Supervisory Board. The separate reports of each of these committees are included on the following pages.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board was first established on June 6, 2007, and currently consists of six members, as follows: Professor Steve Hanke (Chairman), Willem van Hassel (Vice Chairman), Herb Depp, Donatella Ceccarelli, Frank Löhner and Dagmar Bottenbruch (the personal details of each member are included on pages 24 and 25). During the 2020 financial year, the composition of the Supervisory Board did not change. 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, the Supervisory Board believes that diversity in skills and experience is a key prerequisite for the performance of the Supervisory Board going forward. The Supervisory Board believes it has the right set of skills in place 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, public administration, and corporate governance. 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. During 2020, all Supervisory Board members qualified as independent, as defined in the Dutch Corporate Governance Code. All current members of the Supervisory Board completed and signed a questionnaire to verify compliance in 2020 with the applicable corporate governance rules, including the Rules of Procedure of the Supervisory Board.

THE RESIGNATION SCHEDULE OF THE MEMBERS OF THE SUPERVISORY BOARD IS AS FOLLOWS:

Steve Hanke	2023
Willem van Hassel	2021
Herb Depp	2021
Donatella Ceccarelli	2022
Frank Löhner	2022
Dagmar Bottenbruch	2023

At the Annual General Meeting ("AGM") in May 2021, Mr. Willem van Hassel, Vice Chairman, will have served four years on the Supervisory Board when his current term ends. On that occasion, Mr. Herb Depp, Chair of the Remuneration Committee, will have served eight years on the Supervisory Board when his current term ends. The Board is very pleased that both gentlemen have agreed to continue to serve on the Supervisory Board. The Supervisory Board will nominate Mr. van Hassel and Mr. Depp for reappointment by the General Meeting Shareholders on May 6 of this year as independent members of the Supervisory Board for terms of four years and two years, respectively.

Mr. Frank Löhner has indicated that he wishes to step down at the Annual Meeting in May of this year due to other pressing engagements, having served three years on the Supervisory Board. The Supervisory Board respects and accepts with regret the decision of Mr. Löhner and thanks him for his valuable insights and contributions and wishes him well in his future endeavors.

DIVERSITY

The Supervisory Board is fully supportive of the initiatives of the Management Board that have been reflected in the Diversity Policy of the Company to promote diversity among its global employee population including among the staff and senior management of AMG's Group companies. As of 2021, the Supervisory Board is considering including specific diversity targets for the Management Board in its short-term incentive remuneration package going forward. Diversity among AMG's employees and staff, not only in gender but also in, amongst others, nationality, and country of origin, is a key objective for the Management Board and is fully supported by the Supervisory Board.

In line with the Diversity Policy of the Company, which was adopted in 2017, AMG pursues a policy of having at least 30% of the seats on the Supervisory Board and the Management Board be held by each gender. The company will continue to take its key diversity objectives, including maintaining a proper balance of nationalities to reflect the transatlantic structure of AMG, and the gender allocation of seats as outlined above, into account in connection with recruitment, retention of employees and succession planning for both the Management Board and the Supervisory Board. In 2020, the Management Board deployed measures to attract and maintain a diverse workforce at its units, including linking incentive payments for unit managers to meaningful progress toward diversity targets. Since the Annual Meeting in May 2019, AMG is meeting its diversity objectives in terms of gender as outlined above with respect to the Supervisory Board. The Supervisory Board will continue to look for suitable female candidates for both the Management Board and the Supervisory Board in order to meet all of its diversity objectives as outlined in its Diversity Policy as soon as reasonably possible. In addition, in anticipation of expected new legislation in the Netherlands concerning gender diversity in the composition of supervisory boards and management boards, the Management Board has initiated the creation of a robust plan supporting diversity with appropriate targets, within the AMG Group going forward.

SUPERVISORY BOARD MEETINGS

The Supervisory Board held eighteen meetings over the course of 2020, all taking place by telephone or video conference due to the COVID-19 travel restrictions. Twelve of these meetings were held in the presence of the Management Board. All meetings were attended by all members, with the exception of Dr. Ceccarelli and Ms. Bottenbruch, who each missed one meeting.

The items discussed in the meetings included regular updates about the COVID-19 pandemic and its impact on the Company and its employees; recurring subjects, such as AMG's financial position, objectives and results, the operating cash flow (OCF) development as well as the net debt situation of the Company; potential acquisitions and divestments; the business plans of AMG Critical Materials and AMG Technologies; capital expenditure programs; succession planning and remuneration; 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.

An important development in 2020 concerned the review by the Supervisory Board of the proposed restructuring, initiated by the Management Board, of the AMG Group into three new reporting segments. As of January 1, 2021, AMG is structured into three reporting segments: Clean Energy Materials (CEM), Critical Minerals (CMI), and Critical Materials Technologies (CMT). Each of these segments addresses similar markets, applies similar business models, and has its own set of peers. Importantly, each segment has products which enable CO_2 reduction and each segment is targeting growth in its contribution to AMG's ESG strategy.

Another key item on the agenda of the Supervisory Board in 2020 concerned the development and review of the Company's ESG strategy. AMG's strategic investments driving earnings growth over the next decade are primarily focused on enabling CO_2 reduction through both its products as well as its technologies. As a result, AMG has developed its ECO_2RP concept, which quantifies AMG's results in enabling CO_2 reduction, as a cornerstone of its ESG Strategy. The ECO_2RP concept is further explained in the Chairman of the Management Board's Letter to Shareholders (pages 8-13).

Financial metrics presented to the Supervisory Board to measure the performance of AMG included net income, earnings per share, EBITDA, financial leverage (net debt to EBITDA), working capital, liquidity, OCF and return on capital employed (ROCE). The Supervisory Board further discussed the top risks and risk profile of AMG's business and operations and the assessment by the Management Board of the structure of the internal risk management and control systems, and any significant changes thereto, as well as the functioning of the internal audit function and of the external auditor, KPMG Accountants NV ("KPMG"). Besides the scheduled meetings, the Chairman 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.

Throughout 2020, the Supervisory Board regularly reviewed and was regularly updated by the Management Board about the implementation of the long-term strategy of AMG, which was renewed and approved by the Supervisory Board in July 2016 and subsequently fine-tuned and updated during the following years. This strategy review took place on a continuous basis by way of strategy updates during the regular Board meetings in 2020, headed by the Chairman of the Management Board, in order to keep the Supervisory Board fully informed on the progress and financing of the strategy, as well as the principal risks related to the strategy. AMG's overriding strategic objective is to achieve industry leadership while being the low-cost producer. The financial targets for EBITDA for the coming years, as expressed during 2018 and 2019, were withdrawn in the beginning of 2020 when the COVID-19 pandemic struck, as a meaningful prediction of future earnings and results had become an impossible task. As an illustration, one only need look at the aerospace industry, an important customer of AMG's, which suffered a dramatic collapse as a result of COVID-19. Apart from this, uncertainty as a result of US-China trade frictions and Brexit discussions continued unabated.

AMG's strategy has not changed and continues to be based on a growth-driven approach focusing on three principles: A) process innovation and product development, aimed at improving the market position of AMG's businesses; B) industry consolidation, achieved by pursuing opportunities for horizontal and vertical industry consolidation across AMG's critical materials portfolio; and C) expansion of high-growth businesses within AMG's existing product portfolio.

As a result, and with the COVID-19 pandemic causing personal and economic pain and suffering throughout the year, 2020 was an extremely challenging one for AMG's Management Board, which had to manage a sharp decline in results in a highly unpredictable economic environment. Given these challenges faced during 2020, the resulting EBITDA of $67 million was welcomed by the Supervisory Board as a very positive result. The Management Board continued to focus on various projects during 2020 that it had initiated earlier, although with different speeds and intensities depending on the economic circumstances. In addition, during 2020, the Management Board was strongly focused on driving the strategic projects of the Company, including: i) the construction of a new production facility in Zanesville, Ohio, USA essentially doubling capacity of the existing AMG Vanadium recycling facility in Cambridge, Ohio, USA; ii) the start of the operation of the joint venture with Shell Catalysts & Technologies; and iii) the start of the implementation of the (renewed) lithium strategy to focus on a battery-grade lithium hydroxide plant in Germany.

Please refer to the Chairman of the Management Board's Letter to Shareholders for an overview of AMG's strategy and its implementation thereof going forward (pages 8-13).

In 2020, the annual self-evaluation process took place informally, as in 2019 this process had taken place with the assistance of and under the guidance of an external facilitator, in line with the Board's policy to use the services of external facilitators for this process once every three years. Accordingly, the Supervisory Board in 2020 completed a comprehensive self-evaluation questionnaire (similar to the one used in 2019) which concerned, among other things, the Board members' mutual interaction and contribution during meetings; their interaction with the Management Board; the functioning of the Supervisory Board Committees; and the desired profile and competencies of the Supervisory Board. During the executive session of the Supervisory Board meeting on October 28, 2020, the Chairman shared and discussed the results with the Board members, and the Supervisory Board concluded, after ample discussion, that the Board, its Committees and individual members have been functioning very well with a high level of trust and that improvement areas would focus on interactions during Board meetings in particular, asserting that questions should be asked as much as possible during Board meetings. The Board members further agreed that questions should preferably be focused on content rather than process, in order to be efficient.

On October 28, 2020, the Supervisory Board (without the presence of the Management Board) met and reviewed the performance of the Management Board and its members over the past twelve months. During this meeting, the Supervisory Board discussed and unanimously adopted the recommendation of the Selection & Appointment Committee, which had based its findings on the results of the Company and feedback from senior management within the AMG Group. The Committee concluded that the performance of the Management Board and its individual members, during this exceptionally challenging year beset by the COVID-19 pandemic, was outstanding.

The Committee witnessed the Management Board, led by its Chairman and CEO, act throughout the year with true agility, driving the unit CEOs to take the necessary actions and come up with ideas to withstand the challenges presented by the pandemic. Despite the impact of COVID-19, and the geopolitical turbulence caused by the US-China trade war and Brexit, the Management Board kept control of and focus on its strategic agenda and delivered solid results for such an unprecedented and difficult year. This was evidenced by, amongst others, the decision to change the organizational structure of the AMG Group to create three new reporting segments to improve focus and transparency towards investors; a promising start to the joint venture with Shell Catalysts & Technologies with simultaneous projects pursued in Saudi Arabia and China; and the pursuit of growth initiatives in the downstream lithium and vanadium spaces. The Committee also recommended that no changes in the Management Board's composition were merited. In particular, the Supervisory Board was impressed by the persistent focus on operational performance and costs, and on the implementation and monitoring by the Management Board members of the strategic objectives, during very unsettling economic circumstances, which form the basis of AMG's long-term value-creation strategy.

SHARES HELD BY MEMBERS OF THE SUPERVISORY BOARD

As of December 31, 2020, the members of the Supervisory Board held 116,707 shares in the Company. Out of that number, 73,849 shares were awarded to them as part of their annual remuneration.

COMMITTEE REPORTS

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

REPORT OF THE AUDIT & RISK MANAGEMENT COMMITTEE

COMPOSITION: DR. DONATELLA CECCARELLI (CHAIR), MR. WILLEM VAN HASSEL, AND MR. FRANK LÖHNER

The Audit & Risk Management 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 internal audit function and, with the involvement of the independent external auditor, focuses on compliance with applicable legal and regulatory requirements and accounting standards.

The Audit & Risk Management Committee met by video conference five times during 2020, 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 meetings of the Supervisory Board. All members of the Audit & Risk Management Committee attended all meetings.

The structure, process and effectiveness of the Company's internal risk management and control systems and the accompanying risk reports from the Management Board were a regular topic of discussion by the Audit & Risk Management Committee. Topics of discussion at the Audit & Risk Management Committee meetings also included the Internal Audit plan prepared by the Internal Auditor of AMG and the External Audit plan prepared by KPMG (see further chapter on Corporate Governance). Additional topics discussed were internal audit reports of the various units within the group and the identified risks per entity, summarized in the top risks of the Company; quarterly financial results; 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. The Company's Internal Auditor maintained regular contact with the Audit & Risk Management Committee and the external auditors of the Company. The Audit & Risk Management Committee did not meet with the external auditors without any member of the Company's Management Board or financial and accounting staff present due to the COVID-19 restrictions; it was agreed upon to hold such a meeting in early 2021.

At all Audit & Risk Management Committee meetings, an important agenda item concerned the review of the Quarterly Risk Report that was prepared by the Management Board as further explained in the Risk Report section of the Annual Report. During that agenda item, all Management Board members joined the Committee meeting to explain the Risk Report, and to update the Committee members about any changes in the risk profile of the Company.

The Audit & Risk Management Committee discussed with KPMG the findings from the 2020 audit and reviewed the contents and key audit matters of the 2020 Independent Auditor's Report of KPMG and reported on this matter to the plenary meeting of the Supervisory Board. In 2020, external audit fees were $2.037 million for the group financial statements. Present at all non-executive session meetings of the Audit & Risk Management Committee were the Chief Financial Officer, Chief Controller, and the Internal Auditor. KPMG was present at all these meetings, while at certain meetings, the Chief Compliance Officer was also present.

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

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

As the mandate of KPMG's signing external partner ('OOB accountant'), Mr. Tom van der Heijden, is set to end by law after a maximum period of five consecutive years, the Committee also interviewed and met with the new lead auditor of KPMG, Mr. Johan Schrumpf, who would assume his position beginning with the financial year 2021. The Committee would like to extend its gratitude and thanks to Mr. van der Heijden for his constructive and insightful contributions as KPMG's lead auditor for AMG during the past five years.

SELECTION & APPOINTMENT COMMITTEE

COMPOSITION: PROF. STEVE HANKE (CHAIR) AND DR. DONATELLA CECCARELLI

The Selection & 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 & Appointment Committee held three regular meetings during 2020, in addition to various informal meetings between the committee members who also had contacts with the Chairman of the Management Board and other members of the Supervisory Board, and reported its findings to the Supervisory Board. In these meetings, all committee members were present. In its succession planning for the Management Board and Supervisory Board, the Committee takes into account the profile set for new members as well as the diversity policy of the Company as explained on page 27, bearing in mind the need to have in place at all times the right set of skills and experience on the Board. During 2020, the committee continued its succession planning process to identify adequate candidates for the Supervisory Board, based on the profile which was approved in 2016.

A more pressing assignment during 2020 was found in the need to review the upcoming vacancies in the Management Board as the terms of both the CEO and COO (Dr. Heinz Schimmelbusch and Mr. Eric Jackson, respectively) will end in May 2021. As extensively explained in the 2017 Annual Report, the Supervisory Board had concluded in 2017 that it was of the utmost importance that AMG secure the leadership of Dr. Heinz Schimmelbusch for the coming years as CEO and Chairman of the Management Board, given the transformational changes affecting the Company by implementing the Company's long-term strategy.

Now, in 2021, AMG finds itself still in the midst of the COVID-19 pandemic that has shaken the world and its global economy in an unprecedented way. The Committee has held extensive discussions with its fellow Board members and the Management Board about the leadership of the Company and the entirely unforeseen and dramatic impact of the COVID-19 pandemic that started in early 2020 and is expected to continue to affect AMG's business operations and prospects well into 2021 and 2022. The Committee is extremely pleased that both Dr. Schimmelbusch and Mr. Jackson have agreed to be available for extensions of their terms on the Management Board, if and when appointed, for periods of two and four years, respectively, in order to drive the strategic agenda of the Company and prepare the Company in the best possible way for the post-pandemic economy.

Also, the Supervisory Board is faced with two vacancies in May 2021, pursuant to the Rotation Schedule. Mr. Depp (Chair of the Remuneration Committee) will have served eight years as a Board member, and Mr. van Hassel (Vice Chairman) will have served four years on the Supervisory Board. The Board is very pleased that both gentlemen have agreed to continue to serve the Supervisory Board. The Supervisory Board will nominate Mr. van Hassel and Mr. Depp for reappointment by the General Meeting of Shareholders on May 6 of this year as independent members of the Supervisory Board for terms of four years and two years, respectively.

In addition, given the retirement of Mr. Löhner in May of this year, the Supervisory Board is very pleased to nominate Mr. Warmolt Prins for appointment by the General Meeting of Shareholders as a Supervisory Board member with effect as of May 6, 2021. Mr. Prins, who has Dutch nationality, was a partner of EY Accountants and practiced as a Certified Public Accountant (CPA) until 2018 and served, amongst other things, as external auditor of AMG (on behalf of EY) from 2010 to 2015. Mr. Prins also brings highly relevant industry experience. Mr. Prins will replace Mr. Löhner as a member of the Audit & Risk Management Committee, subject to his appointment as a member of the Supervisory Board at the AGM in May of this year.

REMUNERATION COMMITTEE

COMPOSITION: MR. HERB DEPP (CHAIR) AND MS. DAGMAR BOTTENBRUCH

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 the Supervisory 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 met five times in 2020, in addition to various informal discussions among its members, the other members of the Supervisory Board, the Chairman of the Management Board and the Chief Financial Officer, and the new executive compensation consultant (Mercer) hired by the Supervisory Board. In these meetings, all committee members were present.

As a main topic of discussion and review in 2020, the renewal of the efforts to design a Remuneration Policy for the Management Board that would be acceptable to shareholders stood out. The General Meeting of Shareholders in May 2020 rejected the proposed Remuneration Policy that needed a majority of 75% of the shares present at the Meeting in order to pass, as a result of the EU Shareholder Rights Directive ("the SRD"), which became effective in the Netherlands in 2019.

In 2020, the General Meeting of Shareholders had approved and adopted the revised (proposed) Remuneration Policy for the Supervisory Board. At that meeting also for the first time, an advisory vote by the General Meeting of Shareholders about the Remuneration Report of the Company covering the remuneration paid during the previous year (i.e., 2019) was required. This advisory vote only received the support of 48.9 percent of the shares represented.

As a result, the Supervisory Board, under the leadership of the Remuneration Committee, has substantially amended the Remuneration Report, as well as the Remuneration Policy for the Management Board, which it will submit to the General Meeting of Shareholders for approval in May 2021. This is a requirement under the SRD. The Supervisory Board has unanimously approved the revised (proposed) Management Board Remuneration Policy and the 2020 Remuneration Report during its meeting on February 24, 2021.

Other topics of discussion at the Committee meetings included the regular items such as the review of the base salary and short-term incentives for members of the Management Board as well as the senior executive team at AMG's divisions; and the review of the performance-related compensation of the Management Board members. Further, the Chair of the Remuneration Committee met with the Chairman of the Management Board to learn about the views of the Management Board members regarding the amount and structure of the Management Board's own compensation in view of best practice provision 3.1.2.

2020 REMUNERATION REPORT

See the following chapter on remuneration for further detail.

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. In 2020, an extremely difficult year for the Company due to the widespread impacts of the COVID-19 pandemic, the Management Board continued to focus not only on its operational and financial performance during the year, but also on long-term value creation amid the challenges presented by the unprecedented volatile global economic and political environment. The Supervisory Board would also, and in particular, like to thank all the employees of AMG for their continued commitment to the Company's success and well-being.

ANNUAL REPORT 2020

The Annual Report and the 2020 financial statements, audited by KPMG, have been presented to the Supervisory Board. The 2020 financial statements and the Independent Auditor's Report with respect to the audit of the financial statements were discussed with the Audit & Risk Management 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 2020 financial statements.

SUPERVISORY BOARD
AMG ADVANCED METALLURGICAL GROUP N.V.

PROFESSOR STEVE HANKE, CHAIRMAN

WILLEM VAN HASSEL, VICE CHAIRMAN

HERB DEPP

DONATELLA CECCARELLI

FRANK LÖHNER

DAGMAR BOTTENBRUCH

March 11, 2021

REMUNERATION REPORT FOR THE YEAR 2020

Dear Shareholder, As Chairman of the Remuneration Committee of the Supervisory Board, I am pleased to share with you the 2020 Remuneration Report of AMG Advanced Metallurgical Group N.V. ("the Company," "AMG NV" or "AMG").

During 2020, the Committee strove to engage with shareholders and proxy advisors to gather feedback on both our 2019 Remuneration Report as well as our proposed Remuneration Policy that was not approved by shareholders at the 2020 Annual General Meeting ("AGM"). In response to this feedback, and as further detailed at the end of this report, we are proposing to make significant changes to our Remuneration Policy.

Our review of the Remuneration Policy took into account several factors including the long-term strategic opportunities, the challenges, and the competitive environment that AMG will face over the next few years, the external corporate governance environment, the views of our employees and stakeholders and commentary from shareholders and proxy advisory bodies who were consulted in late 2020 and early 2021.

Firstly, we reviewed the Annual Bonus opportunity for the Management Board, taking into account the performance of the members of the Management Board and market levels of compensation in other companies in our industry of similar scale and complexity. These companies represent our competitors, our suppliers, and our customers, and reflect the pool of talent that we must compete with for human capital. In consultation with our independent adviser Mercer Limited ("Mercer"), AMG's Supervisory Board established a revised peer group to apply in 2021 onward. Contrary to past practices in which a majority of the peers were US-based, 12 of the 17 peer companies are based in Europe, reflecting our intention to use a peer group which is at least two-thirds European.

The key changes to our Annual Bonus structure include:

- Reducing the maximum Annual Bonus opportunity from 300% of target to 200% in line with best practice. The target as a percentage of salary remains unchanged. The stretch target of 200% will continue to be paid out only upon the highest levels of attainment against all performance measures, and we will maintain a 0% payout should the threshold targets not be met.
- Introducing quantifiable, verifiable, and strategically aligned ESG targets to our Annual Bonus award at a weighting of 20% for the 2021 reporting year.
- Reducing the Personal Target weighting from 20% to 10% and the Financial Targets from 80% to 70%.

The Committee and Supervisory Board were mindful of the need for increased simplicity and transparency in the Long-Term Incentive Plan. We therefore decided to simplify the current plan and align it to best practice, taking into account investor feedback, as follows:

- Share options will no longer be awarded. All awards will be in the form of performance share units ("PSUs"), and the Long-Term Incentive Plan will be known as the Performance Share Unit Plan going forward.
- PSUs will feature a 3-year performance period and an additional 2-year holding period in line with the Dutch Corporate Governance Code.
- For 2021, payouts will be based 100% on relative Total Shareholder Return versus the global sector peers we utilize to benchmark Management Board pay. Due to the cyclical nature of some of AMG's products, the Supervisory Board believes that a relative measure versus AMG's industry peers is the best way to incentivize the Management Board to outperform its industry over time.
- There will no longer be any vesting of the PSUs for performance below the 50th percentile, in line with best market practice.

RESPONSE TO COVID-19

Financial performance in 2020 was affected greatly by the global pandemic, and as a result the Management Board responded quickly through restructuring measures to preserve cash and ensure the long-term sustained performance of AMG. The Company was impacted by work-stoppages for its customers, lower aerospace demand and ongoing low prices across its portfolio. AMG initiated an extensive restructuring program, reducing SG&A by $25.8 million, and reducing operating cost by $18 million. Despite the impact to our Company, we were able to pay an interim dividend in August and our share price has bounced back since the initial decline in March of 2020.

2020 REALIZED COMPENSATION

Neither our targets nor our threshold values for the Annual Bonus key performance indicators of Operating Cash Flow and Return on Capital Employed were met. The Management Board, however, outperformed under the adjusted internal measures the Supervisory Board approved at the beginning of the crisis in early 2020, including safety, cash generation, liquidity preservation, reduction of working capital, and managing an extensive restructuring program.

Given the overall financial results of the Company, the Supervisory Board together with the Management Board determined that it would not be appropriate for the Management Board to receive an Annual Bonus for 2020, despite the outstanding performance of the

Management Board members against their personal targets.

In addition, we anticipate that the 2018 Performance Share Units (which will vest in early 2021 but are part of the 2020 realized compensation) will not meet the threshold level of performance and therefore will lapse in full. As such the 2020 realized compensation for all Management Board members includes only base salary, vesting stock options, pension, and other benefits.

2021 AGM

At the 2021 AGM, shareholders will be asked to approve our draft Remuneration Policy in order for us to be able to apply the improvements described above. Shareholders will also be asked to endorse this Remuneration Report in an Advisory Vote. In the event that the draft policy is not approved, we will be forced to revert to the legacy policy.

On behalf of AMG and the Remuneration Committee, I would like to thank you for your continued support and feedback.

I invite you to send any comments regarding this report or the draft policy to Michele Fischer, Vice President of Investor Relations, at: mfischer@amg-nv.com.

Sincerely,

Herb Depp,
Remuneration Committee Chairman

INTRODUCTION

Although this Remuneration Report for 2020 should be read in conjunction with the 2013 Remuneration Policy for the Management Board, it reflects those disclosure changes that were mandated by the European Shareholder Rights Directive ("SRD") in 2019. Regarding the Supervisory Board, its Remuneration Policy was approved by the shareholders at the 2020 AGM, so this Report also reflects the Remuneration Policy for the Supervisory Board as adopted in 2020.

This Remuneration Report details 2020 realized pay in line with the 2013 Remuneration Policy for the Management Board and our intentions for 2021 in line with the new proposed Remuneration Policy, as well as the increased disclosure requirements inherent in the SRD.

MANAGEMENT BOARD COMPENSATION PHILOSOPHY, PRINCIPLES, AND SUMMARY OF 2013 REMUNERATION POLICY

AMG COMPENSATION PHILOSOPHY

The AMG Values (Safety, Value Creation, Respect for People, and Integrity) are the foundation of AMG's ambition to be a leader in the field of critical materials and engineering services. These values underpin the assessment of overall performance for Annual Incentive Payments across the Company.

AMG's strategy is to be at the forefront of critical material technologies which target clean energy and energy efficiency and ultimately reduce CO_2 production.

The Remuneration Policy and the performance measures included within it endeavor to align AMG's performance targets with AMG's long-term strategic objectives and AMG's Values, and in so doing, support the generation of long-term stakeholder value.

To this end, AMG focuses on pay for performance: AMG's variable compensation is tied directly to the achievement of strategic targets. The performance measures focus management on the delivery of a combination of robust key performance indicators relating to the annual performance of the Company, and on long-term share price appreciation. AMG has concluded that this combination of annual key performance indicators and long-term share price appreciation align well with shareholder value creation.

AMG believes that shareholder value creation is an important pillar to creating long-term, sustainable stakeholder value. AMG's Remuneration Policy incentivizes the Management Board to focus on the other key pillars of stakeholder value creation: Employees must be motivated to work in an environment that puts safety first, and the company must consider the best interests of the surrounding community, customers, suppliers, service providers, financial institutions, and government agencies. AMG's non-financial performance measures focus management on delivering leadership in strategic projects and in long-term sustainability by targeting a specific set of goals including CO_2 abatement, safety, environmental stewardship, diversity, human resource development, and risk management.

AMG targets a Remuneration Policy that is balanced between financial metrics, strategic objectives, and protecting stakeholder values. In addition, AMG targets a total compensation package that is sufficient to attract and retain key management team members.

COMPETITIVE ENVIRONMENT AND PEER GROUP

From the inception of AMG in 2007, the Supervisory Board has adopted a US-centric approach towards executive remuneration, but with due regard to the Dutch corporate governance environment. This US focus is due to the location of AMG's operational headquarters in the US and the fact that all of its Management Board members have been and continue to be US residents. AMG is mindful of the views of society about the level and structure of remuneration for its senior leadership and AMG continues to inform itself about those views in the major countries in which it is operating like the United States, Germany, Brazil, and the United Kingdom. Although AMG has no operational activities in the Netherlands, it continues to take into account the Dutch perspective since its head office is located and its shares are listed in Amsterdam.

The AMG group of companies competes throughout the world for business and for talent. Given its size and the diversity of its business, it must compete for superior talent with corporations of considerable scale. Therefore, AMG must provide top talent with roles that are challenging and motivating in a fast-paced environment and offer very competitive reward opportunities for superior performance.

In establishing the 2020 remuneration, the Supervisory Board considered multiple scenarios with, amongst others, the how the remuneration components would be affected given different sets of circumstances, including one in which incentive plan thresholds were not achieved.

Every year, the Remuneration Committee of the Supervisory Board reviews, confirms and uses an executive compensation peer group for benchmarking purposes. During 2020, the Supervisory Board utilized a peer group that was established with the assistance of Mercer. This peer group features 12 of 17 peers which are listed and domiciled in Europe and has been used for the basis of reviewing our Remuneration Policy and how we will implement it in 2021.

The revised peer group consists of the following companies:

1. Allegheny Technologies Inc*
2. AMAG
3. Aperam
4. Bodycote
5. Carpenter Technologies*
6. Commercial Metals*
7. Constellium*
8. Elementis
9. Eramet
10. Ferrexpo
11. Hill & Smith
12. Materion*
13. OCI N.V.
14. Outokumpu
15. Salzgitter
16. SGL Carbon
17. Vallourec

*Denotes a US Listed Peer

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.

SUMMARY: 2013 REMUNERATION POLICY

	2020 FIXED PAY AND BENEFITS		PERFORMANCE RELATED PAY		
	ANNUAL BASE SALARY	PENSION AND OTHER BENEFITS	2020 ANNUAL INCENTIVE		Long-Term Incentive Plan (LTIP)
Purpose	Reflects responsibilities, experience, and skill sets	Provides retirement and risk insurances tailored to local market practices and regulations	Rewards for performance against short-term financing and strategic objectives, and personal performance		Rewards long-term shareholder value creation
Form of Payment	Cash	Country and Individual specific and aligned with other senior managers	Cash	80% of the LTIP value: shares, following a 3-year vesting period	20% of the LTIP value: options vesting 50% in year 3 and 50% in year 4
Performance Measures	—	—	Financial Measures: • Operating Cash Flow (40%) • Return on Capital Employed (40%) Personal: • Personal Targets (20%)	• Relative TSR versus the Bloomberg Metal Fabricate Index • ROCE Hurdle	

VARIABLE AWARD OPPORTUNITIES PER 2013 REMUNERATION POLICY

EXECUTIVE	SALARY[1]	ANNUAL BONUS TARGET (% of salary)	LONG-TERM INCENTIVE GRANT (% of salary)
Heinz Schimmelbusch, CEO	$750,000 + €250,000	85%	194% (€1,700,000[2]) • 80% PSUs (€1,360,000) • 20% Options (€340,000)
Eric Jackson, COO	$723,000 + €100,000	65%	93% (€650,000[2]) • 80% PSUs (€520,000) • 20% Options (€130,000)
Jackson Dunckel, CFO	$523,000 + €100,000	65%	93% (€500,000[2]) • 80% PSUs (€400,000) • 20% Options (€100,000)

1. The AMG Management Board resides in the US, but since AMG is headquartered in Amsterdam, each member has a portion of their salary paid in the Netherlands in Euros.
2. LTIP is fixed as a Euro figure and the total will not change in the proposed 2021 policy. Percentage of salary is shown for comparability utilizing a 1.20 Euro / dollar exchange rate.

COMPENSATION GOVERNANCE SUMMARY

DECISION ON	DECISION MAKING AUTHORITY
Compensation of Supervisory Board	Supervisory Board
Compensation of Management Board	Supervisory Board
Compensation of Senior Executives	Management Board/Remuneration Committee

MANAGEMENT BOARD COMPENSATION RISK MANAGEMENT PRINCIPLES

- Rigorous performance management process
- Balanced mix of short-term and long-term variable compensation elements
- Performance evaluation on an individual basis
- Long-term incentive plan focused on share price performance with three and four-year vesting

- Annual incentive compensation and LTIP capped at 300% and 175%, respectively
- Post contractual non-compete of 24 months
- Compensation is base salary plus in some cases target annual incentive payment

- Good and bad leaver provisions apply to annual bonus and unvested share plans
- Clawback and malus principles apply to all elements of variable compensation
- Share ownership requirements
- No loans to executives permitted

2020 MANAGEMENT BOARD COMPENSATION

2020 AND 2019 REALIZED PAY FOR THE MANAGEMENT BOARD

USD 000's		BASE SALARY	ANNUAL BONUS	PSUs[1]	OPTIONS[1]	PENSION	OTHER	TOTAL	FIXED (% OF TOTAL)	VARIABLE (% OF TOTAL)
Heinz Schimmelbusch, CEO	2020	1,035	0	0	338	229	333	1,935	83%	17%
	2019	1,030	744	637	1,780	268	134	4,593	31%	69%
Eric Jackson, COO	2020	837	0	0	99	133	40	1,109	91%	9%
	2019	750	462	187	523	161	40	2,123	45%	55%
Jackson Dunckel, CFO	2020	637	0	0	99	357	26	1,119	91%	9%
	2019	635	351	993[2]	330	277	51	2,637	37%	63%

1 Assuming a share price of €24.77 as of December 31, 2020, the 2018—2020 PSUs were expected to pay out 0%. Option value detail is described on the following pages.
2 Includes final tranche of share-based signing bonus.

BASE SALARY

Neither the CEO nor the CFO received an increase to base salary in 2020. In addition, the CEO has not received a base salary increase since 2008, and the CFO has not received an increase since joining the Company in January 2016. The COO had not received an increase in salary since 2008. Recognizing the COO's increasing responsibilities with regard to implementing AMG's key expansion projects in lithium in Brazil and in vanadium in Ohio, the Supervisory Board decided to increase his salary to a level commensurate with his increased responsibilities and demonstrated track record with, amongst others, the successful start-up of the spodumene production plant in Brazil. Accordingly, the COO received an increase of 16% effective January 1, 2019; and another salary increase of 13% effective November 15, 2019. Together, these two salary increases represent a 2.2% increase per annum between 2008 and 2019. The Supervisory Board has decided that no Management Board members will receive salary increases in 2021, and is committed to clearly disclosing its intentions with regard to significant future salary increases.

PENSIONS AND RETIREMENT BENEFITS

The members of the Management Board are members of a defined contribution plan maintained in the United States. They 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 under the AMG retirement plan will be reduced by the amounts received under the normal retirement benefit under the Pension Plan of Metallurg Inc. Pursuant to Eric Jackson's and Jackson Dunckel's SERP, it is provided that if they are employed by AMG or remain in AMG's employment until the age of 65, they are entitled, whether or not they have terminated their employment, to receive AMG retirement benefits (reduced by amounts received under Metallurg's other pension plans). As Eric Jackson has reached age 65 and remains in AMG's employment, he has begun receiving AMG retirement benefits. Jackson Dunckel's benefits will be reduced if his employment with AMG ends prior to reaching age 65.

2020 ANNUAL BONUS

Target opportunity was 85% of salary for the CEO and 65% for the COO and CFO. Maximum performance was 300% of target subject to the attainment of exceptional performance.

MEASURE	TARGET	ACTUAL	ACTUAL % VS TARGET	ACHIEVEMENT VERSUS TARGET
Financial Measures—80% of total, comprising:				
Operating Cash Flow (40%)	$60.7M	$18.3M	30%	0%
Return on Capital Employed (40%)	9.2%[1]	3.6%	39%	0%
Personal Objectives[2]—20% of total, comprising:				
Drive Continuous improvement in Safety Performance		N/A		Significantly Above
Drive AMG Technology IPO		N/A		Not Met
Deepen AMG's CO_2 Enabling Strategy		N/A		Significantly Above
Advance Cambridge 2 Execution		N/A		Met
Advance German Lithium Hydroxide Project		N/A		Met
Advance Shell Joint Venture Projects		N/A		Met
Overall Assessment				**Met**
Total Annual Incentive Award				**0%**

1 This target was set below our normal level due to the very high capex program AMG is currently undergoing, which reduces ROCE during the build years before the plant starts up.

2 The Personal Objectives relate to strategic projects of the Company and apply to each Management Board member with different weighting and are fixed and measured by the Supervisory Board.

Financial performance was hit hard by the global pandemic, as such threshold performance was not met.

Dr. Schimmelbusch was instrumental in 2020 in establishing the AMG Shell Joint Venture and driving the JV toward commercialization of multiple projects in the Middle East. In addition, Dr. Schimmelbusch presented a new ESG strategy to shareholders, including detailed measurement of AMG's CO_2 reduction technology. In 2020, the Company achieved an all-time best safety result.

Mr. Jackson was engaged throughout 2020 on project execution. The key project was the doubling of AMG's vanadium capacity in Ohio, but Mr. Jackson initiated and managed many other projects including the expansion of our Aluminum capacity in China, and the establishment of a centralized project engineering group. In addition, Mr. Jackson was responsible for the cost cutting efforts across the Company.

Mr. Dunckel was responsible for all aspects of liquidity management during the pandemic. He established a detailed cash management projection protocol, worked with AMG's banking syndicate to maintain capacity under the revolving credit facility, and worked with all of AMG's relationship banks to increase cash availability. As a result, despite poor results and low cash generation by the operating units, AMG ended 2020 with similar levels of liquidity as it began the year with.

Given the overall financial results of the Company, the Supervisory Board determined that it would not be appropriate for the Management Board to receive an Annual Bonus for 2020 despite the outstanding performance of the Management Board members against their Personal targets.

2018 LONG-TERM INCENTIVES (VESTING 2020)

For the 2018 PSU award, the three-year vesting period was completed in 2020 and the average minimum ROCE over the performance period (2018-2020) was 17.5% versus the target set by the Supervisory Board of 11%. Based on the share price performance to December 31, 2020, AMG estimates that the relative TSR for the Company will not meet threshold performance and, as such, the PSU award will lapse.

50% of the 2016 Stock Options and 50% of the 2017 options vested in 2020 and, based on the closing share price on the vesting date, resulted in the following vesting value (net of exercise price) to the Management Board:

(in thousands except shares)	NUMBER OF SHARES	VALUE[1]
Heinz Schimmelbusch, CEO	21,302	$338
Eric Jackson, COO	6,265	$99
Jackson Dunckel, CFO	6,265	$99

1 Calculated based on the share price of €14.56 on the Award Date of May 4, 2020.

During 2020, the Management Board exercised zero options.

2017 LONG-TERM INCENTIVES (VESTING 2019)

For the 2017 PSU award, the three-year vesting period was completed in 2019 and the average minimum ROCE over the performance period (2017-2019) was 23.4% versus the target of 11% set by the Supervisory Board. Based on the average share price of €19.31 for the 10 days after the publication of the 2019 annual report, AMG ranked in the 40th percentile of performance versus the Bloomberg World Metal Fabricate Index. As such, Relative TSR for the Company resulted in a multiplier of 75% which, accordingly, allowed 75% of the PSUs to vest.

The Supervisory Board resolved on November 2, 2016, pursuant to the authority granted under the Remuneration Policy, that all PSU awards granted thereafter would be settled in AMG shares rather than cash, subject to vesting of the awards. As a result, in 2020 the following shares were issued to the following Management Board members as settlement of the 2017 PSU awards:

(in thousands except shares)	NUMBER OF SHARES	VALUE[1]
Heinz Schimmelbusch, CEO	42,945	$637
Eric Jackson, COO	12,631	$187
Jackson Dunckel, CFO	12,631	$187

1. Calculated based on the share price of €13.55 on the Award Date of March 19, 2020.

50% of the 2015 Stock Options and 50% of the 2016 options vested in 2019, and based on the closing share price on the vesting date resulted in the following net vesting value to the Management Board:

(in thousands except shares)	NUMBER OF SHARES	VALUE[1]
Heinz Schimmelbusch, CEO	64,768	$1,780
Eric Jackson, COO	19,049	$524
Jackson Dunckel, CFO	11,689	$330

1 Calculated based on the share prices of €25.24 and €23.46 on the Award Dates of May 4, 2019 and May 7, 2019.

During 2019, Heinz Schimmelbusch exercised 103,057 options for gross proceeds of $1.692 million. Eric Jackson exercised 30,311 options for gross proceeds of $498K.

2020 LONG-TERM INCENTIVES

In 2020, the Supervisory Board awarded Performance Share Units and Options to the Management Board pursuant to the 2013 Remuneration Policy.

The face value of the Long-Term Incentive Plan for 2020 is as follows:

(in thousands except shares)	PSUs (80%)	OPTIONS (20%)	TOTAL
Heinz Schimmelbusch, CEO	€1,360	€340	€1,700
Eric Jackson, COO	€520	€130	€650
Jackson Dunckel, CFO	€400	€100	€500

Per the 2013 Remuneration Policy, the number of PSUs awarded is calculated as the face value divided by the average share price of the 10 trading days after the publication of the annual results. These PSU awards will vest after three years, subject to:

- A minimum average ROCE over the performance period as established by the Supervisory Board.
- The relative Total Shareholder Return (TSR) compared to the Bloomberg World Metal Fabricate/Hardware Index. TSR is calculated using the average 10 days after the publication of the annual results three years after the award. TSR for both AMG and the Index includes the value of dividends paid.

In May 2020, options were granted to the Management Board members pursuant to the Remuneration Policy as part of the long-term incentive plan. The number of options awarded and the strike price were set based on the average share price for the 10 day trading period after the publication of the annual results.

The value of the options is determined based on the average share price for the 10 day trading period after the publication of the annual results on the third and fourth anniversary of the vesting date. They vest 50% in year 3 and 50% in year 4. No stock options were granted to other employees of the AMG Group during 2020. Should the 2021 Remuneration Policy be approved, the Management Board will cease to receive grants of options going forward.

OUTSTANDING OPTIONS HELD BY THE MANAGEMENT BOARD

The summary of all options outstanding, both vested and non-vested, is presented in the table below:

AMG OPTION PLAN			NON-VESTED OPTIONS UNDER THE PLAN			VESTED OPTIONS UNDER THE PLAN		
FOR THE YEAR ENDED DECEMBER 31, 2020	YEAR	DATE OF GRANT	NUMBER OF OPTIONS	PRESENT VALUE AT DATE OF GRANT (€)	VESTING SCHEME	EXERCISE PRICE (€)	NUMBER OF OPTIONS	MARKET VALUE AT 12/31/20 (€000)
Dr. Heinz Schimmelbusch	2016	5-4-16	—	340,000	50% vested after 3 years, 50% vested after 4 years	9.78	64,885	973
	2017	5-4-17	23,834	340,000	50% vested after 3 years, 50% vested after 4 years	25.50	23,834	N/A
	2018	5-2-18	17,086	340,000	50% vested after 3 years, 50% vested after 4 years	44.24	—	N/A
	2019	5-13-19	35,602	340,000	50% vested after 3 years, 50% vested after 4 years	31.43	—	N/A
	2020	3-11-20	85,859	340,000	50% vested after 3 years 50% vested after 4 years	19.31	—	N/A
Eric Jackson	2016	5-4-16	—	100,000	50% vested after 3 years, 50% vested after 4 years	9.78	19,084	286
	2017	5-4-17	7,010	100,000	50% vested after 3 years, 50% vested after 4 years	25.50	7,010	N/A
	2018	5-2-18	5,026	100,000	50% vested after 3 years, 50% vested after 4 years	44.24	—	N/A
	2019	5-13-19	12,042	115,000	50% vested after 3 years, 50% vested after 4 years	31.43	—	N/A
	2020	3-11-20	33,333	132,000	50% vested after 3 years 50% vested after 4 years	19.31	—	N/A
Jackson Dunckel	2016	5-4-16	—	100,000	50% vested after 3 years, 50% vested after 4 years	9.78	38,168	572
	2017	5-4-17	7,010	100,000	50% vested after 3 years, 50% vested after 4 years	25.50	7,010	N/A
	2018	5-2-18	5,026	100,000	50% vested after 3 years, 50% vested after 4 years	44.24	—	N/A
	2019	5-13-19	10,471	100,000	50% vested after 3 years, 50% vested after 4 years	31.43	—	N/A
	2020	3-11-20	25,253	100,000	50% vested after 3 years 50% vested after 4 years	19.31	—	N/A

SHARE OWNERSHIP GUIDELINES

Management Board Members are required to hold a minimum level of shares in relation to their base salary. The CEO's guideline is 400% of base salary whilst the COO and CFO's guidelines are 200% of base salary.

The table below outlines the number of shares held by Management Board Members on an unvested and vested basis.

	SHARES OWNED	MULTIPLE OF SALARY[1]	UNVESTED PSUs AT TARGET AWARD (100%)	PSU AWARD PRICE	NET UNDERLYING SHARES UNVESTED OPTIONS[1]	NET UNDERLYING SHARES VESTED OPTIONS[1]	TOTAL SHARES
Dr. Heinz Schimmelbusch	1,017,586	30x			18,926	39,266	
2018–2020[2]			0	€37.72			
2019–2021[2]			0	€31.43			
2020–2022			70,430	€19.31			
TOTAL SHARES	1,017,586		70,430		18,926	39,266	1,146,208
Eric Jackson	331,058	12x			7,348	11,549	
2018–2020[2]			0	€37.72			
2019–2021[2]			0	€31.43			
2020–2022			27,343	€19.31			
TOTAL SHARES	331,058		27,343		7,348	11,549	377,298
Jackson Dunckel	48,566	2x			5,566	23,098	
2018–2020[2]			0	€37.72			
2019–2021[2]			0	€31.43			
2020–2022			20,715	€19.31			
TOTAL SHARES	48,566		20,715		5,566	23,098	97,945
TOTAL SHARES OWNED BY MANAGEMENT BOARD	1,397,210		118,488		31,840	73,913	1,621,451

1. Based on December 31, 2020 share price of €24.77
2. The 2018 and 2019 awards had a 0% multiplier as of December 31, 2020

PAY RATIO AND AMG GROUP WORKFORCE COMPENSATION

Since the introduction of the pay ratio in 2017, the Supervisory Board, upon recommendation of the Remuneration Committee, has established that the most informative ratio would be one which compares the average Management Board actual compensation with that of the average total employee benefit cost per employee (global workforce). The average Management Board compensation (rather than only CEO compensation) is deemed to be the appropriate parameter, given the collective management responsibility of the Management Board members under the Dutch corporate governance system.

It should be noted that pay-ratios are specific to a company's industry, geographic footprint, and organizational structure. For example, a large part of AMG's workforce is located in emerging and developing countries, whereas AMG's Management Board members are based in the United States. Compensation packages are designed to be locally competitive. Pay ratios are also susceptible to volatility over time, as they can vary with incentive outturns, stock market movements (impacting the LTI part of the Management Board compensation), changes in incumbents, exchange rate movements and actual financial performance by the Company.

	2016	2017	2018	2019	2020
Management Board Pay Ratio	71	72	62	40	25
CEO Pay Ratio	113	120	96	61	35

The average remuneration on a full-time equivalent basis of the workforce of the AMG Group moved down from $70K per year to $64K per year in 2020 due to cost cutting and lower variable compensation.

The development of this pay ratio will be monitored and disclosed going forward, but it is important to note that the pay ratio is likely to go up versus the 2020 figure to the extent the Management Board achieves its financial targets and receives an Annual Bonus. In addition, we expect average remuneration of the workforce of AMG Group to normalize and return to pre-pandemic levels once the pandemic ends. The Remuneration Committee has taken into account these pay ratios in establishing the Management Board compensation for 2020 and 2021 and believes that these ratios are fair and adequate for this purpose.

FIVE-YEAR CHANGE IN REALIZED COMPENSATION VERSUS KEY PERFORMANCE INDICATORS

The table below shows the change in total realized remuneration for each Management Board member over the past five-year period, compared to (i) financial performance by the Company and (ii) average remuneration AMG Group workforce, during the same period.

YEAR ON YEAR % CHANGE (EXCEPT ROCE)	2016	2017	2018	2019	2020
Heinz Schimmelbusch	142%	45%	-10%	-72%	-58%
Eric Jackson	86%	41%	-9%	-63%	-48%
Jackson Dunckel	N/A	-9%	153%	-54%	-58%
Cash Flow from Operations	-26%	40%	24%	-52%	-58%
Share Price Change	67%	187%	-32%	-21%	15%
Actual ROCE	18.8%	21.2%	35.4%	13.7%	3.5%
Average Remuneration AMG Group Workforce	3%	4%	4%	-4%	-8%

TOTAL COMPENSATION EXPENSE OF THE MANAGEMENT BOARD IN 2020

Total costs to AMG with respect to the pension and retirement benefits of the Management Board are provided in the table below, which sets forth total expenses incurred in 2020 for Management Board remuneration.

All Management Board members receive benefits that are in line with industry and individual country practice. No loans, advances, or guarantees are granted to any Management Board members. Total costs to the Company with respect to other remuneration of the Management Board are provided in the table below, which sets forth total costs incurred in 2020 for Management Board remuneration.

(in thousands)

FOR THE YEAR ENDED DECEMBER 31, 2020	BASE SALARY	ANNUAL BONUS	OPTION COMPENSATION	PERFORMANCE SHARE UNITS	RETIREMENT BENEFITS & PENSIONS	OTHER REMUNER-ATION[1]	TOTAL
Heinz Schimmelbusch	$1,035	$-	$183	$419	$229	$333	$2,199
Eric Jackson	$837	$-	$58	$137	$133	$40	$1,205
Jackson Dunckel	$637	$-	$54	$123	$357	$26	$1,197

Note: These amounts represent the expense recorded by AMG for each component.

1 "Other Remuneration" includes car expenses and additional insurance paid for by the Company.

2021 MANAGEMENT BOARD COMPENSATION PROPOSAL

The AMG Supervisory Board and Remuneration Committee are proposing significant changes to the 2013 Remuneration Policy in the draft 2021 Remuneration Policy. To the extent this 2021 Remuneration Policy is approved by shareholders at the 2021 AGM, the compensation parameters listed below will apply. If the 2021 Policy is rejected, AMG will revert to the compensation parameters contained in the 2013 Policy.

FIXED REMUNERATION

No changes to the structure of fixed remuneration are proposed for 2021. There will also be no increases to base salary.

ANNUAL BONUS

Target opportunities will remain the same as per the 2013 remuneration policy, the CEO's target bonus will be 85% of base salary and the COO's and CFO's will be 65% of salary. Maximum opportunities have been reduced from 300% to 200% of target in line with best practice.

Financial Measures	Weighting
Operating Cash Flow	35%
EBITDA	35%
Non-financial Measures	
ESG Measures • Lost Time Incident Rate • Enabling CO_2 Reduction • CO_2 Credits Created	20%
Management Board Strategic Targets	10%

The Supervisory Board has made the decision to suspend ROCE as a Key Performance Indicator during the current period of significant capital expenditures. While ROCE is a good long-term measure of shareholder value, an ROCE target at this time would incentivize the Management Board to slow down investment. This would not be aligned with AMG's current project-driven expansionary strategy and would require adjustments to published results, limiting transparency for shareholders. Accordingly, going forward, the Supervisory Board may reinstate ROCE depending on the prevailing circumstances.

The non-financial measures will be graded on a 5-point scale—Not Met; Below Expectations; Met; Above Expectations; Significantly Above Expectations. This scale will pay out 0% to 200% of target based on actual performance versus the pre-set targets as well as the judgment of the Supervisory Board. The ESG measures are reported by AMG in its Sustainability Report utilizing the Global Reporting Initiative (GRI) as the basis for the reporting. In addition, AMG has engaged ERM as its Sustainability Consultant to aid in data gathering and analysis and utilized ERM to support its CO_2 enabling calculation.

Specific financial targets are set to be stretching but achievable. ESG targets are quantifiable and verifiable. The Committee is of the opinion that the targets for the annual bonus are commercially sensitive with respect to the Company and that it would be detrimental to disclose details at the start of the relevant performance year. Performance against the targets will be retrospectively disclosed in next year's Annual Report on Remuneration.

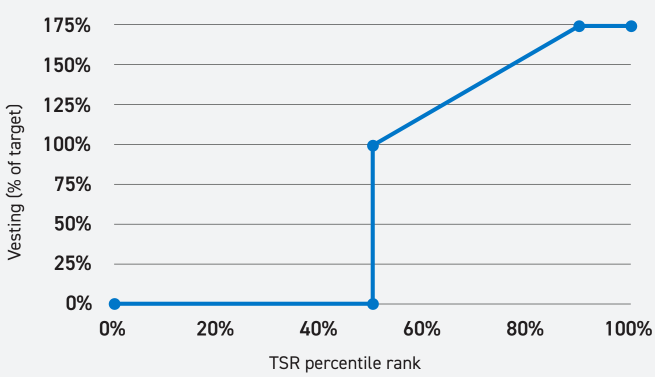
PERFORMANCE SHARE UNITS

In line with the 2021 Remuneration Policy, the Long-Term Incentive Plan will now be called the Performance Share Unit Plan. Stock Options will be discontinued going forward. PSUs will be granted based on a fixed Euro face value amount unchanged from 2020, with target percentages of base salary not exceeding 200% of base salary. Maximum opportunity will continue at 175% of target.

Performance will continue to be measured over a three year period. In addition, a two-year holding period of the post-tax shares awarded under the PSU plan will be implemented for all PSUs under the 2021 Remuneration Policy.

Performance will be measured solely based on relative TSR versus the peer group utilized to benchmark Management Board compensation. The ROCE hurdle is discontinued as the Company is in the midst of a large, multi-year investment cycle that will depress ROCE until the projects start up. The vesting schedule for awards from 2021 is shown below—the maximum opportunity is only available with outperformance at the 90th percentile, and unlike the existing policy, there will no longer be any vesting for below-median performance.

RELATIVE TSR— VESTING SCHEDULE



The 2021 target opportunities are shown below:

(in thousands)	FACE VALUE
Heinz Schimmelbusch, CEO	€1,700
Eric Jackson, COO	€650
Jackson Dunckel, CFO	€500

The share price utilized for the award value will be based on the average share price over the 5 trading days after the publication of the 2020 annual results. The vesting value will be based on the TSR performance over three years and will utilize the average share price 30 trading days prior to year-end 2020 versus the average share price over the 30 trading days prior to year-end 2023.

PEER GROUP

The peer group utilized to benchmark Management Board compensation will be unchanged from 2020, and importantly, the 2021 Remuneration Policy includes a provision for maintaining a peer group that includes two-thirds European companies.

SUPERVISORY BOARD REMUNERATION REPORT 2020

BACKGROUND AND STRATEGIC FRAMEWORK

Reference is made to the Remuneration Policy for the Management Board of the Company with respect to a description of the relevance of the Company's values, identity, and mission and of the background, strategic framework and ambitions and guiding principles that apply to the Company's remuneration philosophy, all of which equally apply in the context of explaining and reporting about the remuneration of the Company's Supervisory Board members.

As explained in the 2020 Remuneration Policy for the Supervisory Board, which was adopted during the AGM in May 2020, Supervisory Board members have a different role than Management Board members and are compensated differently. Accordingly, Supervisory Board members are not entitled to variable compensation or long-term incentives. No financial or non-financial performance indicators apply to the annual compensation of Supervisory Board members.

The Supervisory Board believes that the benchmarks it uses to attract and retain members for the Management Board should equally apply to the composition and membership of the Supervisory Board. Hence, and given the fast-paced and competitive international environment surrounding AMG's operations, competitive reward opportunities are necessary to attract highly qualified Supervisory Board members.

The Supervisory Board therefore has selected and uses an appropriate compensation peer group for benchmarking purposes that is the same as the peer group used for benchmarking the remuneration of the Management Board.

REMUNERATION COMPONENTS-SUPERVISORY BOARD

Fees paid to Supervisory Board members are not linked to the financial results of the Company. Supervisory Board members receive fixed compensation on an annual basis that is partly payable in AMG shares as explained below. Supervisory Board members do not accrue pension rights and are compensated for travel and lodging expenses incurred as a result of discharging their Supervisory Board duties. They are not entitled to any benefits upon the termination of their appointment.

The individual Supervisory Board members are paid annually:

1. a fixed retainer fee in cash (USD)
2. a fixed Share Award (EUR)

taking into account the level of responsibility of each Supervisory Board member within the Board.

In 2020, the following amounts were paid to the Supervisory Board members:

(in thousands except shares)	CASH	SHARES[1]	SHARE VALUE	TOTAL
Steve Hanke	$110	3,017	$69	$179
Willem van Hassel	$75	2,072	$46	$121
Herb Depp	$80	1,813	$40	$120
Donatella Ceccarelli	$80	1,813	$40	$120
Frank Löhner	$65	1,813	$40	$105
Dagmar Bottenbruch	$65	1,813	$40	$105

1 Share quantity calculated based on the share price on the award date.

The amounts above comprise the total remuneration received on an annual basis by Supervisory Board members for their services rendered.

The share award that is given as compensation to Supervisory Board members comprises a number of AMG shares that is equal to the award amount divided by the average share price of the 10 trading days immediately following the publication of the annual results of AMG of the previous year. Shares awarded to and received by Supervisory Board members as compensation are held for long-term investment purposes and shall be held for a period of at least three years from the date of receipt, and for at least one year after the date a Supervisory Board member has retired.

The Supervisory Board acknowledges that by awarding shares to its members as compensation, AMG deviates from best practice provision 3.3.2. of the Dutch Corporate Governance Code (2016). As explained by the Supervisory Board during and as early as the 2009 and 2013 AGMs, and again during the 2020 AGM, it considers it important to be able to recruit future members from the global marketplace given the size and complexity of the markets AMG is operating in. This merits that part of the remuneration be paid in company shares, in line with US practice (and the general US centric approach for executive compensation as chosen by the Supervisory Board and explained in the Remuneration Policy of the Management Board), where the Company has its operational headquarters. Shares granted as compensation to Supervisory Board members are held as long-term investments and restricted from trading for a period of at least three years from the date of granting. As a result, the Company departs from best practice provision 3.3.2. for reasons explained above. The Supervisory Board expects that this departure will continue to apply indefinitely as it has been in place since 2007 and has contributed to the quality of the Supervisory Board and success of AMG. Further, the Supervisory Board holds the view that this departure does not in any way negatively affect good corporate governance at the Company.

The decision by the Supervisory Board to continue its practice to partly compensate its members in AMG shares fully aligns with the long-term share-based incentives granted to the Management Board members under the Management Board Remuneration Policy as a tool to drive and reward sound business decisions and judgment to support AMG's long-term health that is necessary for achieving its strategic objectives and to align the interests of its Board members with those of AMG's shareholders.

FIVE-YEAR CHANGE IN SUPERVISORY BOARD COMPENSATION EXPENSE VERSUS KEY PERFORMANCE INDICATORS

YEAR ON YEAR % CHANGE (EXCEPT ROCE)	2016	2017	2018	2019	2020
Steve Hanke	0%	-2%	20%	33%	11%
Willem van Hassel	N/A	N/A	N/A	5%	-2%
Herb Depp	0%	1%	12%	3%	1%
Donatella Ceccarelli	0%	1%	2%	10%	3%
Frank Löhner	N/A	N/A	N/A	N/A	1%
Dagmar Bottenbruch	N/A	N/A	N/A	N/A	N/A
Cash Flow from Operations	-26%	40%	24%	-52%	-58%
Total Shareholder Return	67%	187%	-32%	-21%	15%
Actual ROCE	18.8%	21.2%	35.4%	13.7%	3.5%
Average Remuneration AMG Group Workforce	3%	4%	3%	-4%	-8%

AMG'S

SUSTAINABLE DEVELOPMENT

This section provides our thirteenth annual sustainability report, which evaluates AMG's social and environmental performance.

SITE NAME[1]	LOCATION	COUNTRY	DIVISION
AMG Headquarters	Amsterdam	Netherlands	AMG Corporate
AMG USA Headquarters	Pennsylvania	USA	AMG Corporate
ALD USA	Connecticut	USA	AMG Technologies
ALD France	Grenoble	France	AMG Technologies
ALD Vacuum Technologies	Hanau	Germany	AMG Technologies
ALD Vacuheat	Limbach	Germany	AMG Technologies
ALD TT USA	Michigan	USA	AMG Technologies
ALD Dynatech	Mumbai	India	AMG Technologies
ALD TT Mexico	Ramos Arizpe	Mexico	AMG Technologies
ALD Japan	Tokyo	Japan	AMG Technologies
ALD Thailand	Bangkok	Thailand	AMG Technologies
ALD C&K	Suzho	China	AMG Technologies
ALD Russia	Moscow	Russia	AMG Technologies
AMG Titanium Alloys	Brand Erbisdorf	Germany	AMG Technologies
AMG Titanium Alloys	Nürnberg	Germany	AMG Technologies
AMG Titanium Alloys	Pennsylvania	USA	AMG Technologies
AMG Alpoco	Anglesey	UK	AMG Critical Materials
AMG Alpoco	Minworth	UK	AMG Critical Materials
AMG Superalloys and AMG Aluminum	Rotherham	UK	AMG Critical Materials
AMG Aluminum	Jiaxing	China	AMG Critical Materials
AMG Aluminum	Kentucky	USA	AMG Critical Materials
AMG Aluminum	Washington	USA	AMG Critical Materials
AMG Antimony	Chauny	France	AMG Critical Materials
AMG Antimony	Lucette	France	AMG Critical Materials
Bogala Graphite Lanka	Colombo	Sri Lanka	AMG Critical Materials
AMG Graphite	Kropfmühl	Germany	AMG Critical Materials
AMG Graphite	Cabo Delgado Province	Mozambique	AMG Critical Materials
AMG Graphite	Qingdao	China	AMG Critical Materials
AMG Graphite Tyn	Tyn	Czech Republic	AMG Critical Materials
AMG Brazil S.A.	Nazareno	Brazil	AMG Critical Materials
AMG Silicon	Pocking	Germany	AMG Critical Materials
AMG Brazil S.A.	São João del Rei	Brazil	AMG Critical Materials
AMG Vanadium	Ohio	USA	AMG Critical Materials

1 The chart indicates which facilities were included in the scope of the sustainable development data. Only data from these facilities are included in this section, which may therefore show inconsistency with other sections of this annual report covering all facilities.

The reporting boundaries have not changed since 2019. The thirty-three locations reporting in 2020 (in which AMG has a 51% or greater stockholding) are detailed in the table on the previous page. AMG uses actual data for all facilities within the reporting boundary. In 2020, AMG began reporting the number of male and female employees in management across the organization.

AMG reporting locations include mining, manufacturing, sales, and administrative offices in fifteen countries across five continents. This report covers AMG's two operating segments: AMG Critical Materials and AMG Technologies. All locations report their performance at the end of the fourth quarter and no forecast data is used.

For the 2020 reporting year, AMG again engaged ERM as its sustainability consultant. ERM assisted AMG with refining its data collection process. AMG anticipates engaging ERM as its primary sustainability consultant again for the 2021 reporting year.

SCOPE OF THIS REPORT

AMG utilizes the Global Reporting Initiative (GRI) as the basis for this report and includes those aspects which are material to its business units, based upon the following two dimensions:

- The significance of the organization's economic, environmental, and social impacts;
- Their substantive influence on the assessments and decisions of stakeholders.[2]

In order to ensure consistency in the interpretation of definitions and the source of key performance data, AMG locations utilize a standard template which sites use to report their data. The key performance data for both segments are summarized in the table on page 49.

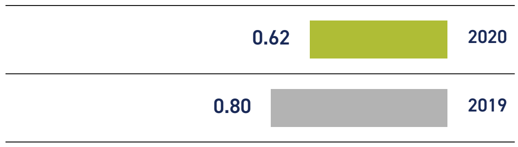
MEMBERSHIPS AND ASSOCIATIONS

UNITED NATIONS GLOBAL COMPACT

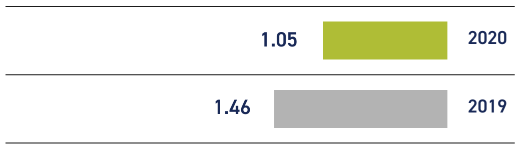
AMG commits its support to the principles of the United Nations Global Compact. The Global Compact, which is overseen by the United Nations, is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas 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 Communication on Progress in April 2021.

2 GRI, GRI Standards, GRI 101: Foundation 2016, p.18.

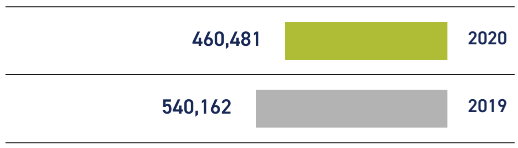
LOST TIME INCIDENT RATE



TOTAL INCIDENT RATE



AIR EMISSIONS CO_2E
(mt)



EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

AMG continues its support of the Extractive Industries Transparency Initiative ("EITI"), 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 to increase the accountability of governments. As of today, AMG has one extractive operation in one EITI-implementing country: Mozambique.

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 (sustainability.amg-nv.com).

ENVIRONMENT

AIR EMISSIONS

GRI STANDARDS 305-1 AND 305-2

AMG facilities emit and report upon both direct ("Scope 1") and indirect ("Scope 2") greenhouse gas ("GHG") emissions. Electricity used for the generation of heat for metallurgical processing is the most significant source of GHG emissions for AMG. Electricity use gives rise to Scope 2 GHG emissions of carbon dioxide equivalent ("CO_2e"), which are dependent on the nature of its generation. Scope 2 GHG emissions have been calculated using location-based emission factors.

Scope 1 GHG emissions result primarily from the combustion of carbon-containing materials 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 furnace. Other GHGs occurring from processes other than combustion are minimal for AMG business units. AMG includes mobile combustion emissions and refrigerant emissions in its Scope 1 GHG emissions results which is aligned with Carbon Disclosure Project ("CDP") guidance.

AMG Critical Materials' GHG emissions (Scope 1 and Scope 2) in 2020 were 436,639 mt of CO_2e. 45% of these emissions are attributed to direct sources (stationary combustion emissions, mobile combustion emissions, processing GHG emissions, and refrigerant emissions). Overall emissions are dominated by the silicon metal production activities which account for 309,104 mt of CO_2e. This activity also dominates AMG's overall GHG emissions, accounting for 67% of total group emissions.

AMG Technologies GHG emissions (Scope 1 and Scope 2) in 2020 were 23,842 mt of CO_2e. 29% of these emissions are associated with operations at the Nuremburg, Germany facility.

Normalized to a revenue basis, AMG Critical Materials emitted 436,639 mt CO_2e, with revenue of $576 million, equivalent to 758 mt CO_2e per million USD revenue. AMG Technologies generated 23,842 mt CO_2e and $361 million in revenue, or 66 mt CO_2e per million USD revenue. This wide range reflects the diversity of the AMG portfolio.

Total AMG GHG emissions were 460,481 mt CO_2e in 2020 with revenue of $937 million, resulting in a GHG intensity of 491 mt CO_2e per million USD revenue.

GRI STANDARDS 305-6 AND 305-7

Emissions of ozone-depleting substances are generally de minimis for AMG. However, in 2020 AMG reported air emissions from refrigerants of 76 mt CO_2e. The global warming potential (i.e., CO_2e) of certain HFC refrigerants is significant, as the actual release of material was 41 kg. AMG's production facilities have other air emissions, including SOx (407 mt), NOx (370 mt) and particulate materials (78 mt). Data is only available for regulated sources where measurements have been made.

ENERGY

GRI STANDARDS 302-1 AND 302-2

High-temperature metallurgical processes and mining operations utilized in AMG Critical Materials are energy-intensive and improving energy efficiency is an operational priority at AMG that results in both environmental and economic benefit. The two most significant energy contributors are electricity and natural gas.[3]

The reported electricity usage of AMG in 2020 was 2,611 terajoules (TJ). AMG generates renewable energy at its hydroelectric generating facility near São João del Rei, Brazil which generated 72.76 TJ, and at AMG Vanadium's solar power system which generated 0.93 TJ.

RESOURCE EFFICIENCY

GRI STANDARDS 301-1 AND 301-2

Resource use varies between AMG business units. Examples include local mining, primary raw material purchase, secondary metal and alloy production from recycled resources, and engineering services.

Furnace technology and engineering services provided by AMG Technologies results in this segment utilizing limited resources. Resources used are mainly complex component parts for furnaces which are routinely measured in units rather than by mass. Unlike the chemicals and alloys business units, this means only limited data are available on resource mass.

AMG Critical Materials uses a much more diverse range of resources including mined ores for tantalum, lithium, and graphite, power plant wastes and spent refinery catalysts to produce

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

vanadium alloys, and metal salts for aluminum alloy production. The segment uses recycled iron, steel, aluminum, and titanium in processes when possible.

WASTEWATER

GRI STANDARDS 306-1 AND 306-3

AMG facilities record the volumes of aqueous effluents to local water courses. Clean water consumption (typically freshwater used for cooling purposes) is included in the Social and Environmental Key Performance Indicators and GRI Content Index table at the end of this section.

In 2020, 2,958,052 cubic meters of water were discharged to water courses by AMG compared to 2,988,665 cubic meters in 2019. Most of AMG's water discharge results from global mining operations.

The balance of AMG's water is used for cooling purposes and therefore produces clean water discharges. Some wet chemical processes generate aqueous waste streams, including 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.

In 2020, there were no significant spills (defined as one which would affect the Company's financial statements because of the ensuing liability) at any AMG site.

SOCIAL

COVID-19

We made the important decision to maintain critical operations during this unprecedented crisis because of the vital role our company plays in sustaining global infrastructure. AMG's products are essential to the aerospace, automotive, defense, infrastructure, and energy industries. Keeping our operations running meant modifying how we work to keep our employees, contractors, and visitors safe during a pandemic. AMG drew upon worldwide guidance to develop location-specific programs which included educating personnel to recognize signs and symptoms, implementing self-quarantine protocols, establishing temperature checks at every entrance, elevating workplace hygiene and cleaning protocols, social distancing, and enacting global travel restrictions.

To protect the safety and health of our workforce, as well as meet our customer's critical needs during this crisis, a robust reporting program was launched to keep our executive management team informed and provide daily insight into infection and quarantine trends at all AMG facilities. This ensures timely and effective responses at the highest levels of the organization.

We will continue to closely monitor the situation around the world and address our customers' needs on a case-by-case basis.

HEALTH AND SAFETY

AMG is pleased to report that no fatal incidents occurred at its operations in 2020. AMG's medium-term aspirational goal is to become a zero lost time incident workplace—we cannot accept that any incident is inevitable. In 2020, internal safety performance in both lost time incidence rate and recordable incidence rate have improved year-over-year. For AMG, the total lost time incident rate[4] decreased 23% from 0.80 in 2019 to 0.62 in 2020. Of the thirty-three locations included in this report, twenty-three achieved zero lost-time incident performance in 2020. The total incident rate[5] decreased 28% from 1.46 in 2019 to 1.05 in 2020. Formal safety management systems continue to be important to achieving zero harm to employees and sixteen of AMG's sites are OHSAS 18001 or ISO 45001 certified.

DIVERSITY AND INCLUSION

GRI STANDARDS 102-8, 102-41, 403-1, 403-2, 404-1 AND 405-1

The size of AMG's workforce has been relatively stable over the last year, and at year-end 2020, AMG Critical Materials had 1,753 employees and AMG Technologies had 1,311. For the facilities covered by this report, the total AMG workforce was 3,064. Geographically, these employees were located in Africa (115), Asia (330), Europe (1,680), North America (417), and South America (522).

AMG assesses the diversity of its workforce in terms of gender and age, but not ethnicity. The multinational, and therefore multicultural, nature of AMG's business means that ethnic diversity is significant, but it is not possible to define minority employees in such an environment.

In 2020, the Management Board deployed measures to attract and maintain a diverse workforce at its units by, among other things, linking incentives for unit managers to meaningful results in diversity targets.

Women are often under-represented in the academic and professional fields of engineering and particularly in leadership roles at major companies. However, AMG is leading by example, seeking out the most talented employees regardless of gender to drive the company forward.

AMG also adopted a Diversity Policy in relation to the composition of its Management Board and Supervisory Board. AMG will continue to take its key diversity objectives, including maintaining a proper balance of nationalities and the gender allocation of seats, into account in connection with recruitment, retention of employees, and succession planning.

4 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.

5 Total incident frequency rate equals the number of incidents (including all medically treated injuries) multiplied by 200,000 divided by the total hours worked.

Of total employees, 19% are female and 81% are male; 18% are under 30 years of age, 53% are between thirty and fifty, and 29% are over fifty. Within leadership roles at AMG, which are defined as those with direct reports, 79% of leaders are male and 21% are female. The Management Board's composition is 100% male. The Supervisory Board's composition is 67% male and 33% female as of the end of 2020.

The rights and freedoms for individual employees to join, or choose not to join, unions, as described in Article 23 of the Universal Declaration of Human Rights, are fully respected by AMG. In 2020, AMG facilities once again had no strikes or lockouts.

GOVERNANCE

BUSINESS ETHICS

GRI STANDARDS 205-2, 407-1, 408-1, AND 412-2

Protection of internationally proclaimed human rights is an area in which AMG is both highly aware and fully committed. The Company strives to make sure it is not complicit in human rights abuses. Each AMG site is assessed during site visits and with 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 2020, it was found that no sites were at risk, except for 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. No sites have been identified that pose a risk at this time. AMG also aims to ensure rights are protected in our supply chain through its Supplier Code of Conduct. Our policy on human rights is included in the AMG Code of Business Conduct and detailed in the Company's human rights policy; all are available on the AMG website.

THE AMG VALUES AND THE AMG CODE OF BUSINESS CONDUCT

"We act Safely, We aim to create Value, We respect People, We act with Integrity" are AMG's Values, and they enable AMG's ambition of being a leader in the field of critical materials and engineering services. These values apply to how AMG conducts its operations and how it deals with its employees, business partners, and stakeholders. The AMG Code of Business Conduct and the Speak Up and Reporting Policy, which reference the AMG Values, are prominently displayed in the local language at each place where the AMG companies carry out their operations and where AMG staff are employed.

In 2019, AMG deployed its online general ethics training for all employees who are not involved in manual labor activities. A general ethics training program for employees who are involved in manual labor activities was rolled out in 2018 (after its first deployment in 2015). In 2018, AMG also completed its online general antitrust and competition law principles training for designated staff. The general ethics training, anti-bribery training, and general antitrust and competition law trainings are repeated in three-year cycles.

A network of compliance officers located at all major sites oversees deployment of AMG's ethics training programs and distribution of information concerning AMG's Values and Code of Business Conduct. In February 2021, AMG's Chief Compliance Officer reported to the Management Board and the Supervisory Board about applicable compliance and incident trends at AMG during 2020.

The number of complaints received under AMG's Speak Up and Reporting policy in 2020 was well below the available benchmark as published by NAVEX Global (2019 Ethics & Compliance Hotline & Incident Management Benchmark report). No incidents or complaints have been reported to AMG or any public authorities in 2020 to date which would implicate AMG or any of its staff in any bribery scheme involving public officials or agencies.

COMPLIANCE

GRI STANDARDS 307-1

No AMG facility received a material fine or equivalent penalty for non-compliance with environmental laws in 2020.

PRODUCTS

PRODUCT QUALITY AND SAFETY

GRI STANDARD G4-DMA

AMG continues to comply with its responsibilities under the REACH regulations in Europe. 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.

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.

AMG Advanced Metallurgical Group N.V.

sustainability.amg-nv.com

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SOCIAL AND ENVIRONMENTAL KEY PERFORMANCE INDICATORS AND GRI CONTENT INDEX

GRI INDICATOR	DESCRIPTION	UNITS	AMG CRITICAL MATERIALS 2019	AMG CRITICAL MATERIALS 2020	AMG TECHNOLOGIES 2019	AMG TECHNOLOGIES 2020	AMG GROUP 2019	AMG GROUP 2020
102-8	Total workforce	Total	1,851	1,753	1,394	1,311	3,245	3,064
403-2	Lost Time Accident Rates	Rate	0.86	0.49	0.73	0.89	0.80	0.62
403-2	Total Incident Rates	Rate	1.82	0.98	0.92	1.22	1.46	1.05
405-1	Women in Management	%	N/A	22	N/A	18	N/A	21
302-1	Direct Electricity Consumption	TJ	32	37	0	0	32	37
302-2	Indirect Electricity Consumption	TJ	2,421	2,416	196	158	2,617	2,574
303-1	Water consumption	'000 cubic meters	11,384	10,573	117	96	11,501	10,669
305-1	CO_2 equivalent emissions	mt	507,602	436,639	32,560	23,842	540,162	460,481
305-7	SOx emissions	mt	618	407	0	0	618	407
305-7	NOx emissions	mt	198	56	10	314	208	370
305-7	Particulates discharged to air	mt	105	75	0	3	105	78
306-1	Metals discharged	mt	1	1	29	0	30	1
306-2	Hazardous waste (including recycled)	mt	2,763	1,914	1,524	1,685	4,287	3,599
306-2	Non-hazardous waste (including recycled)	mt	31,023	25,130	9,192	4,110	40,215	29,240
306-2	Percent of waste recycled	%	46	41	95	97	58	51
306-2	Waste disposed to landfill	mt	18,117	15,832	533	171	18,650	16,003
306-3	Spills	L	0	0	0	0	0	0
307-1	Environmental Fines	'000 USD	0	47	0	0	0	47
205-1	Fines for non-compliance with laws	'000 USD	4	12	0	0	4	12

AMG'S

CORPORATE GOVERNANCE

AMG Advanced Metallurgical Group N.V. is a Dutch company located in the Netherlands which was established in 2006 as the holding company for the AMG group companies. 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 in effect since December 8, 2016 (the "2016 Code"). The Dutch Corporate Governance Code can be downloaded at www.mccg.nl. In this annual report, the Company will report on the compliance by the Company with the 2016 Code, as further elaborated in this chapter on Corporate Governance and in the corresponding chapter on the Company's website (amg-nv.com).

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 and best practice provisions set forth in the 2016 Code, as applicable during 2020, are being applied, while certain deviations are discussed and explained hereunder. A full and detailed description of AMG's Corporate Governance structure and AMG's compliance with the Dutch Corporate Governance Code can further be found on AMG's website (amg-nv.com).

AMG Advanced Metallurgical Group N.V., located in the Netherlands, is a company organized under Dutch law that has various subsidiaries in multiple jurisdictions to enable efficient business operations.

The Management Board is responsible for maintaining a culture that is conducive to achieving its strategic objectives with a focus on long-term value creation, as further explained in this chapter as well as other sections of the report of the Management Board.

2020 FINANCIAL STATEMENTS AND DIVIDENDS

The Management Board and the Supervisory Board have approved AMG's audited financial statements for 2020. KPMG audited these financial statements, which will be submitted for adoption to the General Meeting of Shareholders in May 2021.

The Management Board is authorized, subject to approval by 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 on the disposition of reserves only after a proposal by the Management Board, which must have been approved by the Supervisory Board.

AMG's dividend policy was first revised by the Management Board back in 2015 when AMG started paying dividends to its shareholders. In 2018, the Management Board, upon approval of the Supervisory Board, decided to implement a further change in dividend policy which targets an annual dividend payout of between 20-40% of net income attributable to shareholders. Given the current situation and the intrinsic volatility AMG has experienced in some of its markets, the Management Board – with the approval of the Supervisory Board – has decided to further amend this policy going forward. Given that AMG has cyclical elements in its product mix and that it desires to have a relatively consistent dividend payout, this new (revised) policy will allow for stable dividend payouts, and target gradual increases to the historic dividend levels, provided that such payouts and possible increases are supported by AMG's liquidity and cash flow generation. This amended policy is intended to reflect AMG's desire to pay a consistent year-over-year dividend. In line with Dutch corporate governance best practices, the dividend policy will be discussed during AMG's 2021 Annual General Meeting.

The Company intends to propose a full year dividend for 2020 of €0.20 to the General Meeting of Shareholders for approval as part of the adoption of the 2020 Annual Accounts. The interim dividend of €0.10 per ordinary AMG share, paid on August 13, 2020, will be deducted from this amount. The proposed final dividend per ordinary share therefore amounts to €0.10. This dividend payment is in excess of AMG's dividend payout policy but was determined appropriate by the Management and Supervisory Boards based on current liquidity and long-term prospects. Dividend payments 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, any 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, 2020, the total issued share capital of AMG amounted to €627,348 consisting of 31,367,422 ordinary shares of €0.02 each. Each ordinary share carries one vote. The ordinary shares are listed on Euronext Amsterdam and 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 Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiële Markten of AFM) substantial holdings (>3%) in ordinary shares of AMG have to be registered by investors. The Company refers to the applicable substantial holdings register at the AFM website for the most recent registrations by AMG investors. As the Company is not involved in any AFM registrations of substantial holdings by its investors, the positions registered and visible in the AFM register may not necessarily reflect the actual holdings of an investor in AMG.

SHAREHOLDING	2020	2019
Number of ordinary shares issued	31,367,422	31,367,422
Average daily turnover	359,369	452,087
Highest Closing Price	€25.00	€35.20
Lowest Closing Price	€12.74	€18.00

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 a 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 65.0 million ordinary shares and 65.0 million preference shares. Contrary to ordinary shares, preference shares may be issued against partial payment thereon, provided that at least one quarter of the nominal amount is paid-up in full upon subscription. The preference shares are not freely transferable; any transfer thereof is subject to the approval of the Supervisory Board.

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 currently consists of Mr. H. de Munnik, Chairman, and Mr. H. Borggreve and Mr. H. Reumkens 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 in the event of a threat to the continuity or strategy of AMG.

VOTING RIGHTS

There are no restrictions on voting rights of ordinary and preference shares. Shareholders who hold shares on April 8, 2021 (mandated as the 28th day prior to the day of the General Meeting of Shareholders on May 6, 2021) are entitled to attend and vote at the General Meeting of Shareholders regardless of a sale of shares after such date.

MANAGEMENT BOARD

The executive management of AMG, and its representation towards third parties, 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 reappointed for additional terms not to exceed four years.

The Management Board members are collectively responsible for creating a culture within the AMG Group that is focused on long-term value creation. Each Management Board member shall serve

CONSTRUCTION OF ROASTER AT AMG'S SECOND FERROVANADIUM PLANT—ZANESVILLE, OHIO

the best interests of the Company with a view to creating long-term value, while carrying out his responsibilities and will take into account the interests of all the Company's stakeholders.

The Management Board has drawn up a code of business conduct, monitors its effectiveness and has established a procedure for reporting actual or suspected irregularities within the Company or its group companies. The Management Board has further adopted values for the Company and the AMG Group ("AMG Values") and is responsible for maintenance of the AMG Values within the Company and its group companies by encouraging behavior that is in keeping with the AMG Values and by leading by example. In this regard, specific attention shall be given to the strategy and the business model, the environment in which the Company and the AMG Group operate, and the existing culture within the Company and the AMG Group.

See page 48 of the Sustainable Development section for a further review of the application of the AMG Values within the AMG Group and compliance with the AMG Code of Business Conduct during 2020.

The Management Board is responsible for the internal audit function of the AMG Group and the Management Board appoints and dismisses the senior internal auditor upon approval of the Supervisory Board, along with the recommendation of the Audit & Risk Management Committee.

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. In case the absolute majority is reached, however, not representing one-third of issued share capital, a second meeting will be convened in which the resolution may be adopted without a quorum applying. 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 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 general course of business of the Company and the way the Management Board implements the long-term value-creation strategy of the Company. The Supervisory Board regularly discusses the strategy, the implementation of the strategy and the principal risks associated with it. The Supervisory Board assists the Management Board by providing advice. In fulfilling their duties, the Supervisory Directors shall act in the interest of the Company and its affiliated enterprises and the Supervisory Board shall take into account the stakeholder interests that are relevant in this context. The Supervisory Board is responsible for the quality of its own performance and evaluates its own performance and that of the Management Board once per year.

Under the two-tier corporate structure pursuant to 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 employees of the Company.

The Supervisory Board discusses and approves major management decisions as well as the strategy that is developed and implemented by the Management Board. The Supervisory Board has adopted its own rules of procedure concerning its own governance, committees, conflicts of interest, etc. 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 & Appointment Committee, and the Audit & Risk Management Committee. The Supervisory Board shall be assisted by the Corporate 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.

A Supervisory Director is appointed for a maximum period of four years and may then be reappointed once for another maximum four-year period. The Supervisory Director may then subsequently be reappointed again for a period of two years, after which point the appointment may be extended by at most two years. In the event of a reappointment after an eight-year period, reasons shall be given in the (annual) report of the Supervisory Board. For any appointment or re-appointment, the profile for Supervisory Board candidates, which was drawn up by the Supervisory Board, will be observed.

The Supervisory Board prepares a rotation schedule, which is made generally available and is posted on the Company's website.

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.

In case the absolute majority is reached, however, not representing one-third of issued share capital, a second meeting of record will be convened in which the resolution may be adopted with normal majority, without a quorum applying.

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 2016 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 24-31).

Each of the current members of the Supervisory Board is obliged not to transfer or otherwise dispose of any shares awarded as part of their annual remuneration until the earlier of the third anniversary of the date of the award or the first anniversary of the date on which he or she ceases to be a member of the Supervisory Board. Shares in the Company held by the Supervisory Directors shall be held only as long-term investments.

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 following 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 6, 2020, the General Meeting of Shareholders resolved to authorize the Management Board for a period of 18 months from that date (until November 5, 2021) as the corporate body, which, subject to approval by the Supervisory Board, is authorized 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, 2019, for general corporate purposes and/or for the purpose of mergers and acquisitions, and/or for strategic alliances and/or financial support arrangements. This authorization also includes the power to restrict or exclude preemptive rights.

On May 6, 2020, the General Meeting of Shareholders resolved to authorize the Management Board for a period of 18 months from that date (until November 5, 2021) 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, 2019, 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 last been amended on June 24, 2015 following approval by the General Meeting of Shareholders in its Extraordinary General Meeting held on June 18, 2015 and are published on the Company's website (amg-nv.com).

CORPORATE SOCIAL RESPONSIBILITY

AMG's Values (safety, value creation, respect for people, and integrity) form the core foundation of AMG's ambition to be a leader in the fields of critical materials and engineering services and to achieve excellence in all that it does. They apply to how AMG and its group companies conduct their operations and how they deal with their employees, business partners and stakeholders.

In being a responsible corporate citizen, AMG endorses and supports the definition of corporate social responsibility as set by the World Business Council for Sustainable Development: "...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: 1) to provide safe working conditions for our employees and to be responsible stewards of the environment; 2) to meet or exceed regulatory standards by engaging in ethical business practices; and 3) 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.

The Sustainable Development section in this Annual Report (pages 44-49) further elaborates on the application of AMG's Code of Business Conduct and its Speak Up and Reporting Policy.

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.

Below 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 which 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 has entered into a new credit agreement dated February 1, 2018, which includes a provision that requires the Company to repay the entire outstanding amount under its Credit 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. All 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 51.

Finally, under terms of the $307 million municipal bond issued in the US tax-exempt bond market in July 2019 by AMG Vanadium LLC., the holders of the bonds have the right to tender their bonds for purchase by the Company upon a change in control of the Company at a purchase price of 101% of the principal amount of the bonds plus accrued interest.

RISK MANAGEMENT AND INTERNAL CONTROLS

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 faced by its global employee base. AMG has implemented a comprehensive risk management program centered on the Company's Risk Assessment Package (RAP), as further explained in detail on page 18 of the chapter on Risk Management and Internal Controls.

As stated above, the Management Board is responsible for the internal audit function of the Company. The Internal Auditor at AMG reports to the Audit & Risk Management Committee and to the Management Board and operates on the basis of an Internal Audit plan approved annually by the Supervisory Board and the Management Board. The Internal Audit plan is risk-based and comprises all units and subsidiaries of the AMG Group with a focus on financial control, IT risks and compliance.

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

INVESTOR RELATIONS

The Company highly values good relations with its shareholders and is compliant with applicable rules and regulations on non-selective and timely disclosure and equal treatment of shareholders. Apart from communication at the Annual General Meeting of Shareholders, the Company explains its financial results during public quarterly conference calls. Further, the Company publishes annual, semi-annual, and quarterly reports and press releases and makes information available through its public website (**amg-nv.com**).

The Company also engages in bilateral communications with investors and, in doing so, adheres to its policy on bilateral contacts, which is published on the Company's website. During these communications, the Company is, in general, represented by its Investor Relations Officer, occasionally accompanied by a member of the Management Board.

COMPLIANCE WITH THE DUTCH CORPORATE GOVERNANCE CODE 2016

As stated above, AMG is subject to the 2016 Code for the 2020 financial year. 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 during 2020 with the principles and provisions set forth in the 2016 Code, as these became effective on January 1, 2017.

As a general statement, the Company fully endorses the new Code's principles and believes that virtually all best practice provisions as included in the 2016 Code are complied with. On certain matters involving the remuneration policy of the Company, specifically b.p.p. 3.2.3 concerning severance payments and b.p.p. 3.3.2 concerning remuneration of the Supervisory Board members in the form of AMG shares, 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, 2020, up to and including March 11, 2021.

During the period starting January 1, 2020 up to and including March 11, 2021, the Company did not enter into any material transaction with a shareholder holding an interest of 10% or more in the Company's share capital.

Accordingly, the Company has complied with best practice provisions 2.7.3 and 2.7.4 of the 2016 Code.

CORPORATE GOVERNANCE STATEMENT

The Decree of December 23, 2004, adopting further rules regarding the contents of the annual report, most recently amended and extended as of January 1, 2018 ("the Decree"), requires a statement to be 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, the Remuneration Report for 2020, and the chapters on Risk Management and Internal Controls, 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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FINANCIAL REVIEW

Amounts in tables in thousands of US dollars

For the year ended December 31	2020	2019
Revenue and expenses		
AMG Critical Materials revenue	575,717	762,482
AMG Technologies revenue	361,399	426,089
Total revenue	937,116	1,188,571
Cost of sales	824,463	1,070,281
Gross profit	112,653	118,290
Selling, general and administrative expenses	117,780	143,451
Environmental expense	4,342	725
Other income, net	(234)	(164)
Operating loss	(9,235)	(25,722)

COVID-19 IMPACT

AMG's revenue and gross profit in 2020 were impacted by temporary pandemic-related interruptions to our business.

AMG Critical Materials' pandemic-related impacts continued from the second and third quarters into the fourth, but we saw increased volumes being sold to our customers in five of seven of our business units in the final quarter of the year.

AMG Technologies' pandemic-related impacts were driven by the declined and postponed volumes from our aerospace customers, but we also experienced difficulty finalizing vacuum furnace orders and servicing our customers with replacement parts due to global travel restrictions. These effects were offset partially by an improved performance from our Heat Treatment Services business, which experienced higher demand as a result of the rapidly recovering automotive sector.

REVENUE

Full year 2020 revenue decreased 21% to $937.1 million, from $1,188.6 million in 2019. AMG Critical Materials' 2020 revenue decreased by $186.8 million, or 24%, from $762.5 million in 2019, to $575.7 million. The decrease in Critical Materials' revenue is driven mainly by lower demand associated with the coronavirus pandemic during the year, especially in the second and third quarters. AMG Technologies' 2020 revenue decreased 15% to $361.4 million from $426.1 million in 2019, driven by the declined and postponed volumes from our aerospace customers associated with the coronavirus pandemic. Order backlog was $198.1 million as of December 31, 2020, a 11% decrease from $222.6 million as of December 31, 2019. The Company signed $208.6 million in new orders, representing a 0.83x book to bill ratio.

GROSS PROFIT

AMG's gross profit declined by $5.6 million to $112.7 million in the year ended December 31, 2020, a 5% decrease. As a percentage of revenue, gross margin increased from 10% to 12%.

AMG Critical Materials' gross margin was 10% for the year ending December 31, 2020, up from 3% in 2019. The increase in gross profit was primarily driven by significant inventory cost adjustments in our vanadium business in the prior year. The 2020 gross margin for AMG Technologies was 16%, down from 23% in 2019 due to lower profitability related to the challenging economic environment as outlined above.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative costs were $117.8 million in the year ended December 31, 2020, as compared to $143.5 million in the year ended December 31, 2019.

Personnel expenses decreased to $67.4 million in the year ended December 31, 2020, from $78.1 million in the year ended December 31, 2019. The most significant driver of this decrease was salary and bonus costs which decreased to $49.9 million in 2020 from $55.6 million in 2019 as a result of lower variable compensation expense. The Company incurs professional fees from global service providers for services including audit, tax planning and compliance and legal consultation. Professional fees decreased to $20.0 million in 2020 as compared to $30.3 million in 2019 driven by lower legal expenses in the period. Research and development expense decreased to $5.0 million in the year ended December 31, 2020, as compared to $5.6 million in the year ended December 31, 2019. Other SG&A expenses, such as travel and entertainment, insurance, occupancy, communication and bank fees were $25.4 million in the year ended December 31, 2020, versus $29.5 million in the year ended December 31, 2019.

NET LOSS TO EBITDA RECONCILIATION

For the year ended December 31	2020	2019
Loss for the year	(42,460)	(48,586)
Income tax expense (benefit)	11,184	(5,119)
Net finance cost *	23,524	27,626
Equity-settled share-based payment transactions **	3,792	5,514
Restructuring expense	5,700	3,265
Inventory cost adjustment	6,219	87,792
Asset impairment expense	664	4,519
Environmental provision	4,342	725
Exceptional legal expense	1,353	3,133
Strategic project expense	7,085	—
Share of loss of associates	947	—
Others	756	546
EBIT	23,106	79,415
Depreciation and amortization	43,661	41,967
EBITDA	66,767	121,382

* Excludes foreign exchange (gain) loss.
** Amount includes variable compensation expense which is expected to be settled in shares in 2021.

In 2020, the largest portion of the restructuring expense related to severance payments on one of our European operations and restructuring expenses in two of our production facilities in the US and UK. Additional net expenses included headcount reductions of 104 primarily in our UK and Brazil operations. In 2019, the largest portions of the restructuring expense related to a production facility in one of our businesses in the United States, as well as restructuring expenses and severance payments in two of our European operations which resulted in a headcount reduction of 64. Additional expenses included headcount reductions of 37 due to the reorganization of our Brazil operations.

AMG had exceptional non-cash expense during 2020 as a result of inventory cost adjustments, mainly in our Brazilian operations, and significant vanadium cost adjustments in 2019.

The 2020 asset impairments were associated with the write-off of property, plant and equipment mainly driven by one of our German subsidiaries. In 2019 asset impairment expense was primarily associated with the write-off of capitalized engineering costs for a lithium expansion project.

Exceptional legal expense in 2020 and 2019 was primarily related to litigation for breach of contract with a former customer. The environmental expense in 2020 was mainly driven by an increase to the overall scope of remediation efforts related to a closed facility in the US. The 2019 environmental expense was related to a sewer rehabilitation in Germany.

The Company is in the ramp-up phase for three significant strategic expansion projects, including AMG Vanadium's expansion project, the joint venture with Shell, and the lithium expansion in Germany, which incurred project expenses during the year but are not yet operational. AMG is adjusting EBITDA for these exceptional charges.

OPERATING LOSS

AMG's operating loss of $9.2 million for the year ended December 31, 2020, was a decrease of $16.5 million from the operating loss of $25.7 million reported for the year ended December 31, 2019. The decrease in operating loss was driven by the significant inventory cost adjustments related to vanadium in the prior year offset partially by the impact of the coronavirus pandemic during the year.

NET FINANCE COST

The table below sets forth AMG's net finance costs for the years ended December 31, 2020 and 2019. Net finance cost decreased due to lower borrowing rates in the current year and favorable foreign currency exchange rate movements.

For the year ended December 31	2020	2019
Finance income	(4,757)	(4,728)
Finance cost	25,851	32,711
Net finance cost	21,094	27,983

INCOME TAXES

The Company recorded an income tax expense of $11.2 million for the year ended December 31, 2020, compared to an income tax benefit of $5.1 million for the year ended December 31, 2019. Income taxes in the current year are driven by higher expense associated with the impact of the Brazilian real on the Company's deferred tax assets. The effective tax rate for 2020 was 36%, as compared to the 10% effective tax rate for 2019.

NET LOSS

The Company recorded a net loss attributable to shareholders of $41.7 million in the year ended December 31, 2020, as compared to net loss attributable to shareholders of $48.3 million in the year ended December 31, 2019. This variance was driven by the decline in operating loss and lower net finance costs offset partially by higher income tax expense.

EQUITY ATTRIBUTABLE TO SHAREHOLDERS

The Company's equity attributable to shareholders decreased 28% during the year from $160.5 million as of December 31, 2019 to $115.5 million as of December 31, 2020. This decrease was mainly driven by the net loss and dividend payments during the year.

WORKING CAPITAL

The Company's working capital decreased significantly during the year driven by lower raw material pricing and volumes. Inventory decreased 25% from $204.2 million as of December 31, 2019 to $152.3 million as of December 31, 2020.

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, 2020, the Company had $207.4 million in cash and cash equivalents and $169.9 million available on its revolving credit facility. Changes in liquidity were primarily due to the changes in cash from operations during the year, capital investments for the vanadium expansion and the dividend paid to shareholders.

The table below summarizes the Company's liquidity for the years ended December 31, 2020 and 2019.

For the year ended December 31	2020	2019
Senior secured debt	364,640	366,682
Cash & equivalents	207,366	226,218
Senior secured net debt	157,274	140,464
Other debt	19,876	12,144
Net debt excluding municipal bond	177,150	152,608
Municipal bond debt	319,699	319,911
Restricted cash	208,919	309,581
Net debt	287,930	162,938

The Company was subject to one maintenance debt covenant in its current revolving credit facility. Violating this covenant would limit the Company's access to liquidity. The Company was fully in compliance with this debt covenant as of December 31, 2020. See note 21 of 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, 2020 and 2019.

For the year ended December 31	2020	2019
Net cash from operating activities	19,619	46,573
Net cash used in investing activities	(37,916)	(409,879)
Net cash (used in) from financing activities	(9,174)	208,703

Cash from operating activities was $19.6 million for the year ended December 31, 2020, compared to cash from operating activities of $46.6 million in 2019. The decrease is primarily attributable to lower cash generated from working capital in 2020 relative to the prior year.

Cash used in investing activities was $37.9 million for the year ended December 31, 2020. This balance is mainly driven by capital expenditures for the construction of a vanadium plant in Ohio offset by changes in restricted cash associated with the Company's municipal bond. The Company had $137.7 million of capital expenditures mainly related to the vanadium expansion project.

Cash used in financing activities was $9.2 million for the year ended December 31, 2020, mainly associated dividends paid during the year.

OUTLOOK

We believe that AMG's results will continue to trend positively, and we expect to exceed $100 million EBITDA in 2021.

CONSOLIDATED INCOME STATEMENT

For the year ended December 31	Note	2020	2019
In thousands of US dollars			
Continuing operations			
Revenue	5	937,116	1,188,571
Cost of sales		824,463	1,070,281
Gross profit		112,653	118,290
Selling, general and administrative expenses		117,780	143,451
Environmental expense	6, 25	4,342	725
Other expenses	6	11	19
Other income	6	(245)	(183)
Net other operating expense	6	4,108	561
Operating loss		(9,235)	(25,722)
Finance income	8	(4,757)	(4,728)
Finance cost	8, 21	25,851	32,711
Net finance cost	8	21,094	27,983
Share of loss of associates	12	(947)	—
Loss before income tax		(31,276)	(53,705)
Income tax expense (benefit)	9	11,184	(5,119)
Loss for the year		(42,460)	(48,586)
Loss attributable to:			
Shareholders of the Company		(41,692)	(48,283)
Non-controlling interests		(768)	(303)
Loss for the year		(42,460)	(48,586)
Loss per share			
Basic loss per share	19	(1.47)	(1.64)
Diluted loss per share	19	(1.47)	(1.64)

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended December 31	Note	2020	2019
In thousands of US dollars			
Loss for the year		(42,460)	(48,586)
Other comprehensive income (loss)			
Items of other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	18	2,996	(1,340)
Cash flow hedges, effective portion of changes in fair value		(10,550)	6,726
Cash flow hedges reclassified to profit or loss		12,633	(1,843)
Cost of hedging reserve, changes in fair value		(1,331)	3,894
Income tax benefit (expense) on cash flow hedges	9	2,273	(1,477)
Net increase on cash flow hedges		3,025	7,300
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		6,021	5,960
Items of other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations–non-controlling interest		1,780	(388)
Actuarial losses on defined benefit plans	23	(8,004)	(28,135)
Income tax benefit on actuarial losses	9	3,192	7,612
Net loss on defined benefit plans		(4,812)	(20,523)
Change in fair value of equity investments classified as fair value through other comprehensive income	12, 18	4,161	2,363
Net other comprehensive income (loss) not being reclassified to profit or loss in subsequent periods		1,129	(18,548)
Other comprehensive income (loss) for the year, net of tax		7,150	(12,588)
Total comprehensive loss for the year, net of tax		(35,310)	(61,174)
Total comprehensive (loss) income attributable to:			
Shareholders of the Company		(36,012)	(60,246)
Non-controlling interest		702	(928)
Total comprehensive loss for the year, net of tax		(35,310)	(61,174)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	Note	2020	2019
In thousands of US dollars			
Assets			
Property, plant and equipment	10	551,926	429,993
Goodwill and other intangible assets	11	43,207	41,923
Derivative financial instruments	29	1,894	922
Other investments	12, 29	27,527	23,565
Deferred tax assets	9	58,081	60,945
Restricted cash	16, 29	208,919	309,581
Other assets	15	8,496	11,072
Total non-current assets		900,050	878,001
Inventories	13	152,306	204,152
Derivative financial instruments	29	5,961	2,693
Trade and other receivables	14	122,369	119,052
Other assets	15	44,821	33,720
Current tax assets	9	5,108	7,980
Cash and cash equivalents	17	207,366	226,218
Assets held for sale		1,005	140
Total current assets		538,936	593,955
Total assets		1,438,986	1,471,956
Equity			
Issued capital	18	831	831
Share premium		489,546	489,546
Treasury shares	18	(80,165)	(83,880)
Other reserves	18	(110,593)	(116,358)
Retained earnings (deficit)		(184,139)	(129,626)
Equity attributable to shareholders of the Company		115,480	160,513
Non-controlling interests	20	25,790	23,893
Total equity		141,270	184,406
Liabilities			
Loans and borrowings	21	673,262	669,497
Lease liabilities	31	47,092	46,490
Employee benefits	23	197,158	175,870
Provisions	25	15,322	28,984
Other liabilities	26	12,598	3,629
Derivative financial instruments	29	4,389	4,289
Deferred tax liabilities	9	5,398	4,300
Total non-current liabilities		955,219	933,059
Loans and borrowings	21	23,392	21,740
Lease liabilities	31	4,789	4,227
Short-term bank debt	22	7,561	7,500
Other liabilities	26	67,805	61,479
Trade and other payables	27	164,999	157,108
Derivative financial instruments	29	10,264	4,037
Advance payments from customers	5	29,885	57,650
Current tax liability	9	7,480	18,299
Provisions	25	26,322	22,451
Total current liabilities		342,497	354,491
Total liabilities		1,297,716	1,287,550
Total equity and liabilities		1,438,986	1,471,956

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of US dollars	Issued capital	Share premium	Treasury shares	Other reserves	Retained deficit	Total	Non-controlling interests	Total equity
	Equity attributable to shareholders of the Company							
	(note 18)		(note 18)	(note 18)			(note 20)	
Balance at January 1, 2019	812	462,891	(347)	(104,274)	(39,158)	319,924	24,119	344,043
Foreign currency translation	—	—	—	(1,340)	—	(1,340)	(388)	(1,728)
Change in fair value of equity investments classified as fair value through other comprehensive income	—	—	—	2,363	—	2,363	—	2,363
Gain on cash flow hedges, net of tax	—	—	—	7,303	—	7,303	(3)	7,300
Actuarial loss, net of tax	—	—	—	(20,289)	—	(20,289)	(234)	(20,523)
Net loss recognized through other comprehensive income	—	—	—	(11,963)	—	(11,963)	(625)	(12,588)
Loss for the year	—	—	—	—	(48,283)	(48,283)	(303)	(48,586)
Total comprehensive loss for the year	—	—	—	(11,963)	(48,283)	(60,246)	(928)	(61,174)
Issuance of common shares	19	26,655	—	—	—	26,674	—	26,674
Purchase of common shares	—	—	(92,073)	—	—	(92,073)	—	(92,073)
Re-issuance of treasury shares	—	—	3,100	—	(298)	2,802	—	2,802
Equity-settled share-based payments	—	—	5,440	—	(24,946)	(19,506)	—	(19,506)
Transfer to retained deficit	—	—	—	(121)	121	—	—	—
Change in non-controlling interests	—	—	—	—	(359)	(359)	702	343
Dividend	—	—	—	—	(16,703)	(16,703)	—	(16,703)
Balance at December 31, 2019	831	489,546	(83,880)	(116,358)	(129,626)	160,513	23,893	184,406
Balance at January 1, 2020	831	489,546	(83,880)	(116,358)	(129,626)	160,513	23,893	184,406
Foreign currency translation	—	—	—	2,996	—	2,996	1,780	4,776
Change in fair value of equity investments classified as fair value through other comprehensive income	—	—	—	4,161	—	4,161	—	4,161
Gain on cash flow hedges, net of tax	—	—	—	3,024	—	3,024	1	3,025
Actuarial loss, net of tax	—	—	—	(4,501)	—	(4,501)	(311)	(4,812)
Net gain recognized through other comprehensive income	—	—	—	5,680	—	5,680	1,470	7,150
Loss for the year	—	—	—	—	(41,692)	(41,692)	(768)	(42,460)
Total comprehensive gain (loss) for the year	—	—	—	5,680	(41,692)	(36,012)	702	(35,310)
Purchase of common shares	—	—	(684)	—	—	(684)	—	(684)
Equity-settled share-based payments	—	—	4,399	—	(2,623)	1,776	—	1,776
Transfer to retained deficit	—	—	—	85	(85)	—	—	—
Change in non-controlling interests	—	—	—	—	(600)	(600)	1,195	595
Dividend	—	—	—	—	(9,513)	(9,513)	—	(9,513)
Balance at December 31, 2020	831	489,546	(80,165)	(110,593)	(184,139)	115,480	25,790	141,270

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31	Note	2020	2019
In thousands of US dollars			
Cash from operating activities			
Loss for the year		(42,460)	(48,586)
Adjustments to reconcile net loss to net cash flows:			
Non-cash:			
Income tax expense (benefit)	9	11,184	(5,119)
Depreciation and amortization	10, 11	43,661	41,967
Asset impairment expense	10, 13	664	4,519
Net finance cost	8	21,094	27,983
Share of loss of associates and joint ventures	12	947	—
Loss (gain) on sale or disposal of property, plant and equipment	10	358	(69)
Equity-settled share-based payment transactions	24	1,429	5,514
Movement in provisions, pensions and government grants	23, 25	(121)	(8,053)
Working capital and deferred revenue adjustments			
Change in inventories		59,961	124,890
Change in trade and other receivables		405	25,199
Change in prepayments		(11,776)	7,633
Change in trade payables and other liabilities		(38,653)	(82,305)
Change in deferred revenue		5,019	(373)
Other		(4,127)	1,125
Cash generated from operating activities		47,585	94,325
Finance cost paid	8	(20,653)	(27,619)
Finance income received	8	1,243	4,467
Income tax paid, net	9	(8,556)	(24,600)
Net cash from operating activities		19,619	46,573
Cash used in investing activities			
Proceeds from sale of property, plant and equipment	10	71	421
Acquisition of property, plant and equipment and intangibles	10, 11	(123,695)	(79,442)
Acquisition of subsidiaries	30	—	(25,435)
Investments in associates and joint ventures		(1,000)	—
Change in restricted cash	16	100,662	(307,866)
Interest received on restricted cash	10	1,120	2,762
Capitalized borrowing cost	10	(15,150)	(325)
Other		76	6
Net cash used in investing activities		(37,916)	(409,879)
Cash (used in) from financing activities			
Proceeds from issuance of debt	21, 22	9,190	325,093
Payment of transaction costs related to the issuance of debt	21	—	(4,981)
Repayment of borrowings	21, 22	(4,072)	(3,911)
Proceeds from issuance of common shares	18	—	2,915
Net repurchase of common shares	18	(638)	(89,881)
Dividends paid	18	(9,513)	(16,703)
Payment of lease liabilities	31	(4,738)	(3,829)
Contributions by non-controlling interests		597	—
Net cash (used in) from financing activities		(9,174)	208,703
Net decrease in cash and cash equivalents		(27,471)	(154,603)
Cash and cash equivalents at January 1		226,218	381,900
Effect of exchange rate fluctuations on cash held		8,619	(1,079)
Cash and cash equivalents at December 31	17	207,366	226,218

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, 2020, were authorized for issuance in accordance with a resolution of the Supervisory Board on March 11, 2021.

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 of and for the year ended December 31, 2020, 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.

The parent company financial statements are prepared in accordance with part 9, Book 2, article 362.8 of the Netherlands Civil Code.

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.

		Percentage held (directly or indirectly) by the Company	
Name	Country of incorporation	**December 31, 2020**	December 31, 2019
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 Brazil S.A.	Brazil	100	100
AMG Vanadium LLC	United States	100	100
GfE Gesellschaft für Elektrometallurgie GmbH	Germany	100	100
GfE Metalle und Materialien GmbH	Germany	100	100
Graphit Kropfmühl GmbH	Germany	60	60
AMG Aluminum North America, LLC	United States	100	100
AMG Superalloys UK Limited	United Kingdom	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

Graphit Kropfmühl GmbH, GK Bergbau GmbH, RW Silicium GmbH, AMG Mining GmbH, AMG Invest GmbH, ALD Vacuum Technologies GmbH, VACUHEAT GmbH and VACUHEAT Verwaltungs GmbH exercise the exemption of Sec. 264 (3) HGB "Handelsgesetzbuch".

As of December 31, 2020, there were 3,064 employees at the Company (2019: 3,307). There were 3 employees located in the Netherlands as of December 31, 2020 (2019: 3). All other employees are located outside the Netherlands.

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, 2020, 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, 2020, as endorsed by the EU and article 2.362.9 of the Netherlands Civil Code.

(B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date. The methods used to measure fair values are discussed further in note 3.

Derivative financial instruments	Fair value
Non-derivative financial instruments at fair value through profit or loss	Fair value
Non-derivative financial instruments, including restricted cash, at fair value through other comprehensive income	Fair value
Net defined benefit (asset) liability	Fair value of plan assets less the present value of the defined benefit obligation, limited as explained in note 3

(C) MEASUREMENT OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. This includes overseeing all significant fair value measurements, including Level 3 fair values.

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Company assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's audit committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- note 12 – measurement of other investments
- note 24 – share-based payments
- note 29 – measurement of financial instruments
- note 30 – business combination

(D) 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 uses of judgments

Information related to critical judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the Company's consolidated financial statements are included in the following notes:

- notes 3 and 5 – Revenue from contracts with customers: determination of revenue recognition from furnace construction contracts
- notes 3 and 12 - other investment: whether the Company has significant influence over an equity-accounted investee
- notes 3 and 31 – Leases: determination of the lease term for some lease contracts which include renewal options

Assumptions and estimation uncertainty

Information about assumptions and estimation uncertainties that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- note 9 – Income tax: recognition of income taxes and deferred tax assets
- note 10 – Property, plant and equipment: determination of useful lives of mining-related assets

- note 11 – Goodwill and other intangible assets: measurement of the recoverable amounts of assets and cash-generating units for purposes of impairment testing
- note 12 – Other investments; the assumptions and model used to determine fair value
- note 23 – Employee benefits: measurement of plan obligations and actuarial assumptions
- note 24 – Share-based payments: the assumptions and model used to determine fair value
- note 25 – Provisions: determination of amounts recorded based on expected payments and any regulatory framework
- note 29 – Financial instruments: fair value determination based on present value of future cash flows
- note 30 – Acquisition of subsidiary: fair value of the assets acquired and liabilities assumed
- note 33 – Contingencies: recognition and measurement of contingencies and judgments about the likelihood and magnitude of potential resource outflows

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements as of December 31, 2020, present the consolidated financial position, results of operations and cash flows of the Company and its subsidiaries. The Company has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

(A) BASIS OF CONSOLIDATION

(i) Business combinations

The Company accounts for business combinations using the acquisition method once control is gained by the Company. Consideration transferred and separately identifiable net assets acquired in the acquisition are measured at fair value. Consideration transferred does not include amounts related to the settlement of pre-existing relationships, which are recognized in profit or loss. Any goodwill that arises is tested annually for impairment. In the event of a bargain purchase, any gain is recognized in profit or loss immediately. Transaction costs are expensed as incurred, unless related to the issuance of debt or equity securities.

Contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration meets the definition of a financial instrument classified as equity, then it is not remeasured, and settlement is accounted for within equity. Other contingent consideration is remeasured at fair value at each reporting date, with subsequent changes in the fair value of the contingency being recognized through profit or loss.

If share-based payment awards are required to be exchanged for awards held by the acquiree's employees, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Interests in equity-accounted investees

The Company's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognized at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation

Intergroup balances and transactions, and any unrealized income and expenses arising from intergroup transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated similarly, to the extent there is no evidence of impairment.

(B) FOREIGN CURRENCY

(i) Functional and presentation currency

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.

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.

(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. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in profit or loss.

Foreign currency differences arising from the translation of the following items are recognized in other comprehensive income:

- Equity investments classified as fair value through other comprehensive income (except on impairment, in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss);
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- Qualifying cash flow hedges to the extent that the hedges are effective.

(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.

Foreign currency differences are recognized in other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interest. When a foreign operation is disposed of, in its entirety or partially such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(C) REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Goods sold

The Company's contracts for goods sold typically contain a single performance obligation. The timing of when a customer obtains control over goods sold varies depending on the individual terms of the sales agreement. In satisfying the Company's performance obligation to its customers, transfer of control typically occurs when title and risk of loss pass to the customer. In the case of export sales, control of the goods sold may pass when the product reaches a foreign port. Invoices are generally issued according to contractual terms and are usually payable within 30-90 days. The transaction price of goods sold is typically based on contractual terms or market pricing and is not subject to variable consideration.

(ii) Furnace construction contracts

Furnace construction contract revenue results from the design, engineering and construction of advanced vacuum furnace systems in the Technologies segment. These furnaces are constructed based on specifically negotiated contracts with customers. Contract revenues includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. Invoices are generally issued according to contractual terms and are usually payable within 30-90 days.

The performance obligations in the Company's furnace construction contracts are mainly recognized over time. The Company's furnace construction contracts require the Company to develop highly specialized assets that meet the customer's specific needs. The assets do not have an alternative use to the Company, and the Company has a legal right to payment for its services rendered to date for all furnace construction arrangements. The Company recognizes contract revenue over time in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to costs incurred to date and estimated total cost. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in profit or loss.

Amounts expected to be collected from customers for contract work performed is measured at costs incurred plus profits recognized to date, less progress billings and recognized losses.

In the statement of financial position, construction contracts in progress for which costs incurred plus recognized profits exceed progress billings and recognized losses are presented as trade and other receivables. Contracts for which progress billings and recognized losses exceed costs incurred plus recognized profits are presented as deferred revenues and included with advanced payments.

(iii) Heat treatment services

The Company offers heat treatment services on a tolling basis using its internally developed furnace and process technology that is owned and operated by the AMG Technologies segment. The Company's performance obligations under these tolling contracts require the Company to apply this technology to the customer's materials at a contractually agreed upon cost per unit. The Company recognizes revenues for heat treatment services completed to date that the Company has a contractual right to invoice its customers for the related services.

(iv) Commissions

If the Company acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognized is the net amount of commission made by the Company.

(v) Warranty obligations

The Company typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are not considered to be separate performance obligations and are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets as described in our accounting policy for provisions.

(vi) Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(D) FINANCE INCOME AND COST

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 cost comprises interest expense on borrowings and interest rate caps and swaps, amendment fees on borrowings, amortization of loan issuance costs, interest expense on lease liabilities, 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 transaction costs are recognized in profit or loss using the effective interest method when the costs are related to actual borrowings on the facility or using the straight-line method when they are related to the revolving credit facility.

(E) INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Company and the reversal of temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(iii) Sales and other taxes

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.

(F) FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in section (c) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes trade receivables.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify its other investments (note 12) under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes the Company's derivative instruments that have not been designated for hedge accounting.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category. The Company does not currently have any embedded derivatives that are accounted for separately from the host.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement. In order for a pass-through arrangement to qualify for derecognition, the Company must have transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. 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 repay.

Impairment

The Company recognizes an allowance for expected credit losses ("ECL's") for all debt instruments not held at fair value through profit or loss. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL's are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL's are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECL's. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL's at each reporting date. The Company has established an allowance matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Company. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings, short-term bank debt and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings (note 21) and short-term bank debt (note 22).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments, such as forward currency contracts, interest rate caps and swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. 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. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates, commodity prices and interest rates.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Company designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts is separately accounted for as a cost of hedging and recognized in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non- financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(G) EMPLOYEE BENEFITS

(i) Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payment transactions

The grant date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market and non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(iii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(iv) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(v) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(vi) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(H) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

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.

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

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditures

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in the income statement. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- mining costs 4-26 years
- buildings and improvements 2-50 years
- machinery and equipment 2-20 years
- furniture and fixtures 3-15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The depreciation of certain mining costs is linked to 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 26-year remaining life of the mine based on updated geology studies. Other mining assets are depreciated on a straight-line basis ranging from 4-20 years, depending on useful life.

(I) GOODWILL AND OTHER INTANGIBLE ASSETS

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Research and development

Expenditure on research activities is recognized in profit or loss when incurred.

Development expenditures are capitalized if and only if the following criteria are met:

- the expenditure can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are probable; and
- the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Research and development costs that do not qualify as assets are shown within selling, general and administrative expenses in the consolidated income statement. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Mining assets

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

(iv) Other intangible assets

Other intangible assets, including customer relationships, patents and trademarks that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(v) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognized in the income statement as incurred.

(vi) Amortization

Amortization is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Goodwill is not amortized. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The estimated useful lives for current and comparative periods are based on expected futures sales for the related asset and are as follows:

- customer relationships 4-20 years
- development costs 8-15 years
- mining assets 3-12 years
- other intangibles 2-20 years

(J) 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.

(K) 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 over their estimated useful life.

(ii) 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 are 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 that will 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. These costs are amortized over the life of the component ore body identified.

(L) LEASES

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment and lease liabilities are presented as a separate line item in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(M) ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognized in the income statement.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(N) IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount.

Impairment losses are recognized in the income statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit, and then to reduce the carrying amounts of the other assets in the cash generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(O) 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 current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Environmental remediation costs and recoveries

Certain subsidiaries of the Company are faced with a number of issues relating to environmental clean-up 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 cost. 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

The collective agreements for retirement indemnities on our French subsidiary and the corresponding commitments are updated and revised at each reporting date.

(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 for completed contracts. These provisions are developed on a contract by contract basis and are based on contractor estimates and are utilized or derecognized depending on actual performance of the contracts. 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.

(P) NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following new standards became effective for annual periods beginning after January 1, 2020; however, these amended standards and interpretations did not have a significant impact on the Company's consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Interest Rate Benchmark Reform (Amendments to IFRS 7, IFRS 9, and IAS 39).
- Definition of Material (Amendments to IAS 1 and IAS 8).

(Q) STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements.

- Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37).
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
- COVID-19 - Related Rent Concession (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

4. SEGMENT REPORTING

For management purposes, the Company is organized under two operating segments: AMG Critical Materials and AMG Technologies. Each segment offers different products and services and are managed separately due to different technology and marketing requirements.

The Management Board of the Company is the Chief Operating Decision Maker and monitors the operating results of its 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 cost and finance income) and assets are managed on a group basis and are allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

AMG Critical Materials

AMG Critical Materials develops and produces specialty metals, alloys, chemicals and high performance materials. AMG Critical Materials is a significant producer of specialty metals, such as ferrovanadium, ferronickel-molybdenum, aluminum master alloys and powders, chromium metal, tantalum, antimony, lithium, natural graphite, and silicon metal for energy, aerospace, infrastructure and specialty metal and chemicals applications. AMG Critical Materials has major production facilities in the UK, the US, Germany, France, China, and Brazil.

AMG Technologies

AMG Technologies designs, engineers and produces advanced vacuum furnace systems, operates vacuum heat treatment facilities and develops titanium aluminides and titanium alloys, primarily for the aerospace and energy (including solar and nuclear) industries. Furnace systems produced by AMG Technologies include vacuum remelting, vacuum induction melting, vacuum heat treatment and high pressure gas quenching, turbine blade coating and sintering. AMG Technologies also provides vacuum case-hardening heat treatment services on a tolling basis. AMG Technologies has production facilities that are located in Germany, France, Mexico, India, China and the US.

AMG Corporate headquarters costs and assets are allocated sixty-five percent to AMG Critical Materials and thirty-five percent to AMG Technologies in 2020 and 2019 based on an estimation of services provided to the operating segments.

See note 35 for additional information on subsequent events in regards to segment reporting.

Year ended December 31, 2020	AMG Critical Materials	AMG Technologies	Eliminations[a]	Total
Revenue				
Revenue from external customers	575,717	361,399	—	937,116
Intersegment revenue	677	1,138	(1,815)	—
Total revenue	576,394	362,537	(1,815)	937,116
Segment results				
Depreciation and amortization	26,761	16,900	—	43,661
Restructuring	1,987	3,713	—	5,700
Asset impairment	664	—	—	664
Write-downs of inventory to net realizable value	5,964	2,027	—	7,991
Environmental	4,022	320	—	4,342
Operating (loss) profit	(9,726)	491	—	(9,235)
Statement of financial position				
Segment assets	969,538	441,921	—	1,411,459
Other investments	27,527	—	—	27,527
Total assets	997,065	441,921	—	1,438,986
Segment liabilities	800,098	258,816	—	1,058,914
Employee benefits	73,489	123,669	—	197,158
Provisions	20,170	21,474	—	41,644
Total liabilities	893,757	403,959	—	1,297,716
Other information				
Capital expenditures for expansion – tangible assets	108,010	12,092	—	120,102
Capital expenditures for maintenance – tangible assets	12,074	4,549	—	16,623
Capital expenditures – intangible assets	474	526	—	1,000

Year ended December 31, 2019	AMG Critical Materials	AMG Technologies	Eliminations[a]	Total
Revenue				
Revenue from external customers	762,482	426,089	—	1,188,571
Intersegment revenue	2,457	5,432	(7,889)	—
Total revenue	764,939	431,521	(7,889)	1,188,571
Segment results				
Depreciation and amortization	27,352	14,615	—	41,967
Restructuring	1,315	1,950	—	3,265
Asset impairment	5,873	(1,354)	—	4,519
Write-downs of inventory to net realizable value	83,273	5,128	—	88,401
Environmental	—	725	—	725
Operating (loss) profit	(59,318)	33,596	—	(25,722)
Statement of financial position				
Segment assets	1,049,653	398,738	—	1,448,391
Other investments	23,565	—	—	23,565
Total assets	1,073,218	398,738	—	1,471,956
Segment liabilities	774,060	286,185	—	1,060,245
Employee benefits	68,103	107,767	—	175,870
Provisions	37,266	14,169	—	51,435
Total liabilities	879,429	408,121	—	1,287,550
Other information				
Capital expenditures for expansion – tangible assets	45,567	10,858	—	56,425
Capital expenditures for maintenance – tangible assets	14,215	7,054	—	21,269
Capital expenditures – intangible assets	226	1,522	—	1,748

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

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, 2020		Year ended December 31, 2019	
	Revenues	Non-current assets	Revenues	Non-current assets
United States	273,719	219,701	388,841	113,590
Germany	161,118	187,713	184,879	173,028
China	118,192	8,296	98,589	1,202
Italy	44,100	—	46,959	—
France	37,214	19,989	61,491	19,972
United Kingdom	34,541	18,586	61,469	17,849
Japan	33,153	48	45,170	44
Brazil	33,143	129,979	41,874	138,943
Austria	24,988	—	29,945	—
South Korea	21,055	—	21,963	—
Mexico	14,162	5,610	16,729	4,553
Belgium	10,020	80	14,959	—
Russia	8,838	22	13,841	20
Canada	8,357	—	9,361	—
India	8,320	302	21,200	276
Sweden	7,738	—	10,808	—
Czech Republic	6,819	—	6,792	7
Poland	6,604	—	9,924	—
Turkey	6,567	—	8,203	—
Spain	6,189	166	10,562	124
Netherlands	5,953	—	7,815	—
Taiwan	4,750	—	4,573	—
Switzerland	3,692	—	4,989	—
Australia	3,364	—	5,452	—
Thailand	2,759	39	3,648	36
Kazakhstan	2,631	—	7,082	—
Singapore	2,058	—	1,257	—
Argentina	1,769	—	1,801	—
Mozambique	13	9,622	—	9,927
Other	45,290	3,476	48,395	3,417
Total	937,116	603,629	1,188,571	482,988

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

5. REVENUE

Revenue from sales of goods, furnace construction contracts and heat treatment services during the year ended December 31, 2020 was $937,116 (2019: $1,188,571). For revenue by segment and by geographical basis, see note 4.

The following tables show the Company's total revenues disaggregated based on the timing of revenue recognition:

Year ended December 31, 2020	AMG Critical Materials	AMG Technologies	Total
Products transferred at a point in time	575,717	170,324	746,041
Products and services transferred over time	—	191,075	191,075
Total revenue	575,717	361,399	937,116

Year ended December 31, 2019	AMG Critical Materials	AMG Technologies	Total
Products transferred at a point in time	762,482	247,319	1,009,801
Products and services transferred over time	—	178,770	178,770
Total revenue	762,482	426,089	1,188,571

The following table includes revenues recognized over time as well as the related contract assets and liabilities for furnace construction contracts:

	2020	2019
Contract revenue recognized	191,075	178,770
Contract expenses recognized	164,632	154,156
Recognized profits	26,443	24,614
Contract costs incurred and recognized profits	345,340	221,750
Progress billings and advances received	337,521	253,802
Net amount due from / (to) customers	7,819	(32,052)
Gross amount due from customers for contract work (note 14)	37,704	25,598
Gross amount due to customers for contract work (shown as advance payments in consolidated statement of financial position)	(29,885)	(57,650)
Net amount due from / (to) customers	7,819	(32,052)

The Company recognized revenues of $39,797 (2019: $74,592) that were included in the balance of contract liabilities as of December 31, 2019. The amount of revenues recognized during the year that pertained to performance obligations that were satisfied in a previous year is $663 (2019: $484).

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as of December 31, 2020 and 2019 are as follows:

	2020	2019
Within one year	124,866	171,485
More than one year*	25,957	41,913
Within two years	24,683	39,532
Within three years	1,275	2,381

* The remaining performance obligations expected to be recognized in more than one year relate to the construction of furnaces.

6. OTHER INCOME AND EXPENSE

	2020	2019
Grant income	87	69
Insurance proceeds	31	57
Other miscellaneous income	79	56
Income from sale of asset	48	1
Other income	245	183
Other expense	11	19
Environmental expenses	4,342	725
Net other operating expense	4,108	561

See note 25 for additional information on environmental expenses.

7. PERSONNEL EXPENSES

	Note	2020	2019
Wages and salaries		155,329	173,714
Contributions to defined contribution plans	23	4,253	4,169
Expenses related to defined benefit plans	23	6,596	5,970
Social security and other benefits		31,471	40,742
Performance share units	24	1,134	4,927
Stock options	24	295	587
Total		199,078	230,109
Included in the following lines of the consolidated income statement:			
Cost of sales		131,697	152,012
Selling, general and administrative expenses		67,381	78,097
Total		199,078	230,109

During the year ended December 31, 2020, the Company received $2,855 of governmental support, primarily in its German business units, to subsidize a portion of personnel costs for employees who were furloughed or placed on short-time work arrangements as a result of the pandemic. $2,751 of this governmental support was recorded as a reduction to the Company's cost of sales and $104 was recorded as a reduction to selling, general and administrative expenses.

8. FINANCE INCOME AND COST

	2020	2019
Interest income on bank deposits	1,031	4,044
Discounting on provisions	870	383
Interest income on tax refunds	40	14
Interest income on escrow deposits	5	27
Foreign exchange gain	2,430	—
Other	381	260
Finance income	4,757	4,728
Interest expense on loans, borrowings and related derivative instruments	16,194	24,127
Discount on long-term assets, provisions and retirement obligations	2,991	2,202
Amortization of loan issuance costs	1,979	1,945
Interest expense related to lease liabilities	1,726	1,368
Commitment/unutilized fees	853	962
Interest expense on accounts receivable factoring	591	745
Interest paid to suppliers	525	23
Guarantees	388	411
Other	604	571
Foreign exchange loss	—	357
Finance cost	25,851	32,711
Net finance cost	21,094	27,983

See note 10 for additional information on capitalized borrowing costs. See note 21 for additional information on loans and borrowings as well as related fees. See note 29 for additional information on financial instruments. See note 33 for additional information on bank charges for guarantees.

9. INCOME TAX

Significant components of income tax expense for the years ended:

CONSOLIDATED INCOME STATEMENT

	2020	2019
Current tax expense		
Current period	275	19,726
Adjustment for prior periods	(418)	(381)
Total current taxation charges for the year	(143)	19,345
Deferred tax expense		
Origination and reversal of temporary differences	(7,416)	(23,695)
Changes in previously unrecognized tax losses, tax credits and unrecognized temporary differences	(732)	(473)
Changes in previously recognized tax losses, tax credits and recognized temporary differences for changes in enacted tax rates and currency effects	17,306	(465)
Derecognition of previously recognized tax losses, tax credits and temporary differences	1,989	131
Adjustment for prior period	180	38
Total deferred taxation for the year	11,327	(24,464)
Total income tax expense (benefit) reported in consolidated income statement	11,184	(5,119)
Consolidated statement of other comprehensive income		
Income tax related to items recognized in OCI in the year:		
Cash flow hedges, effective portion of changes in fair value	2,273	(1,477)
Actuarial losses on defined benefit plans	3,192	7,612
Income tax benefit charged to OCI	5,465	6,135

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 21.22% (2019: 21.26%) to the Company's effective income tax rate for the years ended is as follows:

	2020	2019
Loss before income tax from continuing operations	(31,276)	(53,705)
Income tax using the Company's weighted average tax rate	(6,637)	(11,418)
Non-deductible expenses	2,284	4,268
Tax exempt income	(182)	(458)
Current year losses for which no deferred tax asset was recognized and changes in unrecognized temporary differences	2,983	3,321
Recognition of previously unrecognized tax losses, tax credits and temporary differences of a prior year	(732)	(507)
Derecognition of previously recognized tax losses, tax credits and temporary differences	1,989	131
Changes in previously recognized tax losses, tax credits and recognized temporary differences for changes in enacted tax rates	432	(92)
Changes in previously recognized tax losses, tax credits and recognized temporary differences for changes in currency effects	11,068	(582)
Over provided in prior periods	(238)	(343)
State and local taxes	1	397
Other	216	164
Income tax expense (benefit) reported in consolidated income statement	11,184	(5,119)

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 years ended December 31, 2020 and 2019, the income tax benefits related to the current year losses of certain US, Dutch, French, Belgium, German and African entities were not recognized. In total, $2,983 and $3,321 were not recognized in 2020 and 2019, respectively, as it is not probable that these amounts will be realized.

During the years ended December 31, 2020 and 2019, certain income tax benefits related to previously unrecognized tax losses and temporary differences related to certain Brazil, Mexican and French entities were recognized. In total, $732 and $507 were recognized in 2020 and 2019, respectively, through an increase to the net deferred tax asset. Of the total benefit recognized, $557 related to the Brazil 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.

Also, during the year ended December 31, 2020, the net recognized deferred tax assets (liabilities) were adjusted for changes in the enacted tax rates in France and UK. The net impact of the tax rate changes was an increase (decrease) to income tax expense of $432 (2019: ($92)). 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 (decrease) to income tax expense of $11,068 (2019: ($582)).

During the year 2020, an income tax expense of $216 (2019: $164) was recorded to other in the effective tax rate reconciliation.

There were no income tax consequences attached to the payment of dividends in either 2020 or 2019 by AMG to its shareholders.

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 carryforwards.

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 roll forward:

		2020 Activity			December 31, 2020		
	December 31, 2019 Net tax asset and liability	Deferred benefit (expense)	Other comprehensive income	Currency translation adjustment/other	Net tax asset and liability	Assets	Liabilities
Inventories	5,963	(4,216)	—	16	1,763	1,961	198
Long-term contracts	(10,313)	(5,798)	—	(1,395)	(17,506)	—	17,506
Prepaids and other current assets	3	—	—	—	3	3	—
Property, plant, and equipment	(18,263)	703	—	(1,179)	(18,739)	395	19,134
Deferred charges and non-current assets	(7,359)	(14,022)	2,337	(172)	(19,216)	5,110	24,326
Accruals and reserves	16,467	(794)	—	1,228	16,901	17,031	130
Environmental liabilities	5,088	309	—	62	5,459	5,732	273
Retirement benefits	36,587	(1,041)	3,192	2,971	41,709	41,709	—
Tax loss and tax credit carryforwards	28,472	13,532	—	305	42,309	42,309	—
Total	56,645	(11,327)	5,529	1,836	52,683	114,250	61,567
Set off of tax						(56,169)	(56,169)
Net tax assets and liabilities						58,081	5,398

During the year ended December 31, 2020, the Company recorded deferred income tax (expense) benefit of $2,337 (2019: ($1,415)) related to cash flow hedges and $3,192 (2019: $7,612) related to actuarial losses on defined benefit plans to other comprehensive income.

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 did not recognize the specific deferred tax asset recorded for the impact of assets impaired for book purposes; (2) a US entity did not recognize a portion of their state tax loss carryforwards; (3) certain Dutch holding companies and operating companies in the France, Africa 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 in the foreseeable future 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.

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

	Assets	
	2020	2019
Deferred charges and non-current assets	9,779	8,942
Environmental liabilities	—	1,805
Tax loss and tax credit carryforwards	26,146	24,094
Net tax assets – unrecognized	35,925	34,841

At December 31, 2020 net operating loss and tax credit carryforwards for which no deferred tax assets have been recognized in the balance sheet, expire as follows:

2021	6,101
2022	6,997
2023	7,086
2024	33,779
2025	10,239
2026-2029	30,847
Unlimited	7,231
Total	102,280

10. PROPERTY, PLANT AND EQUIPMENT

COST	Mining costs	Land, buildings and improvements	Machinery and equipment	Furniture and fixtures	Construction in progress	Total
Balance at January 1, 2019	43,130	213,444	433,999	29,140	27,051	746,764
Additions	110	11,688	11,241	5,338	67,100	95,477
Retirements and transfers	—	9,651	3,262	8	362	13,283
Acquired through business combinations	—	47	31	—	5,061	5,139
Capitalized borrowings	(825)	15,574	3,630	(72)	(31,481)	(13,174)
Impairments	—	(81)	1,418	17	(6,047)	(4,693)
Effect of movements in exchange rates	(255)	(2,347)	(2,330)	(385)	(117)	(5,434)
Balance at December 31, 2019	42,160	247,976	451,251	34,046	61,929	837,362
Balance at January 1, 2020	42,160	247,976	451,251	34,046	61,929	837,362
Additions	293	6,408	13,795	3,137	112,965	136,598
Capitalized borrowings	—	102	—	—	14,143	14,245
Retirements and transfers	3,581	10,499	8,286	341	(31,625)	(8,918)
Impairments	—	—	(564)	(2)	(98)	(664)
Effect of movements in exchange rates	1,123	11,528	14,919	2,585	1,473	31,628
Balance at December 31, 2020	47,157	276,513	487,687	40,107	158,787	1,010,251
DEPRECIATION						
Balance at January 1, 2019	(15,957)	(61,050)	(286,218)	(15,982)	—	(379,207)
Depreciation for the year	(1,557)	(9,504)	(25,089)	(4,242)	—	(40,392)
Retirements and transfers	(191)	(262)	9,433	1,081	—	10,061
Effect of movements in exchange rates	80	465	1,449	175	—	2,169
Balance at December 31, 2019	(17,625)	(70,351)	(300,425)	(18,968)	—	(407,369)
Balance at January 1, 2020	(17,625)	(70,351)	(300,425)	(18,968)	—	(407,369)
Depreciation for the year	(1,389)	(10,994)	(24,089)	(4,910)	—	(41,382)
Retirements and transfers	426	1,335	2,482	1,110	—	5,353
Effect of movements in exchange rates	(556)	(3,104)	(9,918)	(1,349)	—	(14,927)
Balance at December 31, 2020	(19,144)	(83,114)	(331,950)	(24,117)	—	(458,325)
Carrying amounts						
At January 1, 2019	27,173	152,394	147,781	13,158	27,051	367,557
At December 31, 2019	24,535	177,625	150,826	15,078	61,929	429,993
At January 1, 2020	24,535	177,625	150,826	15,078	61,929	429,993
At December 31, 2020	28,013	193,399	155,737	15,990	158,787	551,926

PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION

During the years ended December 31, 2020 and 2019, the Company embarked on several different expansion projects as well as certain required maintenance projects. The largest of these expansion projects currently underway is the construction of a catalyst recycling facility in Ohio. Costs incurred up to December 31, 2020, which are included in construction in progress, totaled $158,787 (2019: $61,929).

BORROWING COSTS

The Company capitalized borrowing costs of $14,245 (2019: $5,139) during 2020 which included all of the $15,150 (2019: $7,576) of interest related to the municipal bond as it is directly attributable to the construction of AMG Vanadium's catalyst recycling facility in Ohio, net of $1,120 (2019: $2,762) of cash interest received from the restricted cash generated from AMG Vanadium's municipal bond and $215 of capitalized interest for other AMG facilities (2019: $325).

PROPERTY, PLANT AND EQUIPMENT ADDITIONS

At December 31, 2020, the Company had $136,598 in additions, including $22,789 in accounts payable and lease additions of $3,287. At December 31, 2019, the Company had $95,477 in additions, including $12,173 in accounts payable and a non-cash transfer of $327 from the provision for restoration costs related to asset retirement obligation.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation expense for the year ended December 31, 2020 was $41,382 (2019: $40,392). Depreciation expense is recorded in the following line items in the consolidated income statement:

	2020	2019
Cost of sales	36,787	36,900
Selling, general and administrative expenses	4,595	3,492
Total	41,382	40,392

SALE OF PROPERTY, PLANT AND EQUIPMENT

Certain land and equipment were sold in the years ended December 31, 2020 and 2019. In those years, the Company received proceeds of $71 and $421, respectively. In 2020, the proceeds were less than the book value of the assets and a loss of $358 was recognized during the year. In 2019, the proceeds were more than the book value of the assets and the gain on disposal of assets was $69.

IMPAIRMENT TESTING

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. During the year ended December 31, 2020, the Company recorded $664 in asset impairments on property, plant and equipment mainly driven by one of our German subsidiaries. During the year ended December 31, 2019, the Company recorded $4,693 in asset impairments on property, plant and equipment, in which $6,047 related to the Spodumene expansion project and other impairment expenses of $81. Impairment expense was partially offset by a reversal of $1,435 related to a prior year impairment due to an early termination of a customer contract.

SECURITY

At December 31, 2020, properties with a carrying amount of $254,485 (2019: $143,342) are pledged as collateral to secure certain bank loans.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

COST	Goodwill	Customer relationships	Capitalized development costs	Mining assets	Other intangible assets	Total goodwill and intangible assets
Balance at January 1, 2019	33,730	10,234	6,044	6,427	27,135	83,570
Acquired through business combinations	4,202	1,026	—	—	2,053	7,281
Additions	—	—	81	—	1,667	1,748
Disposals, reversals and transfers	—	—	(1,333)	19	(100)	(1,414)
Effect of movements in exchange rates	(454)	(229)	(94)	(124)	(447)	(1,348)
Balance at December 31, 2019	37,478	11,031	4,698	6,322	30,308	89,837
Balance at January 1, 2020	37,478	11,031	4,698	6,322	30,308	89,837
Additions	—	—	—	299	962	1,261
Disposals, reversals and transfers	—	—	—	116	(194)	(78)
Effect of movements in exchange rates	1,684	830	439	626	2,280	5,859
Balance at December 31, 2020	39,162	11,861	5,137	7,363	33,356	96,879
AMORTIZATION AND IMPAIRMENT						
Balance at January 1, 2019	(9,548)	(8,832)	(4,589)	(2,443)	(23,028)	(48,440)
Amortization	—	(184)	(68)	(257)	(1,066)	(1,575)
Disposals, reversals and transfers	—	—	1,333	—	100	1,433
Effect of movements in exchange rates	—	133	65	49	421	668
Balance at December 31, 2019	(9,548)	(8,883)	(3,259)	(2,651)	(23,573)	(47,914)
Balance at January 1, 2020	(9,548)	(8,883)	(3,259)	(2,651)	(23,573)	(47,914)
Amortization	—	(371)	(150)	(281)	(1,477)	(2,279)
Effect of movements in exchange rates	—	(658)	(317)	(382)	(2,122)	(3,479)
Balance at December 31, 2020	(9,548)	(9,912)	(3,726)	(3,314)	(27,172)	(53,672)
Carrying amounts						
At January 1, 2019	24,182	1,402	1,455	3,984	4,107	35,130
At December 31, 2019	27,930	2,148	1,439	3,671	6,735	41,923
At January 1, 2020	27,930	2,148	1,439	3,671	6,735	41,923
At December 31, 2020	29,614	1,949	1,411	4,049	6,184	43,207

ADDITIONS FOR INTANGIBLE ASSETS

At December 31, 2020, the Company had $1,261 in additions, including $1,000 in capital expenditures and $261 related to a non-cash transfer in our Brazilian operations (2019: $1,748).

AMORTIZATION OF INTANGIBLE ASSETS

Amortization expense for the year ended December 31, 2020 was $2,279 (2019: $1,575). Amortization expense is recorded in the following line items in the consolidated income statement:

	2020	2019
Cost of sales	870	294
Selling, general and administrative expenses	1,409	1,281
Total	2,279	1,575

RESEARCH COSTS

Research and development expenses are included in selling, general and administrative expenses and were $4,996 and $5,606 in the years ended December 31, 2020 and 2019, respectively.

IMPAIRMENT TESTING FOR INTANGIBLE ASSETS

(i) Goodwill

For the purposes of impairment testing, goodwill has been allocated to the Company's cash-generating units as follows:

	Segment	2020	2019
AMG Antimony cash-generating unit	Critical Materials	9,702	8,872
AMG Superalloys UK cash-generating unit	Critical Materials	1,510	1,510
AMG Engineering cash-generating unit	Technologies	14,282	13,433
AMG Titanium Alloys cash-generating unit	Technologies	4,120	4,115
Goodwill at cash-generating units		29,614	27,930

Key assumptions

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

- Global metals pricing - Estimates are obtained from published indices. The estimates are evaluated and are generally used as a guideline for future pricing.
- Discount rate - 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.
- Expected future cash flows - 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.
- Growth rate - Growth rates are based on management's interpretation of published industry research in order to extrapolate cash flows beyond the business plan period. As most businesses follow economic trends, an inflationary factor of 1% was utilized.

It is possible that the key assumptions used in the business plan will differ from actual results. However, management does not believe that any possible changes 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, AMG Engineering and AMG Titanium Alloys' cash-generating units, the recoverable amounts are the value in use. The value in use was determined using the discounted cash flow method. In 2020 and 2019, the carrying amounts of the AMG Antimony, AMG Superalloys, AMG Engineering and AMG Titanium Alloys' cash-generating 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 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 5-year business plan, which covers the next five 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 5-year business plan.
- Pre-tax discount rates of 11.41% and 11.18% were applied in determining the recoverable amount of the unit for the years ended December 31, 2020 and 2019, respectively. The discount rates were derived from a group of comparable companies (peer group).

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 5-year business plan, which covers the next five 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 5-year business plan.
- Pre-tax discount rates of 9.84% and 10.23% were applied in determining the recoverable amount of the unit for the years ended December 31, 2020 and 2019, respectively. The discount rates were derived from a group of comparable companies (peer group).

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] AMG Engineering'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 5-year business plan, which covers the next five 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 5-year business plan.
- Pre-tax discount rates of 10.81% and 10.34% were applied in determining the recoverable amount of the unit for the years ended December 31, 2020 and 2019, respectively. The discount rates were derived from a group of comparable companies (peer group).

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

[4] AMG Titanium Alloys' 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 5-year business plan, which covers the next five 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 5-year business plan.
- A pre-tax discount rates of 11.91% and 11.71% was applied in determining the recoverable amount of the unit for the year ended December 31, 2020 and 2019. The discount rate was derived from a group of comparable companies (peer group).

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

(ii) Intangibles with finite lives

The determination of whether 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 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 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.

12. OTHER INVESTMENTS

As of December 31, 2020, the Company held an 11.3% (2019: 11.3%) ownership interest in a former customer, Global Advanced Metals Pty LTD. The investment is being designated as a financial instrument measured at fair value through other comprehensive income because the Company has not gained significant influence.

The investment had a value of $11,292 at December 31, 2020 (2019: $7,854). The fair value of this investment is estimated by management with reference to the relevant available information. The Company relied on the current financial results of the investment including the current financial statements and current year revenue estimates to determine a fair value for the investment. The Company did not have the relevant data to complete a discounted cash flow model. There was a lack of marketability discount applied of 17.5%. Changes in the valuation methodologies or assumptions could lead to different measurements of fair value. The Company recorded investment gains of $3,438 and $852 related to the investment during the years ended December 31, 2020 and 2019, respectively, which is included in other comprehensive income.

Also included in other investments are assets of $16,182 (2019: $15,711) which are designated to fund the non-qualified pension liability. These assets consist of debt securities, equity securities, and insurance contracts which are held at fair value. These assets have been designated as Level 1 and partially Level 3 financial instruments on the fair value hierarchy. The Level 3 investments consist of insurance contracts valued at $5,438 (2019: $4,424). These insurance contracts have been valued using unobservable inputs based on the best available information in the circumstances. The investments are held in a Rabbi Trust and are restricted for use in pension funding. The Company recorded an investment gain of $723 (2019: $1,511) related to the investment during the year ended December 31, 2020, which is included in other comprehensive income. See notes 23 and 29 for additional information.

$53 of the balance of other investments relates to the Company's equity interest in its joint venture, Shell & AMG Recycling B.V. The Company maintains a 50% interest and joint control of the entity. The Company made an initial capital contribution of $1,000 in 2020 in connection with the formation of the joint venture which was offset by ($947) for the Company's share of the joint ventures loss from operations for the year ended December 31, 2020. The joint venture was incorporated in the Netherlands and will provide a long-term sustainable solution for catalyst reclamation and recycling. The Company's interest is measured using the equity method as prescribed by IFRS 11 and IAS 28.

13. INVENTORIES

	2020	2019
Raw materials	40,926	57,037
Work in process	27,229	45,272
Finished goods	74,884	90,034
Other	9,267	11,809
Total	152,306	204,152

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

In 2020, raw materials, changes in finished goods and work in process contributed to cost of sales by $499,966 (2019: $684,624). In the year ended December 31, 2020, the net adjustment to net realizable value amounted to a write-down of $7,991 (2019: $88,401) and was included in cost of sales. The net realizable value write-downs were primarily related to inventory costing adjustments due to variability in metals pricing. For the year ended December 31, 2019, AMG offset overrun costs of $9,300 with a liquidated damages settlement received due to production inefficiencies and plant delays as a reduction of cost of sales and also incurred a ($174) reversal of asset impairment expense on inventory.

Inventory in the amount of $57,510 (2019: $103,245) is pledged as collateral to secure the bank loans of certain subsidiaries (see note 21).

14. TRADE AND OTHER RECEIVABLES

	2020	2019
Trade receivables, net of allowance for doubtful accounts	84,619	93,454
Due from investment in affiliate	46	—
Gross amount due from customers for contract work	307,635	194,403
Less: progress payments received	(269,931)	(168,805)
Net receivable from contract work (note 5)	37,704	25,598
Total	122,369	119,052

At December 31, 2020 and 2019, 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 furnace construction contracts 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, 2020, receivables in the amount of $37,786 (2019: $43,673) are pledged as collateral to secure the term loan credit facility of the Company (see note 21).

As of 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
2020	122,369	111,675	6,803	1,186	253	342	2,110
2019	119,052	107,768	6,957	1,824	1,264	322	917

At December 31, 2020, trade receivables are shown net of expected credit losses of $1,637 (2019: $2,025) arising from customer unwillingness or inability to pay. Bad debt charges in the amount of $759 and $92 were recorded in the years ended December 31, 2020 and December 31, 2019, respectively. These charges are recorded in selling, general and administrative expenses in the consolidated income statement. Refer to note 3(f) for additional details on the Company's policy for the calculation of expected credit losses.

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

	2020	2019
At January 1	2,025	3,031
Charge for the year	759	92
Amounts written-off	(638)	(199)
Amounts recovered/collected	(532)	(839)
Foreign currency adjustments	23	(60)
At December 31	1,637	2,025

FACTORING OF RECEIVABLES

As of December 31, 2020 and 2019, the Company had total receivables factored and outstanding of $40,628 and $30,974, respectively. The Company maintains accounts receivable facilities with banks and credit insurance companies in Germany, France and the US. The Company sold receivables in the amount of $192,452 throughout the year which includes security deposits of $1,072 and cash proceeds of $181,491. During 2020, the Company incurred costs of $764 in conjunction with the sale of these receivables of which $591 were included in finance cost, $120 were recorded to selling, general and administrative expenses, and $53 were recorded to sales on the consolidated income statement. This activity is included in cash from operating activities during the year ended December 31, 2020.

In 2019, the Company sold receivables in the amount of $183,559 which includes security deposits of $1,352 and cash proceeds of $175,183. During 2019, the Company incurred costs of $954 in conjunction with the sale of these receivables of which $745 were included in finance cost, $144 were recorded to selling, general and administrative expenses, and $65 were recorded to sales on the consolidated income statement. This activity is included in cash from operating activities during the year ended December 31, 2019.

15. OTHER ASSETS

Other assets are comprised of the following:

	2020	2019
Prepaid inventory	21,124	14,156
Prepaid taxes (indirect)	13,501	15,335
Insurance	5,545	4,176
Environmental trusts	3,599	2,729
Pension prepayment	1,196	1,542
Deposits	1,144	2,112
Prepaid short-time work	1,136	—
Maintenance and subscriptions	805	894
Deferred issuance cost	564	1,085
Other miscellaneous assets	4,703	2,763
Total	53,317	44,792
Thereof:		
Current	44,821	33,720
Non-current	8,496	11,072

Prepaid inventory includes prepayments on inventories as well as advanced payments to suppliers for specific furnace construction contracts.

In the year ended December 31, 2020, $1,072 (2019: $1,352) was included in deposits related to factoring agreements as discussed in note 14.

The Company's US subsidiaries have established trust funds for future environmental remediation payments. The recognized values of the trust funds at December 31, 2020 were $3,599 (2019: $2,729). See note 25 for additional details.

16. RESTRICTED CASH

Restricted cash at December 31, 2020, was $208,919 (2019: $309,581). The restricted cash primarily relates to proceeds from the Company's municipal bond offering issued by AMG Vanadium LLC, which are restricted for use in the construction of a new catalyst recycling facility in Ohio. Refer to note 21 for details regarding these proceeds. Additionally, certain balances are also held by financial institutions to provide security to those institutions for the issuance of 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 AMG Technologies segment and to provide financial assurance to banks, vendors and regulatory agencies to whom the Company is obligated.

17. CASH AND CASH EQUIVALENTS

The Company had bank balances at December 31, 2020, of $207,366 (2019: $226,218). Bank balances earn interest at floating rates based on daily bank deposit rates.

At December 31, 2020, the Company had $169,851 available liquidity (2019: $169,921) on undrawn committed borrowing facilities.

18. CAPITAL AND RESERVES

SHARE CAPITAL

At December 31, 2020, the Company's authorized share capital was comprised of 65,000,000 ordinary shares (2019: 65,000,000) with a nominal share value of €0.02 (2019: €0.02) and 65,000,000 preference shares (2019: 65,000,000) with a nominal share value of €0.02 (2019: €0.02).

At December 31, 2020, the issued and outstanding share capital was comprised of 28,457,498 ordinary shares (2019: 28,373,857), with a nominal value of €0.02 (2019: €0.02) which were fully paid. No preference shares were outstanding at December 31, 2020 (2019: nil). The nominal value of the outstanding shares as of December 31, 2020, was $698 (2019: $636) as compared to the value using historical exchange rates which was $831 (2019: $831).

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 evaluate liquidity needs for alternative uses including funding growth opportunities and funding dividend payments to shareholders. 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 roll forward of the total shares outstanding is noted below:

Balance at January 1, 2019	30,573,597
Shares issued for share-based compensation	786,045
Shares repurchased	(3,234,615)
Re-issuance of treasury shares	91,372
Treasury shares delivered for share-based compensation	147,530
Treasury shares delivered to Supervisory Board	9,928
Balance at December 31, 2019	28,373,857
Shares repurchased	(46,132)
Treasury shares delivered for share-based compensation	117,432
Treasury shares delivered to Supervisory Board	12,341
Balance at December 31, 2020	28,457,498

SHARES ISSUED OR DELIVERED FOR SHARE-BASED COMPENSATION

During the year ended December 31, 2020, 117,432 (2019: 933,577) shares were issued or delivered related to share-based compensation to management. Refer to note 24 for details regarding these plans.

TREASURY SHARES

On April 8, 2019, the Company announced a share repurchase program for the purposes of returning cash to shareholders and funding future share-based employee compensation programs. The Company completed this repurchase plan on August 9, 2019. The Company repurchased a total of 2,915,630 shares for a total consideration of $81,057. The activity related to this share repurchase program is included in the following table. The shares are held in treasury for the delivery upon exercise of options and performance share programs and are accounted for as a reduction of shareholders' equity. Treasury shares are recorded at cost, representing the market price on the acquisition date. When issued, shares are removed from treasury shares on a first-in, first-out (FIFO) basis. When treasury shares are re-issued under the Company's option plans, the difference between the cost and the cash received is recorded in retained earnings. When treasury shares are re-issued under the Company's share plans, the difference between the market price of the shares issued and the cost is recorded in retained earnings.

A roll forward of the treasury share balance is noted below:

Balance at January 1, 2019	7,780
Shares repurchased	3,234,615
Re-issuance of treasury shares	(91,372)
Treasury shares delivered for share-based compensation	(147,530)
Treasury shares delivered to Supervisory Board	(9,928)
Balance at December 31, 2019	2,993,565
Shares repurchased	46,132
Treasury shares delivered for share-based compensation	(117,432)
Treasury shares delivered to Supervisory Board	(12,341)
Balance at December 31, 2020	2,909,924

SUPERVISORY BOARD REMUNERATION

During the years ended December 31, 2020 and 2019, 12,341 and 9,928 shares were delivered, respectively, as compensation to its Supervisory Board members for services provided in 2020 and 2019. These shares were awarded as part of the remuneration policy approved by the Annual General Meeting.

OTHER RESERVES

	Foreign currency translation reserve	Hedging reserve	Cost of hedging reserve	Capitalized development expenditures reserve	Defined benefit obligation reserve	Fair value reserve	Total
Balance at January 1, 2019	(28,058)	(8,235)	(1,310)	1,560	(61,106)	(7,125)	(104,274)
Currency translation differences	(1,712)	—	—	—	372	—	(1,340)
Gain on FVOCI investments	—	—	—	—	—	2,363	2,363
Movement on cash flow hedges	—	4,887	3,894	—	—	—	8,781
Tax effect on net movement on cash flow hedges	—	(926)	(552)	—	—	—	(1,478)
Actuarial losses on defined benefit plans	—	—	—	—	(27,901)	—	(27,901)
Tax effect on net movement on defined benefit plans	—	—	—	—	7,612	—	7,612
Transfer to retained deficit	—	—	—	(121)	—	—	(121)
Balance at December 31, 2019	(29,770)	(4,274)	2,032	1,439	(81,023)	(4,762)	(116,358)
Currency translation differences	8,126	—	—	—	(5,130)	—	2,996
Gain on FVOCI investments	—	—	—	—	—	4,161	4,161
Movement on cash flow hedges	—	2,082	(1,331)	—	—	—	751
Tax effect on net movement on cash flow hedges	—	2,439	(166)	—	—	—	2,273
Actuarial losses on defined benefit plans	—	—	—	—	(7,693)	—	(7,693)
Tax effect on net movement on defined benefit plans	—	—	—	—	3,192	—	3,192
Transfer to retained deficit	—	—	—	85	—	—	85
Balance at December 31, 2020	(21,644)	247	535	1,524	(90,654)	(601)	(110,593)

RESTRICTIONS ON DISTRIBUTIONS

Certain restrictions apply on equity of the Company due to Dutch legal requirements. Please see note 12 in the parent company financial statements for additional details.

DIVIDENDS

AMG's dividend policy was first revised by the Management Board back in 2015 when AMG started paying dividends to its shareholders. In 2018, the Management Board, upon approval of the Supervisory Board, decided to implement a further change in dividend policy which targets an annual dividend payout of between 20-40% of net income attributable to shareholders. In 2020 the policy was further refined, adding that, absent a temporary moratorium on any dividend payments due to extraordinary circumstances, annual dividend payments are targeted not to deviate more than 20% from the previous (annual) dividend declared. This amended policy is intended to reflect AMG's desire to pay a consistent year-over-year dividend. In line with Dutch corporate governance best practices, the dividend policy will be discussed during AMG's 2021 Annual General Meeting.

The Company intends to propose a full year dividend for 2020 of €0.20 to the General Meeting of Shareholders for approval as part of the adoption of the 2020 Annual Accounts. The interim dividend of €0.10 per ordinary AMG share, paid on August 13, 2020, will be deducted from this amount. The proposed final dividend per ordinary share therefore amounts to €0.10. This dividend payment is in excess of AMG's dividend payout policy but was determined appropriate by the Management and Supervisory Boards based on current liquidity and long-term prospects. Dividend payments 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, any 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.

Dividends of $9,513, or €0.30 per share, were paid during the year ended December 31, 2020. Dividends of $16,703, or €0.50 per share, were paid during the year ended December 31, 2019.

19. 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, 2020 and 2019, the calculation of basic earnings per share is performed using the weighted average shares outstanding for 2020 and 2019, 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, 2020 and 2019 are AMG's share options and AMG's performance share unit plans. 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.

As a result of the Company's net loss for the year ended December 31, 2020, the dilutive effect of 55 (2019: 179) shares related to stock options and 222 (2019: 285) shares of performance share units have not been included in the calculation of diluted EPS because the effect would have been anti-dilutive for the period presented. Additionally, there were 175 (2019: 64) shares related to outstanding stock options that could potentially further dilute basic EPS in future periods but were anti-dilutive in 2020 due to the strike price of the options relative to the average price of the Company's shares for the year.

Earnings	2020	2019
Net loss attributable to equity holders for basic and diluted earnings per share	(41,692)	(48,283)
Number of shares (in 000's)		
Weighted average number of ordinary shares for basic earnings per share	28,431	29,416
Dilutive effect of stock options and other share-based compensation	—	—
Dilutive effect of performance share units	—	—
Weighted average number of ordinary shares adjusted for effect of dilution	28,431	29,416
Basic loss per share	(1.47)	(1.64)
Diluted loss per share	(1.47)	(1.64)

20. NON-CONTROLLING INTERESTS

As of December 31, 2020, non-controlling interests was $25,790 (2019: $23,893).

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

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

Summarized financial information as of December 31:	2020	2019
Revenues	57,449	58,206
Current assets	55,508	47,923
Non-current assets	43,732	43,322
Current liabilities	14,927	12,638
Non-current liabilities	17,615	15,218
Total equity	66,698	63,389
Attributable to:		
Equity holders of parent	41,573	39,342
Non-controlling interest	25,125	24,047

The Company has additional non-controlling interest as of December 31, 2020, included in equity attributable to non-controlling interest of $665 (2019: ($154)).

21. 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 28.

Non-current	Interest rate	Maturity	2020	2019
Term Loan B	LIBOR +3.0%	2/1/2025	331,140	333,182
Municipal bond	4.6%	7/1/2049	319,699	319,911
Subsidiary debt	2.9% - 10.2%	5/2021 - 1/2025	22,423	16,404
Total			673,262	669,497

Current	Interest rate	Maturity	2020	2019
Term Loan B	LIBOR +3.0%	2/1/2025	3,500	3,500
Subsidiary debt	2.9% - 10.2%	5/2021 - 1/2025	19,892	18,240
Total			23,392	21,740

TERM LOAN AND REVOLVING CREDIT FACILITY

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

As of December 31, 2020, the total balance outstanding on the term loans was $339,500 (2019: $343,000). As of December 31, 2020, available revolver capacity was $169,851 (2019: $169,921). Interest on the Revolving Credit Facility is based on current LIBOR (or in the case of any loans denominated in euros, EURIBOR) plus a margin that is dependent on AMG's corporate credit rating. At December 31, 2020 and 2019, the margin was 2.5%. As part of obtaining the revolving credit facility the Company is responsible for maintaining Net Debt to EBITDA not to exceed 3.5:1.0. Interest on the Term Loan is based on current LIBOR plus a margin of 3.0%.

To mitigate interest rate risk, in February 2018 the Company entered into interest rate caps totaling $250,000, and interest rate swaps totaling $100,000 in connection with the execution of the Term Loan B and revolving credit facility. In March 2019, the Company unwound its interest rate swaps and replaced those instruments with interest rate caps. This determination was made as part of the ongoing risk management process. The interest rate caps have an equivalent notional value as the previous instruments and mitigate the interest rate risk on the Company's credit facility. See note 29 for additional information on the interest rate hedging activities.

The credit facility is subject to several affirmative and negative covenants including, but not limited to, the following: Net Debt to EBITDA not to exceed 3.5:1.0. EBITDA and Net Debt are defined in the credit facility agreement. The definitions per the credit facility agreement may be different from management definitions. The credit facility limits the amount of cash that can be included in the calculation of net debt. AMG's current cash balance is significantly in excess of the credit facility limit. As a result, the Net Debt to EBITDA ratio as defined by the credit facility as of December 31, 2020 was 2.7:1.0 (2019: 1.7:1.0). As of December 31, 2020, the Company was in compliance with all of its debt covenants.

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. If the Company were not in compliance with all covenants under the credit facility, the loan could become due in full or the Company could be subject to significant amendment fees.

DEBT ISSUANCE COSTS

In connection with the term loan and revolving credit facility that were refinanced in 2018, the Company incurred issuance costs of $9,238, which were deducted from the proceeds of the debt from the term loan or paid by the Company. The amounts have been allocated to the term loans and revolving credit facility based on the amount which would have been incurred if the facilities were obtained separately.

The amount allocated to the term loans of $7,155 is shown net against the outstanding term loan balance and are amortized using the effective interest method. The Company recorded amortization expense of $1,173 (2019: $1,152) during the year ended December 31, 2020 related to these costs. The balance of unamortized costs net against the book value of the term loan was $3,896 (2019: $5,069) as of December 31, 2020.

The amount allocated to the revolving credit facility of $2,083 is included in other assets because there were no borrowings outstanding. This amount is being amortized on a straight-line basis over the life of the facility. The Company has recorded amortization expense of $521 (2019: $521) during 2020 related to these costs. The balance of unamortized costs recorded in other assets related to the revolving credit facility was $564 (2019: $1,085) as of December 31, 2020.

ORIGINAL ISSUE DISCOUNT

The term loan included an original issue discount (OID) of 50 basis points of $1,750 which is shown net against the outstanding term loan balance and is amortized using the effective interest method. The Company has recorded amortization expense of $285 (2019: $272) during the year ended December 31, 2020. The balance of unamortized costs recorded was $964 (2019: $1,249) as of December 31, 2020.

MUNICIPAL BOND

On July 11, 2019, the Company entered into a $307,200 municipal bond in the US tax-exempt bond market generating proceeds of $325,000 as the bond was issued by AMG Vanadium LLC at a premium. The bond was issued through the Ohio Air Quality Development Authority for the purpose of constructing a new catalyst recycling facility in Ohio. The bonds have a coupon rate of 5.0% and an effective interest rate of 4.6% maturing on July 1, 2049. The bonds are fully guaranteed by the Company. There are no financial covenants related to the bonds. The bonds are unsecured and subordinated to the term loan B and revolving credit facility.

Under the terms of the loan agreement with the bondholders, the proceeds of the bonds are restricted for the purpose of financing a portion of the cost of the acquisition, construction and equipping of the new spent catalyst recycling facility; paying certain construction period interest on the bonds; and paying certain issuance costs of the bond, which are defined as any financial, legal, administrative and other fees incurred by the Company. The funds are held by a third-party trustee and invested in cash and highly liquid money market funds (notes 16 and 28). While the project is under construction, the Company has classified the proceeds of the bonds as restricted cash as a non-current asset in the statement of financial position.

The bonds have several redemption provisions. The Company has an optional redemption whereby it can redeem the bonds beginning on July 1, 2029 through the date of maturity for the par value plus accrued interest at the date of redemption. If upon completion of the project there are excess funds, then the loan agreement indicates that a mandatory redemption of the excess funds shall be used to redeem an equivalent amount of the outstanding bonds. Additionally, the Company will also be required to repay a pro rata amount of the original issue premium in the event of a mandatory redemption. The repayment of the premium is calculated as the number of remaining years until the ten-year call date (July 1, 2029) divided by ten years and multiplied by the amount of the original issue premium on the redeemed bonds. There is also an extraordinary redemption which occurs in the event of a casualty loss resulting in the destruction of the facility, the exercise of the power of eminent domain by a governmental authority that prevents the facility from operating, an inability to obtain the necessary permits on or before July 21, 2021 (the Company must make commercially reasonable efforts to obtain said permits), or as a result of changes in the constitution of the United States or the state or a related legislative or administrative action that invalidates the loan agreement. The extraordinary redemption is calculated in the same fashion as the mandatory redemption.

The municipal bond also grants the holders of the bonds the right to tender their bonds for purchase by the Company upon a change in control of the Company at a purchase price of 101% of the principal amount of the bonds plus accrued interest.

Debt issuance costs

In connection with the issuance of the municipal bonds in July 2019, the Company incurred issuance costs of $4,981, which were deducted from the proceeds of the municipal bonds. These issuance costs are presented net against the outstanding municipal bond balance and are amortized using the effective interest method. The Company recorded amortization expense of $74 (2019: $36) during the year ended December 31, 2020 related to these costs. The balance of unamortized costs was $4,871 (2019: $4,945) as of December 31, 2020.

Bond issuance premium

The municipal bond included a premium of $17,800 which is shown with the outstanding municipal bond balance and is amortized using the effective interest method. The Company recorded amortization of $286 (2019: $144) during the year ended December 31, 2020. The balance of unamortized premium recorded was $17,370 (2019: $17,656) as of December 31, 2020.

SUBSIDIARY DEBT

As of December 31, 2020, a Brazilian subsidiary had $40,704 (2019: $34,549) of fixed and floating rate debt facilities outstanding. In 2020, the Brazilian subsidiary obtained an additional financing arrangement from a national development authority in the amount of $7,684.This arrangement is denominated in Brazilian reais, carries a variable interest rate and matures in 2025.

During 2020, local bank approved a loan to a Chinese subsidiary totaling RMB ¥28,000 for the construction of an aluminum master alloys facility in China. The facility matures in 2028 and has an interest rate of 4.9%. During 2020, the subsidiary received the first loan installment. As of December 31, 2020, the outstanding balance for this loan was $1,530. The remaining balance of the facility is expected to be received in 2021.

During 2019, a Chinese subsidiary obtained a revolving credit facility which is denominated in Chinese renminbi. The facility carries an interest rate of 6.0% and had a balance of $81 as of December 31, 2020 (2019: $95).

DEBT REPAYMENTS

The Company made debt repayments of $4,072 (2019: $3,911) during 2020. The payments included $3,500 (2019: $3,500) repayment of the term loans and additional payments of $572 (2019: $411) made to various banks related to other debt repayments.

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Total
Balance at January 1, 2019	365,921
Changes from financing cash flows:	
Proceeds from loans and borrowings	325,093
Transaction costs related to loans and borrowings	(4,981)
Repayment of borrowings	(3,911)
Total changes from financing cash flows	316,201
The effect of changes in foreign exchange rates	(201)
Amortization of transaction costs related to loans and borrowings	1,316
Refinancing of short-term debt to loans and borrowings	8,000
Balance at December 31, 2019	691,237
Balance at January 1, 2020	691,237
Changes from financing cash flows:	
Proceeds from loans and borrowings	9,134
Repayment of borrowings	(4,072)
Total changes from financing cash flows	5,062
The effect of changes in foreign exchange rates	(891)
Amortization of premiums, discounts and transaction costs related to loans and borrowings	1,246
Balance at December 31, 2020	696,654

22. SHORT-TERM BANK DEBT

As of December 31, 2020, the Company had outstanding short-term bank debt of $7,561 (2019: $7,500). The Company's Brazilian subsidiaries maintain short-term borrowing arrangements with various banks at a weighted-average interest rate of 3.1% (2019: 4.2%). Borrowings under these arrangements are recognized as short-term debt on the consolidated statement of financial position when it is due to be settled within 12 months from inception. During the year ended December 31, 2020, a French subsidiary borrowed additional short-term debt and this loan had an outstanding balance of $61 as of year-end.

23. 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, 2020, recognized in the consolidated income statement of $4,253 (2019: $4,169) represents contributions paid and payable to these plans.

DEFINED BENEFIT PLANS

North America plans

The Company offers tax-qualified, non-contributory 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 four of the Company's current and former executive officers. Pursuant to the terms of the agreements, these officers earn additional retirement benefits for continued service with the Company. The amounts payable under the SERPs are guaranteed by AMG.

Actuarial assumptions

A majority of the North America plans are frozen to new entrants. As a result, the principal actuarial assumptions for these plans are the rate of discount and mortality rates. The rate of discount utilized as of December 31, 2020 (expressed as a weighted average) was 2.15% (2019: 3.02%). 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 developed by the Society of Actuaries for private sector plans in the United States using MP-2020 as published in October 2020. 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, 2021 is $1,040.

European plans

The Company's European plans include qualified defined benefit plans in Germany, the UK and France. The plans in Germany and France are partially funded or unfunded while the UK plan is partially 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.

Non-qualified additional supplemental executive retirement plan (SERP) also covers one of the Company's current executive officer. Pursuant to the terms of the agreement, this officer earns additional retirement benefits for continued service with the Company. The amounts payable under the SERP are guaranteed by AMG.

Actuarial assumptions

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

	2020	2019
	% per annum	% per annum
Salary increases	1.21	1.20
Rate of discount at December 31	0.97	1.89
Pension payments increases	2.35	2.35

Assumptions regarding future mortality are based on published statistics and mortality tables including the RT 2018G and S2PxA mortality tables.

The best estimate of contributions to be paid to the primary plans for the year ending December 31, 2021 is $8,958.

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

2020 changes in the defined benefit obligation and fair value of plan assets:

	North America			Europe			Total		
	Fair Value of Plan Assets	Defined Benefit Obligation	Total	Fair Value of Plan Assets	Defined Benefit Obligation	Total	Fair Value of Plan Assets	Defined Benefit Obligation	Total
January 1, 2020	38,398	(56,564)	(18,166)	102,616	(260,320)	(157,704)	141,014	(316,884)	(175,870)
Service costs	—	(514)	(514)	—	(3,135)	(3,135)	—	(3,649)	(3,649)
Net interest	958	(1,663)	(705)	1,340	(3,582)	(2,242)	2,298	(5,245)	(2,947)
Subtotal included in profit or loss	958	(2,177)	(1,219)	1,340	(6,717)	(5,377)	2,298	(8,894)	(6,596)
Benefits paid	(2,897)	2,897	—	(6,219)	9,956	3,737	(9,116)	12,853	3,737
Amounts included in OCI (see following table)	3,094	(4,855)	(1,761)	10,640	(16,883)	(6,243)	13,734	(21,738)	(8,004)
Contributions by employer	878	—	878	2,810	—	2,810	3,688	—	3,688
Effect of movements in foreign exchange rates	—	—	—	3,679	(18,110)	(14,431)	3,679	(18,110)	(14,431)
Change in the fair value of defined benefit plans that are in net asset position as of December 31,2020 [a]	318	—	318	—	—	—	318	—	318
Net liability for defined benefits obligations at December 31, 2020	40,749	(60,699)	(19,950)	114,866	(292,074)	(177,208)	155,615	(352,773)	(197,158)

(a) $1,001 included in non-current assets in the Statement of Financial Positions.

2020 subtotal included in OCI:

	North America			Europe			Total		
	Fair Value of Plan Assets	Defined Benefit Obligation	Total	Fair Value of Plan Assets	Defined Benefit Obligation	Total	Fair Value of Plan Assets	Defined Benefit Obligation	Total
Return on plan assets (excluding amounts included in net interest expense)	3,094	—	3,094	10,640	—	10,640	13,734	—	13,734
Actuarial changes arising from changes in demographic assumptions	—	569	569	—	31	31	—	600	600
Actuarial changes arising from changes in financial assumptions	—	(5,226)	(5,226)	—	(17,310)	(17,310)	—	(22,536)	(22,536)
Experience adjustments	—	(198)	(198)	—	396	396	—	198	198
Subtotal included in OCI	3,094	(4,855)	(1,761)	10,640	(16,883)	(6,243)	13,734	(21,738)	(8,004)

2019 changes in the defined benefit obligation and fair value of plan assets:

	North America			Europe			Total		
	Fair Value of Plan Assets	Defined Benefit Obligation	Total	Fair Value of Plan Assets	Defined Benefit Obligation	Total	Fair Value of Plan Assets	Defined Benefit Obligation	Total
January 1, 2019	34,959	(51,836)	(16,877)	92,150	(224,490)	(132,340)	127,109	(276,326)	(149,217)
Service costs	—	(428)	(428)	—	(1,784)	(1,784)	—	(2,212)	(2,212)
Net interest	1,202	(2,025)	(823)	2,382	(5,317)	(2,935)	3,584	(7,342)	(3,758)
Subtotal included in profit or loss	1,202	(2,453)	(1,251)	2,382	(7,101)	(4,719)	3,584	(9,554)	(5,970)
Benefits paid	(2,851)	2,851	—	(7,143)	10,700	3,557	(9,994)	13,551	3,557
Amounts included in OCI (see following table)	5,317	(5,126)	191	10,275	(38,601)	(28,326)	15,592	(43,727)	(28,135)
Contributions by employer	907	—	907	1,890	—	1,890	2,797	—	2,797
Effect of movements in foreign exchange rates	—	—	—	3,062	(828)	2,234	3,062	(828)	2,234
Change in the fair value of defined benefit plans that are in net asset position as of December 31, 2019 [a]	(1,136)	—	(1,136)	—	—	—	(1,136)	—	(1,136)
Net liability for defined benefits obligations at December 31, 2019	38,398	(56,564)	(18,166)	102,616	(260,320)	(157,704)	141,014	(316,884)	(175,870)

(a) $1,319 included in non-current assets in the Statement of Financial Positions.

2019 subtotal included in OCI:

	North America			Europe			Total		
	Fair Value of Plan Assets	Defined Benefit Obligation	Total	Fair Value of Plan Assets	Defined Benefit Obligation	Total	Fair Value of Plan Assets	Defined Benefit Obligation	Total
Return on plan assets (excluding amounts included in net interest expense)	5,317	—	5,317	10,275	—	10,275	15,592	—	15,592
Actuarial changes arising from changes in demographic assumptions	—	380	380	—	(3,828)	(3,828)	—	(3,448)	(3,448)
Actuarial changes arising from changes in financial assumptions	—	(5,508)	(5,508)	—	(28,757)	(28,757)	—	(34,265)	(34,265)
Experience adjustments	—	2	2	—	(6,016)	(6,016)	—	(6,014)	(6,014)
Subtotal included in OCI	5,317	(5,126)	191	10,275	(38,601)	(28,326)	15,592	(43,727)	(28,135)

Plan assets consist of the following:

	North America plans		European plans		Total	
	2020	2019	**2020**	2019	**2020**	2019
Equity securities and ownership of equity funds	8,389	7,736	66,364	60,261	74,753	67,997
Fixed Income	32,612	31,470	—	—	32,612	31,470
Insurance contracts and other	749	511	48,502	42,355	49,251	42,866
Total	41,750	39,717	114,866	102,616	156,616	142,333

The assets of funded plans are generally held in separately administered trusts, either as specific assets or as a proportion of a general fund or insurance contracts. Assets are invested in different classes in order to maintain a balance between risk and return. Investments are diversified to limit the financial effect of the failure on any individual investment. For many of the funded plans, asset-liability matching strategies are not in place, however the fixed income assets are held in investments with varying term lengths.

The assets included in equity securities in the table above consists of securities held at market value. The fixed income assets consist primarily of investment grade and corporate bonds at market value. The insurance contracts and other consist of insurance contracts and other investment vehicles held at market value.

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

	North America plans		European plans		Total	
	2020	2019	**2020**	2019	**2020**	2019
Cost of sales	432	407	1,613	1,780	2,045	2,187
Selling, general and administrative expenses	787	844	3,764	2,939	4,551	3,783
Total	1,219	1,251	5,377	4,719	6,596	5,970

A quantitative sensitivity analysis for significant assumptions as of December 31, 2020 is as shown below:

Assumptions	Discount rate		Future salary increases		Future pension cost increase	
Sensitivity level	**1% increase**	1% decrease	**1% increase**	1% decrease	**0.5% increase**	0.5% decrease
Impact on the net defined benefit obligation North American Plans	(6,030)	7,248	130	(139)	105	(91)
Impact on the net defined benefit obligation European Plans	(43,950)	48,317	6,206	(5,458)	13,094	(11,991)
Total impact on the net defined benefit obligation	(49,980)	55,565	6,336	(5,597)	13,199	(12,082)

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
2021	3,150	10,624	13,774
2022	3,710	10,759	14,469
2023	3,710	10,966	14,676
2024	3,720	11,190	14,910
2025	3,670	11,386	15,056
2026-2030	18,280	57,731	76,011

The average duration of the defined benefit plan obligation at the end of the reporting period is 15 years (2019: 16 years).

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

24. SHARE-BASED PAYMENTS

EQUITY-SETTLED STOCK OPTIONS

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 a performance condition related to return on capital employed. The options expire on the tenth anniversary of their grant date.

During the year ended December 31, 2020, options exercised were nil (2019: 133,368) under the 2009 Plan. Total grants under the 2009 Plan during 2020 were 144,445 (2019: 58,115). During the year ended December 31, 2020, there were no grants expired or forfeited (2019: nil).

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. Changes in the assumptions can affect the fair value estimate of a Black-Scholes model. The assumptions used in the calculation are set out below.

During the year ended December 31, 2020, AMG recorded compensation expense from equity-settled option transactions of $295 (2019: $587) which is included in selling, general and administrative expenses in the income statement.

Movements

	2020		2019	
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	283	21.73	358	15.48
Granted during the year	144	19.31	58	31.43
Exercised during the year	—	—	(133)	9.15
Forfeited or expired during the year	—	—	—	—
Outstanding at December 31	427	20.91	283	21.73
Exercisable at December 31	160	13.50	19	9.78

At December 31, 2020, 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 exercise price (in €)
€9.78 to €19.31	266,582	14.94	7.43	122,137	9.78
€25.50 to €31.43	133,822	28.08	7.15	37,854	25.50
€44.24	27,136	44.24	7.34	—	—

At December 31, 2019, 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 exercise price (in €)
€9.78	122,137	9.78	6.34	19,084	9.78
€25.50 to €31.43	133,822	28.08	8.15	—	—
€44.24	27,136	44.24	8.34	—	—

The maximum number of options that can be granted is 10% of total shares outstanding up to a maximum of 50,000,000. As of December 31, 2020, the total options outstanding under the 2009 Plan were 427,540 (2019: 283,095).

Assumptions

The following table lists the inputs into the model used to calculate the fair value of the share-based payment options that were granted in 2020 and 2019 under the 2009 Plan:

	2020	2019
Exercise price	€19.31	€31.43
Share price at date of grant	€19.31	€31.43
Contractual life (years)	10	10
Expected volatility	41.56%	44.03%
Life of option (years)	10	10
Weighted average fair value	€3.96	€9.55

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 life of the options is ten years, and they are valued as Bermudan options. 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 from EBC Eurozone interest curves for instruments whose maturities approximate the vesting period of the options. AMG's option expense is recorded in equity (refer to note 18).

Under IFRS 2, the return on capital employed vesting condition is deemed to be a non-market performance condition. In accounting for non-market performance conditions, the Company recognizes expense based on the number of equity instruments that are expected to vest at the grant date. The Company revises that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. Based on current projections, Management determined that the 2019 awards were unlikely to achieve the required level of return on capital employed. As such, none of those awards are currently expected to vest, and the Company has reversed the cumulative previously recognized expense for these awards as of December 31, 2020. The impact on the income statement as a result of this adjustment was a decrease in stock-based compensation expense of $320 (2019: nil) during the year ended December 31, 2020.

Performance share units

In May 2009, the Annual General Meeting approved a remuneration policy that utilizes share-based payments as a part of compensation. In the year ended December 31, 2020, the Company issued 242,840 (2019: 147,033) performance share units ("PSUs") to certain employees which are share-settled. The PSU's granted to each employee on any date will vest on the third anniversary of the grant date. The vesting is subject to performance conditions related to return on capital employed. As these awards will be equity-settled, the balance is recorded in equity rather than as a liability in accordance with IFRS 2.

AMG utilized a Monte Carlo simulation to develop a valuation of the PSU awards. This calculation was performed on the date of issuance. The following table lists the inputs into the model used to calculate the fair value of the equity-settled performance share units that were granted 2018 through 2020:

	2020 Grant	2019 Grant	2018 Grant
Share price at date of grant	€19.31	€31.43	€37.72
Contractual life at issuance (years)	3.0	3.0	3.0
Expected volatility	44.00%	40.03%	38.04%
Expected departures at grant	8%	8%	7%

The expected volatility was calculated using the average share volatility of the Company (over a period equal to the expected term of the shares). The expected life is the time at which shares will vest. For the risk-free rate, the Company utilized the European Central Bank Eurozone yield for the 2020 grants. The risk free rate does not have a significant impact on the valuation of the awards.

The Company recorded expense of $1,134 (2019: $4,927) related to these awards during the year, which is net of $16 of expense that was allocated to non-controlling interests. AMG's expense related to equity-settled awards is recorded in equity.

In the year ended December 31, 2020, 9,111 PSUs were forfeited (2019: 9,793). The total number of equity-settled PSUs outstanding as of December 31, 2020 was 491,627 (2019: 412,148).

During the year ended December 31, 2020, the Company adjusted the forfeiture rate on the 2018 awards from 8% to 7%, which approximates the actual departures to date. The 2020 and 2019 awards continue to apply an 8% forfeiture assumption given the historical rate of departures. As discussed above, the 2019 PSU awards are subject to the same return on capital employed non-market performance condition, and the Company likewise believes that none of the awards are expected to vest.

As such, the Company has reversed the cumulative previously recognized expense related to these awards as of December 31, 2020. The net impact on the consolidated income statement as a result of the increase in the forfeiture rate and the reversal of the 2019 awards was a (decrease) increase in stock-based compensation expense of ($3,766) (2019: $65) during the year ended December 31, 2020.

The PSU awards include a performance multiplier which can range from 0x – 1.75x the target award based on the Company's share price performance relative to its peers. The Company achieved 0.75x for the 2017 grant which was settled in 2020 (2019: 1.75x). During the year ended December 31, 2020, 117,432 shares (2019: 786,045) were paid out with respect to the vesting of equity-settled performance share units granted in 2017.

25. PROVISIONS

	Environmental remediation costs and recoveries	Restructuring	Warranty	Cost estimates	Partial retirement	Restoration costs	Other	Total
Balance at January 1, 2019	32,190	1,255	5,274	7,398	1,118	10,000	1,337	58,572
Provisions made during the period	725	3,374	3,259	3,207	3	—	991	11,559
Provisions reversed during the period	—	(109)	(3,105)	(1,788)	(404)	(1)	(556)	(5,963)
Provisions used during the period	(7,737)	(2,388)	(825)	(1,903)	—	—	(864)	(13,717)
Increase due to discounting	1,418	—	—	—	—	646	—	2,064
Currency and transfers	(69)	(738)	(108)	(146)	(21)	31	(29)	(1,080)
Balance at December 31, 2019	26,527	1,394	4,495	6,768	696	10,676	879	51,435
Balance at January 1, 2020	26,527	1,394	4,495	6,768	696	10,676	879	51,435
Provisions made during the period	4,342	6,238	3,446	2,710	—	—	1,620	18,356
Provisions reversed during the period	—	(233)	(1,543)	(1,141)	(51)	(130)	(371)	(3,469)
Provisions used during the period	(22,138)	(2,782)	(780)	(692)	—	—	(107)	(26,499)
Increase due to discounting	1,767	—	—	—	—	866	—	2,633
Currency and transfers	207	24	376	699	61	(2,346)	167	(812)
Balance at December 31, 2020	10,705	4,641	5,994	8,344	706	9,066	2,188	41,644
Non-current	17,389	—	—	—	696	10,364	535	28,984
Current	9,138	1,394	4,495	6,768	—	312	344	22,451
Balance at December 31, 2019	26,527	1,394	4,495	6,768	696	10,676	879	51,435
Non-current	5,081	—	—	—	706	8,876	659	15,322
Current	5,624	4,641	5,994	8,344	—	190	1,529	26,322
Balance at December 31, 2020	10,705	4,641	5,994	8,344	706	9,066	2,188	41,644

ENVIRONMENTAL REMEDIATION COSTS AND RECOVERIES

The Company makes provisions for environmental clean-up 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 US.

Cambridge, OH USA

The most significant items 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. These slag piles were capped in 2009, in accordance with the PICO requirements, 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 $43,847 on an undiscounted basis and $2,975 (2019: $2,104) on a discounted basis. Annual payments for O&M are expected to be $59 for the next 16 years, declining from that point on. These amounts will be paid out of an environmental trust and annuity which have already been established by the Company. The total value of these trust and annuity assets is $4,491 of which $1,516 has not been recognized due to the liability amount recorded being less than the value of the assets. One additional provision relates to groundwater monitoring. This project is expected to create cash outflows of $104 ($114 on an undiscounted basis), and is expected to be completed within the next 15 years. Discount rates of 0.10% - 1.45% (depending on the expected timing of payments) were used in determining the liabilities recorded.

There were no environmental expenses recorded in the years ended December 31, 2020 and 2019 related to the Cambridge site.

Newfield, NJ USA

The United States Environmental Protection Agency (the "US EPA") exercises authority over another of the Company's US subsidiaries. The US EPA has established three operable units (each an "OU") addressing (i) non-perchlorate groundwater contamination (OU-1); (ii) non-perchlorate soil and sediment contamination (OU-2); and perchlorate contamination in groundwater and/or soil (OU-3), and 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 has completed negotiations with the New Jersey Department of Environmental Protection (NJDEP) regarding a removal plan for the Newfield Site. The plan consists of both the removal and transportation of the material to a proper disposal site. Management has recorded an accrual for $4,947 (2019: $22,026) ($4,952 on an undiscounted basis) which represents its best estimate of the cost of removal, at this stage. The estimated amounts have also been reviewed and approved by the NJDEP. These costs would be paid over the next 3 years, subject to negotiations with the NJDEP. AMG recorded an environmental expense of $3,965 recorded related to the Newfield site during the year ended December 31, 2020 (2019: nil).

On March 6, 2020 the Company amended its Transportation and Disposal Agreement with one of its major contractors as part of the cost removal for all covered material on our facility in Newfield, NJ. Under the terms of the amendment the Company was able to deferred its payments through 2023 and recorded a long-term liability of $5,580 as of the year ended December 31, 2020 (2019: nil). See note 26 for additional details.

In addition to the removal of the slag pile the Company has agreed to an operations and maintenance agreement (O&M) provision of $258 at December 31, 2020 (2019: $138).

Remediation trust funds

The Company's US subsidiaries have established trust funds for future environmental remediation payments. The amounts are kept by commercial 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 recognized values of the trust funds at December 31, 2020 were $3,599 (2019: $2,729). The total amount of the trusts as of December 31, 2020 were $5,115 (2019: $4,940).

Pocking, Germany

An environmental remediation liability exists with respect to the silicon metal operation and its waste storage. As of December 31, 2020, the liability for the remediation of this site is valued at $532 (2019: $436). There was an expense of $57 (2019: nil) and payments of $6 (2019: $7) made during 2020. There are expected payments in 2021 of $267. A discount rate of 0.44% 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 repair the sewer lines. In the year ended December 31, 2020, there was an expense of $320 (2019: $725) and payments of $313 (2019: $507). The expected liability for continued work on the sewer rehabilitation project is $1,889 (2019: $1,712). Payments for this project are expected to occur over the next 5 years with spending taking place in a relatively consistent pattern over those years. Discount rates of 0.49% - 0.76% (depending on the expected timing of payments) were used in determining the liabilities recorded.

RESTRUCTURING

During the year ended December 31, 2020, the Company recorded restructuring expenses of $5,933 in cost of good sold and $305 on selling, general and administrative expenses, totaling $6,238 (2019: $3,374) which was offset by a reversal of ($233) (2019: ($109)). The current year expense was largely driven by $3,712 related to severance payments on one of our European operations and restructuring expenses in a production facility in one of our businesses in the United States. Additional net expenses of $2,526 mainly driven by headcount reductions of 104 primarily in our UK and Brazil operations.

WARRANTY

The Company's Engineering business offers certain warranties related to their furnace construction contracts. 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 twelve months. The provisions for these warranties are based on the historical return percentages. Warranty payments of $574 were made and warranty provisions included an expense of $2,948 and reversal of ($1,514) recorded in the year ended December 31, 2020. The additional provisions were primarily related to new projects in the turbine blade coating field and plasma melting technologies as well as several special furnaces for various heat treatment and metallurgy applications that were finalized during 2020. The decrease on reversal related to a reduction on expired warranties periods. Warranty payments of $825 were made and warranty provisions included an expense of $3,082 and reversal of ($3,064) recorded during the year ended December 31, 2019. The additional provisions were primarily related to new projects in the turbine blade coating field and plasma melting technologies as well as several special furnaces for various heat treatment and metallurgy applications that were finalized during 2019.

Two other German subsidiaries provide warranties for certain products. The provisions are based on actual claims made by customers. There were provisions made of an additional expense of $498 (2019: $177), a reversal of ($29) (2019: ($41)) and there were payments of $206 recorded during 2020 (2019: nil).

COST ESTIMATES

AMG Engineering builds a project cost provision for long-term contracts that are completed. The provision is developed on a contract by contract basis and is based on contractor estimates. The provision is utilized or derecognized depending on actual performance of the contracts and expected total of project costs. A provision made of an additional expense of $2,710 (2019: $3,207) and reversal of ($1,141) (2019: ($1,788)) was recorded in 2020 related to new projects related to the turbine blade coating field and plasma melting technologies as well as several special furnaces for various heat treatment and metallurgy applications while $692 (2019: $1,903) of provisions were used.

PARTIAL RETIREMENT

The collective agreements for retirement indemnities on our French subsidiary and the corresponding commitments have been valued as of December 31, 2020. There was no additional expense recorded (2019: nil), reversal of ($51) (2019: ($37)) and there were no payments (2019: nil). Additional payments of approximately $139 are expected to occur over the next 5 years. Discount rate of 0.7% was used by the Company's French subsidiary to determine the liabilities recorded. Furthermore, 2 of our partial retirement obligations expired during 2020.

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. There were no additions to the provision recorded in 2020 (2019: nil). The total restoration liability for this mine was $6,158 as of December 31, 2020 (2019: $5,380). A discount rate of 0.3% was used to determine the liability recorded.

Nazareno, Brazil

During the year ended December 31, 2020, there was a net decrease in the liability of $2,388, which totaled $2,908 as of December 31, 2020 (2019: $5,296). A discount rate of 6.75% was used to determine the liability recorded. The following table summarizes the activity as of December 31, 2020:

	Brazil restoration costs
Balance at January 1, 2019	4,655
Provisions reversed during the period	(1)
Increase in fixed assets	327
Increase due to discounting	510
Translation loss	(195)
Balance at December 31, 2019	5,296
Balance at January 1, 2020	5,296
Provisions reversed during the period	(130)
Increase in fixed assets	(1,189)
Increase due to discounting	212
Translation loss	(1,281)
Balance at December 31, 2020	2,908
Non-current	4,984
Current	312
Balance at December 31, 2019	5,296
Non-current	2,718
Current	190
Balance at December 31, 2020	2,908

OTHER

Other is comprised of additional accruals including certain guarantees made to various customers. As of December 31, 2020, the other liability is valued at $2,188 (2019: $879) which mainly relates to one of our German subsidiaries.

26. OTHER LIABILITIES

Other liabilities are comprised of the following:

	2020	2019
Accruals for operational costs	13,324	9,628
Accrued interest	9,531	9,733
Other benefits and compensation	7,694	8,913
Accrued bonus	6,734	8,346
Accrued employee payroll expenses	6,201	6,429
Deferred revenue	5,984	965
Accrued professional fees	5,600	7,555
Long-term environmental disposal	5,580	—
Taxes, other than income	4,083	2,540
Construction retainage	3,780	—
Fiscal contingency	3,011	2,796
Non-controlling interest dividend	1,542	1,410
Claims	1,090	834
Sales commission	662	1,034
Government grants	113	206
Other miscellaneous liabilities	5,474	4,719
Total	80,403	65,108
Thereof:		
Non-current	12,598	3,629
Current	67,805	61,479

27. TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	139,651	136,577
Trade payables – contract work	25,348	20,531
Total	164,999	157,108

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 except for payables related to furnace construction contracts as well as retainage payables for our expansion project in Zanesville (note 10 and 26) 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 34.

As of December 31, 2020, the Company has outstanding supply chain financing of $15,479 (2019: $8,950).

28. 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, interest rate caps, cross-currency 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

The Company's exposure to credit risk with respect to trade and other receivables is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. No single customer accounts for more than 10% of the Company's revenue. There are no geographic concentrations of credit risk. 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 furnace construction contracts do often require advance payments. The Company's maximum exposure is the carrying amount as discussed in note 14.

With respect to credit risk arising from the other financial assets of the Company, which comprises cash and cash equivalents, restricted cash 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, restricted cash and the counterparties to hedges and monitors the strength of those banks. The Company's financial assets are held with bank and financial institution counterparties, which all carry investment-grade credit ratings. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of impairment allowance at December 31, 2020 is $1 (2019: $1).

The Company's maximum exposure is the carrying amounts as discussed in notes 16, 17 and 29.

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 various borrowing facilities for working capital and general corporate purposes. The Company's primary facility includes the following:

- $350,000 term loan B facility and a $200,000 revolving credit facility with a syndicate of banks that is secured by certain assets of the material subsidiaries of the Company. Interest is payable at a base rate plus a spread based on a leverage ratio.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2020, 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.

2020	Contractual cash flows	<3 months	3-12 months	2022	2023	2024	2025	>2025
Term loan/revolver	339,500	—	3,500	3,500	3,500	3,500	325,500	—
Cash interest on term loan	42,650	—	10,614	10,504	10,394	10,284	854	—
Municipal bond	307,200	—	—	—	—	—	—	307,200
Cash interest on municipal bond	445,440	7,680	7,680	15,360	15,360	15,360	15,360	368,640
Other loans and borrowings	42,315	604	19,288	16,132	2,904	2,154	390	843
Cash interest on other loans and borrowings	5,791	528	2,909	1,420	588	227	50	69
Financial derivatives	15,796	6,573	4,746	2,557	1,662	241	17	—
Lease payments	71,654	1,703	5,528	5,591	4,466	3,868	3,736	46,762
Trade and other payables	164,999	121,564	43,435	—	—	—	—	—
Short-term bank debt	7,561	61	7,500	—	—	—	—	—
Total	1,442,906	138,713	105,200	55,064	38,874	35,634	345,907	723,514

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2019 based on contractual undiscounted payments.

2019	Contractual cash flows	< 3 months	3-12 months	2021	2022	2023	2024	>2024
Term loan/revolver	343,000	—	3,500	3,500	3,500	3,500	3,500	325,500
Cash interest on term loan	83,271	—	16,732	16,560	16,388	16,216	16,044	1,331
Municipal bond	307,200	—	—	—	—	—	—	307,200
Cash interest on municipal bond	460,800	7,680	7,680	15,360	15,360	15,360	15,360	384,000
Other loans and borrowings	34,644	310	17,930	14,241	1,240	828	—	95
Cash interest on other loans and borrowings	2,053	25	1,783	245	—	—	—	—
Financial derivatives	8,711	1,179	3,920	2,275	1,166	171	—	—
Lease payments	69,497	1,445	4,666	5,414	4,598	4,307	4,111	44,956
Trade and other payables	157,108	124,447	32,661	—	—	—	—	—
Short-term bank debt	7,500	—	7,500	—	—	—	—	—
Total	1,473,784	135,086	96,372	57,595	42,252	40,382	39,015	1,063,082

The difference between the contractual cash flows and the carrying amount of the term loan noted above is attributable to issuance costs and an original issue discount in the amount of $4,860 and $6,318 as of December 31, 2020 and 2019, respectively, which are offset against the carrying amount of the debt.

The difference between the contractual cash flows and the carrying amount of the municipal bond noted above is attributable to issuance costs and a premium in the amount of $12,499 as of December 31, 2020 (2019: $12,711), which are included in 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, derivative financial instruments, trade and other receivables, and trade and other payables.

The sensitivity analyses in the following sections relate to the positions as of December 31, 2020 and 2019.

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, 2020.

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, 2020 and 2019, including the effect of hedge accounting.

INTEREST RATE RISK

IInterest 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 at least 75% of its borrowings as fixed or capped 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 or caps. These are designed to hedge underlying debt obligations. At December 31, 2020 and 2019, after considering the effect of interest rate hedges, all of the Company's borrowings are at a fixed or capped rate of interest.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates adjusting for multiple interest rate caps and swaps effective as of December 31, 2020 and 2019, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Company's equity.

2020	Increase/decrease in basis points	Effect on profit before tax
US dollar	+50	(1,698)
Brazilian reais	+50	(54)
US dollar	–50	1,698
Brazilian reais	–50	54

2019	Increase/decrease in basis points	Effect on profit before tax
US dollar	+10	(343)
Brazilian reais	+10	(5)
US dollar	–10	343
Brazilian reais	–10	5

See note 21 for loans and borrowings explanations.

At December 31, 2020, the Company's interest rate derivatives had a fair value of ($3,670) (2019: ($2,954)). Per the interest rate cap agreements, the Company has capped the variable rate of interest for a $350,000 notional value of debt at 3%. A 50 basis point increase or decrease will not have a significant impact on the value of the interest rate derivatives.

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.

2020	Strengthening/ weakening in functional rate	Effect on profit before tax	Effect on equity before tax
US dollar	+10%	2,244	2,066
Euro	+10%	(5,238)	855
US dollar	–10%	(2,244)	(2,066)
Euro	–10%	5,238	855

2019	Strengthening/ weakening in functional rate	Effect on profit before tax	Effect on equity before tax
US dollar	+5%	1,610	1,504
Euro	+5%	(3,338)	(24)
US dollar	–5%	(1,610)	(1,504)
Euro	–5%	3,338	24

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 exchange-traded metals when possible. For these exchange-traded 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. However, most of the metals, alloys and chemicals that the Company processes and sells such as vanadium, chrome metal, tantalum, graphite, niobium, and antimony trioxide, cannot be hedged on an exchange. For these materials, the Company mitigates its price exposure by aligning raw materials purchases with sales orders and ensuring that it is managing working capital in a manner that minimizes commodity price exposure.

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.

	2020	2019
Loans and borrowings	696,654	691,237
Short-term bank debt	7,561	7,500
Less: cash and cash equivalents and restricted cash	416,285	535,799
Net debt	287,930	162,938
Total equity	141,270	184,406
Total capital	429,200	347,344
Debt to total capital ratio	67.1%	46.9%

29. FINANCIAL INSTRUMENTS

FAIR VALUES

The carrying amounts presented in the financial statements approximate the fair values for all of the Company's financial instruments, other than as discussed below.

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.

- Current 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, 2020. The Company's municipal bonds are fixed rate borrowings and are carried at amortized cost. The fair value of those bonds based on quoted prices was $337,708 at December 31, 2020.
- The consideration of non-performance risk did not significantly impact the fair values for fixed and floating rate loans and borrowings.

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, 2020, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

December 31, 2020	**Total**	Level 1	Level 2	Level 3
Non-current financial assets				
Restricted cash	208,919	208,919	—	—
Equity investments classified as FVOCI (note 12)	11,292	—	—	11,292
Other investments (note 12)	16,182	10,744	—	5,438
Forward contracts – hedged	1,854	—	1,854	—
Interest rate derivatives	40	—	40	—
Current financial assets				
Forward contracts – hedged	5,682	—	5,682	—
Interest rate derivatives	279	—	279	—

Liabilities measured at fair value

December 31, 2020	Total	Level 1	Level 2	Level 3
Non-current financial liabilities				
Forward contracts – hedged	986	—	986	—
Interest rate derivatives	3,403	—	3,403	—
Current financial liabilities				
Forward contracts – hedged	9,678	—	9,678	—
Interest rate derivatives	586	—	586	—

As of December 31, 2019, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

December 31, 2019	Total	Level 1	Level 2	Level 3
Non-current financial assets				
Restricted cash	309,581	309,581	—	—
Equity investments classified as FVOCI (note 12)	7,854	—	—	7,854
Other investments (note 12)	15,711	11,287	—	4,424
Forward contracts – hedged	911	—	911	—
Interest rate derivatives	11	—	11	—
Current financial assets				
Forward contracts – hedged	2,599	—	2,599	—
Interest rate derivatives	94	—	94	—

Liabilities measured at fair value

December 31, 2019	Total	Level 1	Level 2	Level 3
Non-current financial liabilities				
Forward contracts – hedged	1,230	—	1,230	—
Interest rate derivatives	3,059	—	3,059	—
Current financial liabilities				
Forward contracts – hedged	4,037	—	4,037	—

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1, Level 2, and Level 3 fair value measurements.

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Other investments	Equity investments at FVOCI
Balance at January 1, 2019	3,417	7,002
Purchase of other investments	990	—
Change in fair value of FVOCI investment	17	852
Balance at December 31, 2019	4,424	7,854
Purchase of other investments	990	—
Change in fair value of FVOCI investment	24	3,438
Balance at December 31, 2020	5,438	11,292

HEDGING ACTIVITIES

Interest rate hedges

The Company entered into derivative contracts with a financial institution to mitigate its exposure to changes in the benchmark interest rate on its Term Loan B and revolving credit facility as well as portions of its Brazilian subsidiary debt. The contracts include interest rate caps, swaps and cross-currency interest rate swaps, which the Company has not designated for hedge accounting. All gains and losses are recognized in profit and loss. During the year ended December 31, 2020, $723 (2019: ($1,907)) of gains (losses) related to the outstanding interest rate cap instruments was recorded as a reduction (increase) to finance costs in the consolidated statement of income.

The Company previously held several interest rate derivatives which it had designated as hedges against the variable interest rates on its Term Loan B and revolving credit facility. As part of the Company's risk management process, these instruments were settled and replaced with the interest rate caps in March 2019. Since these former derivatives were originally designated as effective hedges at their inception, a portion of the losses that existed at the time of settlement continue to be deferred in other comprehensive income. The Company continues to amortize these deferred costs to profit and loss on a straightline-basis over the life of the debt instruments. The amount included in the cash flow hedging reserve within equity related to these former derivatives was ($426) and ($530) in the years ended December 31, 2020 and 2019, respectively. During the year ended December 31, 2020, $104 (2019: $908) was transferred from equity to the income statement as an increase to finance costs.

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 of December 31, 2020 are as follows:

	Metric tons	Average price	Fair value assets	Fair value liabilities
US dollar denominated contracts to purchase commodities:				
Aluminum forwards	2,475	1,823	711	(143)

The open commodity forward contracts as of December 31, 2019 are as follows:

	Metric tons	Average price	Fair value assets	Fair value liabilities
US dollar denominated contracts to purchase commodities:				
Aluminum forwards	3,950	1,791	94	—

The amount from the commodity cash flow hedges included in equity was $487 and $85 in the years ended December 31, 2020 and 2019, respectively. The amount included in equity is anticipated to impact the income statement over the next 12 months. During the years ended December 31, 2020 and 2019, $247 and $609, respectively, were transferred from equity to the income statement as increases to cost of sales. There was no ineffectiveness for contracts designated as cash flow hedges during the years ended December 31, 2020 and 2019.

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. The Company has also hedged operating costs in Brazil that will be settled in a currency other than its functional currency. These contracts are negotiated to match the terms of the commitments and generally mature within two years. When necessary, these contracts are rolled over at maturity. Foreign exchange forward contracts that are not part of a hedge relationship are held at fair value with fair value changes recognized through profit and loss.

The open foreign exchange forward sales contracts as of December 31, 2020 are as follows:

Exposure	Notional amount	Contract rate	Fair value assets	Fair value liabilities
Cash Flow Hedges				
Euro (versus USD)	€12.9 million	0.89	—	(845)
USD (versus Euro)	$111.6 million	1.19	4,776	(198)

The open foreign exchange forward sales contracts as of December 31, 2019 are as follows:

Exposure	Notional amount	Contract rate	Fair value assets	Fair value liabilities
Cash Flow Hedges				
Euro (versus USD)	€15.6 million	0.89	95	(194)
USD (versus Euro)	$104.4 million	1.159	677	(1,366)

The open foreign exchange forward purchase contracts as of December 31, 2020 are as follows:

Exposure	Notional amount	Contract rate	Fair value assets	Fair value liabilities
Cash Flow Hedges				
USD (versus Euro)	$148.5 million	1.178	142	(4,732)
GBP (versus USD)	£18.6 million	1.282	1,551	—
BRL (versus USD)	R$129.7 million	4.413	334	(4,742)
CNY (versus USD)	¥12.2 million	0.123	22	(4)

The open foreign exchange forward purchase contracts as of December 31, 2019 are as follows:

Exposure	Notional amount	Contract rate	Fair value assets	Fair value liabilities
Cash Flow Hedges				
USD (versus Euro)	$15.7 million	1.111	1	(148)
GBP (versus USD)	£21.1 million	1.282	928	(47)
BRL (versus USD)	R$273.3 million	3.966	1,702	(3,509)
CNY (versus USD)	¥10.1 million	0.126	13	(3)

The amounts from the foreign currency cash flow hedges included in equity were $717 and ($1,797) in the years ended December 31, 2020 and 2019, respectively. The amount included in equity is anticipated to impact the income statement over the next two years. During the years ended December 31, 2020 and 2019, $12,282 and ($3,360), respectively, were transferred from equity to the income statement as increases (decreases) to cost of sales and selling, general, and administrative expenses. There was $187 (2019: nil) recognized in profit or loss during the year ended December 31, 2020 due to ineffectiveness.

30. ACQUISITION OF SUBSIDIARY

On November 15, 2019, the Company completed an asset purchase agreement to acquire certain assets and assume certain liabilities of International Specialty Alloys ("ISA") located in New Castle, PA. ISA is a producer of titanium master alloys and other binary alloys for the aerospace market. The acquisition of ISA provides an opportunity for the Company to increase its market position in these key products for the aerospace market in North America and Europe. The acquired entity was included within the AMG Technologies segment. For the period ended December 31, 2019, ISA contributed $3,211 of revenues to the Company's results. The Company acquired ISA for $25,435 of cash.

During 2019, the Company incurred acquisition-related costs of $472 on legal fees and due diligence costs. These costs were included in selling, general and administrative expenses.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed during 2019 at the date of acquisition:

	Note	
Property, plant and equipment, including right-of-use assets	10	13,283
Intangible assets	11	3,079
Inventories	13	11,804
Lease liabilities	31	(6,933)
Total identifiable net assets acquired		21,233

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

- Property, plant and equipment - *market comparison technique and cost technique*: The valuation model considered market prices for similar items when available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflected adjustments for physical deterioration as well as functional and economic obsolescence.
- Intangible assets - *relief-from-royalty method, with or without income approach and multi-period excess earnings method*: The relief-from-royalty method considered the discounted estimated royalty payments that are expected to be avoided as a result of the technologies being owned. The with or without income approach analyzes the impact or harm that could occur absent the covenant not to compete as compared to the results with the covenant not to compete in place. The multi-period excess earnings method considered the present value of net cash flows that were expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
- Inventories - *market comparison technique*: The fair value was determined based on the 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 inventories

During 2019, the Company recognized $4,202 of goodwill which was the difference between the consideration transferred and the fair value of the identifiable net assets acquired. The goodwill was attributable mainly to the skills and technical talent of ISA's workforce and the synergies expected to be achieved from integrating ISA into the Company's existing AMG Technologies business. The goodwill recognized is deductible for tax purposes.

31. LEASES

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.

Set out below are the carrying amounts of the Company's right-of-use assets, which are included in property, plant and equipment in the statement of financial position, and lease liabilities as well as the movements during the period:

	Right-of-use assets				
	Land, buildings and improvements	Machinery and equipment	Furniture and fixtures	Total	Lease liabilities
January 1, 2019	33,772	2,739	844	37,355	37,372
Additions	10,401	894	276	11,571	10,822
Acquired through business combination	6,245	688	—	6,933	6,933
Retirements and transfers	(638)	(1)	(21)	(660)	—
Depreciation expense	(3,194)	(852)	(315)	(4,361)	—
Interest expense	—	—	—	—	1,368
Payments	—	—	—	—	(5,197)
Foreign currency translation	(522)	(163)	(19)	(704)	(581)
December 31, 2019	46,064	3,305	765	50,134	50,717
January 1, 2020	46,064	3,305	765	50,134	50,717
Additions	1,758	1,103	426	3,287	3,287
Retirements and transfers	(1)	(58)	(15)	(74)	(25)
Depreciation expense	(3,907)	(1,138)	(428)	(5,473)	—
Interest expense	—	—	—	—	1,726
Lease modifications	(988)	(65)	—	(1,053)	(1,126)
Payments	—	—	—	—	(6,464)
Foreign currency translation	3,286	226	53	3,565	3,766
December 31, 2020	46,212	3,373	801	50,386	51,881

The Company recognized rent expense from short-term leases of $713 (2019: $1,176) and leases of low-value assets of $203 (2019: $440) for the year ended December 31, 2020.

32. 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 25). As of December 31, 2020, the Company had committed to capital requirements in the amount of $78,265 (2019: $66,459). These capital commitments related primarily to the construction of AMG Vanadium's catalyst recycling facility in Ohio.

33. CONTINGENCIES

GUARANTEES

The following table outlines the Company's off-balance sheet guarantees and letters of credit for the benefit of third parties as of December 31, 2020 and 2019:

	Guarantees	Letters of credit	Total
2020			
Total amounts committed:	120,701	33,464	154,165
Less than 1 year	70,709	33,464	104,173
2–5 years	29,899	—	29,899
After 5 years	20,093	—	20,093

	Guarantees	Letters of credit	Total
2019			
Total amounts committed:	117,840	4,717	122,557
Less than 1 year	46,517	4,553	51,070
2–5 years	41,119	164	41,283
After 5 years	30,204	—	30,204

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 the 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 counterparties. The Company has $100,000 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 contamination work which commenced in 2019.

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. At a US subsidiary, a provision has been recorded for the low-level radioactive slag pile (see note 25) which we expect will be decommissioned within the next three years. In 2016, the Company reached an agreement on a removal plan with the regulating government agency for this decommissioning. The estimated accrual for $4,947 represents the discounted amount of the remaining anticipated remediation costs.

As discussed in note 25, 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

There is one outstanding tax case with a subsidiary in Brazil whereby the federal tax authorities claim that $6,781 is due in unpaid PIS COFINS taxes and penalties. The Brazilian subsidiary disputed the claim and is awaiting a court date. The Brazil subsidiary has accrued $149 as of December 31, 2020 (2019: $70) as the probability to pay the majority of the claim is remote.

LITIGATION

Beginning in 1999, one of the Company's subsidiaries in Germany engaged in activities to join and existing joint venture for the purpose of extracting vanadium from the residues of oil refineries in Italy. The joint venture failed in 2001. Years later the counterparty raised claims against the German subsidiary. During the first half of 2018, an appeals court in Sicily ruled in favor of the German subsidiary, and during the second half of 2018, the counterparty filed an appeal to Italy's Supreme Court. Our counsel has advised that, for various legal reasons, it appears most likely that the counterparty´s appeal will be dismissed as being without merits, i.e. that the Supreme Court will confirm the decision of the appeals court favorable for the German subsidiary. Therefore, the Company has not recognized a provision related to these claims as of December 31, 2020.

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 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.

34. RELATED PARTIES

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel compensation

The Company considers the members of the Management Board and the Supervisory Board to be the key management personnel as defined in IAS 24 Related parties. For remuneration details of the Management Board and the Supervisory Board, see below.

The compensation of the Management Board of the Company comprised:

For the year ended December 31, 2020	Salaries and bonus	Share-based compensation	Post-employment benefits including contributions to defined contribution plans	Other remuneration [a]	Total
Heinz Schimmelbusch	1,035	602	229	333	2,199
Eric Jackson	837	195	133	40	1,205
Jackson Dunckel	637	177	357	26	1,197
Total	2,509	974	719	399	4,601

[a] Other remuneration includes car expenses and insurance paid for by the Company.

For the year ended December 31, 2019	Salaries and bonus	Share-based compensation	Post-employment benefits including contributions to defined contribution plans	Other remuneration [a]	Total
Heinz Schimmelbusch	1,774	2,019	268	134	4,195
Eric Jackson	1,212	622	161	40	2,035
Jackson Dunckel	986	592	277	51	1,906
Total	3,972	3,233	706	225	8,136

[a] Other remuneration includes car expenses and 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.

The compensation of the Supervisory Board of the Company comprised:

For the year ended December 31, 2020	Cash remuneration	Share-based remuneration	Total compensation
Steve Hanke	110	69	179
Willem van Hassel	75	46	121
Herb Depp	80	40	120
Donatella Ceccarelli	80	40	120
Frank Löhner	65	40	105
Dagmar Bottenbruch	65	40	105
Total	475	275	750

For the year ended December 31, 2019	Cash remuneration	Share-based remuneration	Total compensation
Jack L. Messman[1]	38	22	60
Steve Hanke	103	58	161
Willem van Hassel	70	54	124
Herb Depp	80	39	119
Donatella Ceccarelli	73	44	117
Frank Löhner	60	44	104
Dagmar Bottenbruch	40	29	69
Suzanne Folsom[2]	20	—	20
Total	484	290	774

[1] Jack L. Messman stepped down from the Supervisory Board effective May 1, 2019.
[2] Suzanne Folsom stepped down from the Supervisory Board effective August 2, 2018.

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 [a]	Total
December 31, 2020	2,984	1,249	719	399	5,351
December 31, 2019	4,456	3,523	706	225	8,910

[a] Other remuneration includes car expenses and insurance paid for by the Company.

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 fulfillment 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, 2020, the amounts paid by the Company to or on behalf of the Foundation were nil (2019: $56).

35. SUBSEQUENT EVENTS

The Company changed its organizational structure effective January 1, 2021. This change resulted in three reporting segments: AMG Clean Energy Materials, ("CEM"), AMG Critical Minerals ("CMI") and AMG Critical Materials Technologies ("CMT"). AMG Clean Energy Materials is comprised of the Vanadium, Lithium and Tantalum business units. AMG Critical Minerals is comprised of the Graphite, Silicon, and Antimony business units. AMG Critical Materials Technologies is comprised of the Engineering, Titanium Alloys and Chrome Metal business units. Each of these segments address similar markets, apply similar business models, and each segment has its own set of peers. Most importantly, each segment has products which enable CO_2 reduction, and each segment is targeting growth in its contribution to the ECO_2RP.

Subsequent to year-end, the Italian Supreme Court rejected the appeal and dismissed the German subsidiary litigation described in note 33.

PARENT COMPANY FINANCIAL STATEMENTS

AMG ADVANCED METALLURGICAL GROUP, N.V. — PARENT COMPANY STATEMENT OF FINANCIAL POSITION
(AFTER PROFIT APPROPRIATION)

For the year ended December 31	Note	2020	2019
In thousands of US dollars			
Fixed assets			
Goodwill and other intangible assets	6	9,792	163
Tangible fixed assets	5	756	1,221
Financial fixed assets			
Investments in subsidiaries	7	295,774	304,100
Loans due from subsidiaries	7	58,983	95,117
Deposits and other assets	8	470	838
Other investments		53	—
Financial fixed assets		355,280	400,055
Total fixed assets		365,828	401,439
Related party receivables	9	11,849	4,662
Loans due from subsidiaries	7	—	1,000
Prepayments and other assets	10	1,714	279
Cash and cash equivalents	11	6,061	5,085
Total current assets		19,624	11,026
Total assets		385,452	412,465
Equity			
Issued capital	12	831	831
Share premium	12	489,546	489,546
Foreign currency translation reserve	12	(21,644)	(29,770)
Hedging reserve	12	247	(4,274)
Capitalized development expenditures reserve	12	1,524	1,439
Defined benefit obligation reserve	12	(90,654)	(81,023)
Fair value reserve	12	(601)	(4,762)
Cost of hedging reserve	12	535	2,032
Treasury shares	12	(80,165)	(83,880)
Retained earnings (deficit)	12	(184,139)	(129,626)
Total equity attributable to shareholders of the Company		115,480	160,513
Long-term liabilities			
Long-term debt	13	236,533	237,992
Lease liabilities	17	248	624
Derivative financial instruments	16	1,283	1,737
Long-term liabilities		238,064	240,353
Short-term liabilities			
Current portion long-term debt	13	2,500	2,500
Lease liabilities	17	414	467
Amounts due to subsidiaries	15	13,393	4,860
Loans due to subsidiaries	13	12,100	—
Other payables	14	3,386	3,772
Provisions		115	—
Short-term liabilities		31,908	11,599
Total liabilities		269,972	251,952
Total equity and liabilities		385,452	412,465

The notes are an integral part of these financial statements.

AMG ADVANCED METALLURGICAL GROUP, N.V. — PARENT COMPANY INCOME STATEMENT

For the year ended December 31	Note	2020	2019
In thousands of US dollars			
General and administrative expenses		20,331	26,410
Other income net	2	(10,574)	(11,454)
Net other operating income		(10,574)	(11,454)
Operating loss		(9,757)	(14,956)
Finance income	3	(7,339)	(8,997)
Finance cost	3	12,221	18,848
Net finance cost		4,882	9,851
Share of loss of associates		947	—
Loss before income tax		(15,586)	(24,807)
Income tax expense	4	564	—
Loss after tax		(16,150)	(24,807)
Loss from subsidiaries		(25,542)	(23,476)
Net loss		(41,692)	(48,283)

The notes are an integral part of these 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.

PARTICIPATING INTERESTS IN GROUP COMPANIES

Group companies are all entities in which the Company has direct or indirect control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the group company and has the ability to affect those returns through its power over the group company. Group companies are recognized from the date on which control is obtained by the Company and derecognized from the date that control by the Company over the group company ceases. Participating interests in group companies are accounted for in the separate financial statements according to the equity method with the principles for the recognition and measurement of assets and liabilities and determination of results as set out in the notes to the consolidated financial statements.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognized if and to the extent that the cumulative unrecognized share of loss has been absorbed. If the Company fully or partially guarantees the debts of the relevant participating interest, or if it has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognized accordingly to the amount of the estimated payments by the Company on behalf of the participating interest.

SHARE OF RESULT OF PARTICIPATING INTERESTS

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

The Company makes use of the option to eliminate intragroup expected credit losses against the book value of loans and receivables from the Company to participating interests, instead of elimination against the equity value / net asset value of the participating interests.

As of December 31, 2020, non-monetary assets and liabilities have been converted to USD using a conversion rate of EUR:USD of 1.2264 (2019: 1.1215).

2. OTHER INCOME AND EXPENSES

Other income during the year ended December 31, 2020, includes income from management fees charged to subsidiaries of $10,574 (2019: $11,454). The services provided for these fees include general management services and other professional services.

3. FINANCE INCOME AND COST

Finance income during the year ended December 31, 2020, includes interest income from loans to subsidiaries of $7,339 (2019: $8,495) and interest income from bank deposits of nil (2019: $502). See note 7 for additional details. Finance cost during the year ended December 31, 2020, includes interest expense on loans due to subsidiaries of $119 (2019: nil), interest expense on external debt of $11,618 (2019: $18,352) and other items of $484 (2019: $496). See note 8 in the consolidated financial statements for additional details.

4. INCOME TAXES

AMG Advanced Metallurgical Group N.V. is head of the fiscal unity that exists for Dutch corporate income tax purposes. In the income statement in 2020 and 2019, the Company reported an income tax expense of $564 (2019: nil). The taxable loss is reduced by non-deductible expenses of $6,687 and $14,910 in 2020 and 2019 respectively, and is primarily related to share-based compensation expenses.

During the years ended December 31, 2020 and 2019, the income tax benefits related to the current year losses of the fiscal unity were not recognized. In total, $2,226 and $2,470 were not recognized in 2020 and 2019, respectively, as it is not probable that these amounts will be realized.

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 and potential tax planning strategies. At December 31, 2020, net operating loss and tax credit carryforwards for which no deferred tax assets have been recognized in the balance sheet amount to $88,687 (2019: $87,768).

5. TANGIBLE FIXED ASSETS

Tangible fixed assets of $756 (2019: $1,221) consists primarily of leasehold improvements, leases and office furniture and fixtures. See note 17 for additional details. These are carried at cost less accumulated depreciation and are depreciated over their anticipated useful life. The depreciation during the year ended December 31, 2020, was $510 (2019: $523). All tangible fixed assets are pledged as collateral under the AMG Credit Facility. Refer to note 10 of the consolidated financial statements for additional information.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets of of $9,792 (2019: $163) primarily related to the merger of Sudamin Holding SPRL of $9,702 and $90 includes computer and software licenses. They are carried at cost less accumulated amortization and are amortized over their anticipated useful life. The amortization during the year ended December 31, 2020 was $73 (2019: $68).

7. FINANCIAL FIXED ASSETS

INVESTMENTS IN SUBSIDIARIES

The movement in subsidiaries was as follows:

	Investment in subsidiaries
Balance at January 1, 2019	321,063
Dividend to parent	(350)
Loss for the period	(23,476)
Change in non-controlling interest	(359)
Changes in hedges and fair value hedges	6,100
Gain on FVOCI investments	2,363
Actuarial losses	(19,917)
Effect of movements in exchange rates	(1,712)
Equity-settled share-based payments	(5,964)
Movement of negative participation to loans	26,352
Balance at December 31, 2019	304,100
Balance at January 1, 2020	304,100
Dividend to parent	(8,227)
Investments in companies	(8,952)
Loan conversion to equity	25,000
Loss for the period	(25,542)
Change in non-controlling interest	(600)
Changes in hedges and fair value hedges	2,920
Gain on FVOCI investments	4,161
Actuarial losses	(9,631)
Effect of movements in exchange rates	8,126
Equity-settled share-based payments	(72)
Movement of negative participation to loans	4,491
Balance at December 31, 2020	295,774

CHANGES IN HEDGES AND FAIR VALUE HEDGES

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.

EQUITY-SETTLED SHARE-BASED PAYMENTS

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 retained earnings at the subsidiaries.

LOANS DUE FROM SUBSIDIARIES

	Non-current loans due from subsidiaries	Current loans due from subsidiaries	Total
Balance at January 1, 2019	176,678	1,000	177,678
Loans	29,500	—	29,500
Repayments	(83,259)	(1,000)	(84,259)
Loan reclassification	(1,000)	1,000	—
Movement of negative participation	(26,352)	—	(26,352)
Currency translation adjustment	(450)	—	(450)
Balance at December 31, 2019	95,117	1,000	96,117
Balance at January 1, 2020	95,117	1,000	96,117
Loan conversion to equity	(25,000)	—	(25,000)
Loans	5,357	—	5,357
Repayments	(13,000)	—	(13,000)
Loan reclassification	1,000	(1,000)	—
Movement of negative participation	(4,491)	—	(4,491)
Balance at December 31, 2020	58,983	—	58,983

There were two non-current loans due from subsidiaries of the Company as of December 31, 2020. One of the non-current loans was due from our Brazil subsidiary, totaling $51,857 (2019: $70,500) and there was no loan classified as current loan in 2020 (2019: $1,000). The second non-current loan is due in the United States with a loan amount of $37,969 (2019: $50,969). All loans had an interest rate range of 5.45% – 5.50% at December 31, 2020 (4.5% – 6.0% at December 31, 2019). The remaining balance as of December 31, 2020 included above pertained to the cumulative impact of the negative participation.

8. DEPOSITS AND OTHER ASSETS

The deposit and other assets account include debt issuance costs related to the undrawn amounts on the revolving credit facility and security deposits for the Amsterdam and Frankfurt office locations of the Company. See note 13 for additional information.

9. RELATED PARTY RECEIVABLES

Related party receivables of $11,849 (2019: $4,662) primarily represents interest owed to the Company on loans due from subsidiaries of $4,098 (2019: $3,208), management fees owed of $498 (2019: $1,306), amounts owed by subsidiaries that represent expenses paid for by AMG and billed back to the subsidiaries of $3,063 (2019: $148) and intergroup cash pooling arrangements due to the merger of Sudamin Holding SPRL of $4,190 (2019: nil).

10. PREPAYMENTS AND OTHER ASSETS

At December 31, 2020 and 2019, prepayments primarily represent prepaid insurance for the Company of $1,714 (2019: $279).

11. CASH AND CASH EQUIVALENTS

Bank balances earn interest at floating rates based on daily bank deposit rates.

12. SHAREHOLDERS' EQUITY AND OTHER CAPITAL RESERVES

	Equity attributable to shareholders of the parent					
	Issued capital	Share premium	Treasury shares	Other reserves	Retained deficit	Total
Balance at January 1, 2019	812	462,891	(347)	(104,274)	(39,158)	319,924
Foreign currency translation	—	—	—	(1,340)	—	(1,340)
Change in fair value of equity investments classified as fair value through other comprehensive income	—	—	—	2,363	—	2,363
Gain on cash flow hedges, net of tax	—	—	—	7,303	—	7,303
Actuarial loss, net of tax	—	—	—	(20,289)	—	(20,289)
Net loss recognized through other comprehensive income	—	—	—	(11,963)	—	(11,963)
Loss for the year	—	—	—	—	(48,283)	(48,283)
Total comprehensive loss for the year	—	—	—	(11,963)	(48,283)	(60,246)
Issuance of common shares	19	26,655	—	—	—	26,674
Purchase of common shares	—	—	(92,073)	—	—	(92,073)
Re-issuance of treasury shares	—	—	3,100	—	(298)	2,802
Equity-settled share-based payments	—	—	5,440	—	(24,946)	(19,506)
Transfer to retained deficit	—	—	—	(121)	121	—
Change in non-controlling interests	—	—	—	—	(359)	(359)
Dividend	—	—	—	—	(16,703)	(16,703)
Balance at December 31, 2019	831	489,546	(83,880)	(116,358)	(129,626)	160,513
Balance at January 1, 2020	831	489,546	(83,880)	(116,358)	(129,626)	160,513
Foreign currency translation	—	—	—	2,996	—	2,996
Change in fair value of equity investments classified as fair value through other comprehensive income	—	—	—	4,161	—	4,161
Gain on cash flow hedges, net of tax	—	—	—	3,024	—	3,024
Actuarial loss, net of tax	—	—	—	(4,501)	—	(4,501)
Net gain recognized through other comprehensive income	—	—	—	5,680	—	5,680
Loss for the year	—	—	—	—	(41,692)	(41,692)
Total comprehensive gain (loss) for the year	—	—	—	5,680	(41,692)	(36,012)
Purchase of common shares	—	—	(684)	—	—	(684)
Equity-settled share-based payments	—	—	4,399	—	(2,623)	1,776
Transfer to retained deficit	—	—	—	85	(85)	—
Change in non-controlling interests	—	—	—	—	(600)	(600)
Dividend	—	—	—	—	(9,513)	(9,513)
Balance at December 31, 2020	831	489,546	(80,165)	(110,593)	(184,139)	115,480

OTHER RESERVES

	Legal reserves						
	Foreign currency translation reserve	Hedging reserve	Cost of hedging reserve	Capitalized development expenditures reserve	Fair value reserve	Defined benefit obligation reserve	Total
Balance at January 1, 2019	(28,058)	(8,235)	(1,310)	1,560	(7,125)	(61,106)	(104,274)
Currency translation differences	(1,712)	—	—	—	—	372	(1,340)
Gain on FVOCI investments	—	—	—	—	2,363	—	2,363
Movement on cash flow hedges	—	4,887	3,894	—	—	—	8,781
Tax effect on net movement on cash flow hedges	—	(926)	(552)	—	—	—	(1,478)
Actuarial losses on defined benefit plans	—	—	—	—	—	(27,901)	(27,901)
Tax effect on net movement on defined benefit plans	—	—	—	—	—	7,612	7,612
Transfer from retained deficit	—	—	—	(121)	—	—	(121)
Balance at December 31, 2019	(29,770)	(4,274)	2,032	1,439	(4,762)	(81,023)	(116,358)
Balance at January 1, 2020	(29,770)	(4,274)	2,032	1,439	(4,762)	(81,023)	(116,358)
Currency translation differences	8,126	—	—	—	—	(5,130)	2,996
Gain on FVOCI investment	—	—	—	—	4,161	—	4,161
Movement on cash flow hedges	—	2,082	(1,331)	—	—	—	751
Tax effect on net movement on cash flow hedges	—	2,439	(166)	—	—	—	2,273
Actuarial losses on defined benefit plans	—	—	—	—	—	(7,693)	(7,693)
Tax effect on net movement on defined benefit plans	—	—	—	—	—	3,192	3,192
Transfer to retained deficit	—	—	—	85	—	—	85
Balance at December 31, 2020	(21,644)	247	535	1,524	(601)	(90,654)	(110,593)

EQUITY-SETTLED SHARE-BASED PAYMENTS

The value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration is recognized in equity. The amount reserved for share-based payments is recorded within retained earnings.

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 consisted of the cumulative translation adjustment reserve, the unrealized losses on derivatives reserve, the legal participation reserve, the investment reserve and the capitalized development expenditures reserve. Legal reserves are non-distributable to the Company's shareholders.

DIVIDENDS

Dividends of $9,513 have been declared and paid during the year ended December 31, 2020. Dividends of $16,703 have been declared and paid during the year ended December 31, 2019.

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.

During 2019, AMG's Supervisory Board adopted an addendum to its dividend policy, which includes that year-on-year changes shall not deviate more than plus or minus 20%. AMG intends to declare a dividend of €0.20 per ordinary share over the financial year 2020. The interim dividend of €0.10, paid on August 13, 2020, will be deducted from the amount to be distributed to shareholders. The proposed final dividend per ordinary share therefore amounts to €0.10.

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.

13. LONG-TERM DEBT

As of February 1, 2018, the Company, Metallurg, Inc. and AMG Invest GmbH entered into a new $350,000, seven-year senior secured term loan B facility and a $200,000 five-year senior secured revolving credit facility. Proceeds from the facility were used to repay AMG's previous credit facility. In addition, AMG Engineering entered into €85,000 of bilateral letter of credit facilities which replaced its letter of credit facilities under the previous syndicated credit facility. As of December 31, 2020, the total balance on the term loans was $239,033 (2019: $240,492).

AMG Advanced Metallurgical Group N.V. is a borrower under the revolving credit facility. Refer to note 21 in the consolidated financial statements for additional information relating to the long-term debt.

As of December 31, 2020, there was an asset of $403 (2019: $775) related to debt issuance costs incurred on the undrawn portion of the revolving credit facility. This is included in deposits and other assets on the statement of financial position. See note 8 for additional details.

The Company directly borrowed $250,000 of the $350,000 senior secured term loan B facility. To mitigate interest rate risk, in February 2018 the Company entered into interest rate caps totaling $150,000 and interest rate swaps totaling $100,000. In March 2019, the Company unwound its interest rate swaps and replaced those instruments with interest rate caps. This determination was made as part of the ongoing risk management process. The interest rate caps have an equivalent notional value as the previous instruments and mitigate the interest rate risk on the Company's credit facility. See note 29 in the consolidated financial statements for additional information on the interest rate hedging activities.

LOANS DUE TO SUBSIDIARIES

The current loan is due to a German subsidiary, which is a holding company for several German companies within the group as of the year ended December 31, 2020. This loan has an interest rate of 3-Month-Libor plus a margin of 2.75%.

	Non-current loans due from subsidiaries	Current loans due from subsidiaries	Total
Balance at January 1, 2020	—	—	—
Loans	—	19,683	19,683
Dividend to parent	—	(8,227)	(8,227)
Currency translation adjustment	—	644	644
Balance at December 31, 2020	—	12,100	12,100

14. OTHER PAYABLES

Trade and other payables represent amounts owed to professional service firms, accrued employee costs and accrued interest. There was $50 payable to Dutch tax authorities for wage taxes as of December 31, 2020 (2019: $152).

15. AMOUNTS DUE TO SUBSIDIARIES

Certain payroll, travel and entertainment and other expenses are paid directly by one subsidiary and billed to the Company at cost. As of December 31, 2020 and 2019, these amounted to $13,393 and $4,860, respectively.

16. DERIVATIVE FINANCIAL INSTRUMENTS

Please refer to notes 28 and 29 in the consolidated financial statements for more information on financial instruments and risk management policies.

INTEREST RATE HEDGES

The Company previously held several interest rate derivatives which it had designated as hedges against the variable interest rates on its Term Loan B and revolving credit facility. As part of the Company's risk management process, these instruments were settled and replaced with the interest rate caps in March 2019. Since these former derivatives were originally designated as effective hedges at their inception, a portion of the losses that existed at the time of settlement continue to be deferred in other comprehensive income. The Company continues to amortize these deferred costs to profit and loss on a straightline-basis over the life of the debt instruments. The amount included in the cash flow hedging reserve within equity related to these former derivatives was ($426) and ($530) in the years ended December 31, 2020 and 2019, respectively. During the year ended December 31, 2020, $104 (2019: $908) was transferred from equity to the income statement as an increase to finance costs. There was no ineffectiveness for contracts designated as cash flow hedges during the years ended December 31, 2020 and 2019, respectively.

The Company did not designate the interest rate caps for hedge accounting. During the year ended December 31, 2020, $332 (2019: $2,600) of expense related to these instruments was recorded as finance cost in the parent company statement of income. At December 31, 2020, a balance of $1,283 (2019: $1,737) related to the interest rate caps and swaps was recorded as a non-current derivative liability.

17. LEASES

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 2023. The Frankfurt lease term has an unlimited term but can be cancelled with six months' notice beginning December 31, 2012.

The Company applied IFRS 16 (lease accounting) for the first time as of January 1, 2019. The Company recognized new assets and liabilities for its operating leases which are primarily comprised of buildings, equipment and automobiles. See note 31 in the consolidated financial statements for additional information on leases.

Set out below are the carrying amounts of the Company's right-of-use assets, which are included in property, plant and equipment in the statement of financial position, and lease liabilities as well as the movements during the period:

	Right-of-use assets				
	Land, buildings and improvements	Machinery and equipment	Furniture and fixtures	Total	Lease liabilities
Balance at January 1, 2019	1,317	49	61	1,427	1,450
Additions	—	77	—	77	—
Depreciation expense	(404)	(34)	(22)	(460)	—
Interest expense	—	—	—	—	66
Payments	—	—	—	—	(425)
Balance at December 31, 2019	913	92	39	1,044	1,091
Balance at January 1, 2020	913	92	39	1,044	1,091
Additions	—	33	—	33	33
Depreciation expense	(404)	(34)	(22)	(460)	—
Interest expense	—	—	—	—	45
Payments	—	—	—	—	(507)
Balance at December 31, 2020	509	91	17	617	662

18. RELATED PARTIES

Key management compensation data is disclosed in note 34 of the consolidated financial statements.

The Company entered into a cost compensation agreement with the Foundation dated December 22, 2010 (see note 12). 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, 2020, the Company funded nil (2019: $56).

19. EMPLOYEES

At December 31, 2020, the Company had 29 employees (2019: 29), of which 3 are employed in the Netherlands.

20. AUDIT FEES

KPMG has served as our independent auditor for the year ending December 31, 2020 and 2019. The following table sets out the aggregate fees for professional audit services and other services rendered by KPMG and their member firms and/or affiliates in 2019:

	2020			2019		
	KPMG Accountants N.V. USD' 000	KPMG Network USD' 000	Total	KPMG Accountants N.V. USD' 000	KPMG Network USD' 000	Total
Group financial statements	861	1,176	2,037	756	1,059	1,815
Audit of statutory financial statements	—	392	392	—	342	342
Other assurance services*	—	30	30	84	30	114
Total	861	1,598	2,459	840	1,431	2,271

* The other assurance services in 2020 by the amount of $30 relate to research services for one of our US operations. In 2019, these services related to the consent letter procedures performed in connection with the Company's municipal bond offering and quality assurance procedures due to the new consolidation system totaling $80.

AMSTERDAM, MARCH 11, 2021

MANAGEMENT BOARD
AMG ADVANCED METALLURGICAL
AMSTERDAM, MARCH 11, 2021

Dr. Heinz Schimmelbusch
Eric Jackson
Jackson Dunckel

AMSTERDAM, MARCH 11, 2021

SUPERVISORY BOARD
AMG ADVANCED METALLURGICAL
AMSTERDAM, MARCH 11, 2021

Steve Hanke, Chairman
Willem van Hassel, Vice Chairman
Herb Depp
Donatella Ceccarelli
Frank Löhner
Dagmar Bottenbruch

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.

KPMG

Independent Auditor's Report

To: the Annual General Meeting of Shareholders and the Supervisory Board of AMG Advanced Metallurgical Group N.V.

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

In our opinion:

— the accompanying consolidated financial statements give a true and fair view of the financial position of AMG Advanced Metallurgical Group N.V. (herein referred to as "the Company", "AMG NV" or "AMG") as at December 31, 2020 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

— the accompanying company financial statements give a true and fair view of the financial position of AMG Advanced Metallurgical Group N.V. as at December 31, 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2020 of AMG based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at December 31, 2020;

2 the following consolidated statements for the year 2020: the income statement, the statements of comprehensive income, changes in equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1 the parent company statement of financial position as at December 31, 2020;

2 the parent company income statement for the year 2020; and

3 the notes comprising a summary of the 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 in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

Materiality

— Materiality of $3.5 million

— 0.4% of revenue

Group audit

— 92% coverage of total assets

— 97% coverage of revenue

Key audit matters

— Valuation of lithium concentrate plant

— Revenue recognition for sale of goods and projects

Opinion

— Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at $3.5 million (2019: $3.5 million). The materiality is determined with reference to revenue of $937 million in 2020. The materiality of $3.5 million represents 0.4% of revenue (2019: 0.3%). In prior years we used profit before tax as benchmark. Profit before tax has been volatile and negative for two consecutive years and as a result profit before tax is no longer considered an appropriate benchmark. Alternatively we have determined that revenue is the appropriate benchmark for determining materiality. In addition, the appropriateness of the materiality was assessed by comparing the amount to total assets of which it represents 0.2% (2019: 0.2%). We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of $175 thousand (2019: $175 thousand), 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 is at the head of a group of components. The financial information of this group is included in the financial statements of AMG.

Our group audit mainly focused on significant components that are (i) of individual financial significance to the group, or (ii) that, due to their specific nature or circumstances, are likely to include significant risks of material misstatement of the group financial statements.

We have considered in this respect AMG's business volatility and geographical presence. Our group audit covered AMG's business segments AMG Critical Materials, AMG Technologies and the corporate entities.

We have selected 10 components where we performed an audit of the complete reporting package (9 components) and audit of specific items (1 component and corporate entities).

We have:

— performed audit procedures at group level in respect of the valuation of goodwill, tax positions in the United States of America ('US') and the Netherlands, other investments, US environmental provisions, share-based payments and loans and borrowings. In addition, we performed audit of specific items for corporate entities in the Netherlands and the US;

— made use of the work of other KPMG auditors for the audit of components and corporate entities in Germany, France, the United Kingdom, the United States and Brazil;

— in response to COVID-19 we extended our procedures for goodwill impairment testing, including the involvement of specialists. These procedures are performed by the group audit team and the component auditors.

The group audit team provided detailed instructions to all component auditors who were part of the group audit, covering the significant audit areas, including the relevant risks of material misstatement, and set out the information required to be reported back to the group audit team.

In view of restrictions on the movement of people across borders, and also within significantly COVID-19 affected countries, the group audit team has considered making changes to the planned audit approach to evaluate the component auditors' communications and the adequacy of their work. According to our original audit plan, we intended to visit the components in the above countries and/or to review selected component auditor documentation. Due to the aforementioned restrictions, this was not practicable in the current environment. As a result, we have requested those component auditors to provide us with remote access to audit workpapers to perform these evaluations, subject to local law and regulations. In addition, due to the inability to arrange in-person meetings with such component auditors, we have increased the use of alternative methods of communication with them, including through written instructions, exchange of emails and virtual meetings. During these meetings and email conversations, the audit approach, findings and observations reported to the group audit team were discussed in more detail.

For the residual population not in scope we performed desktop analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

The audit coverage as stated in the section summary can be further specified as follows:

Total assets

82%
Audit of the complete reporting package

10%
Audit of specific items

Revenue

90%
Audit of the complete reporting package

7%
Audit of specific items

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit with respect to fraud and non-compliance with laws and regulations are:

With respect to fraud:

— to identify and assess the risks of material misstatement of the financial statements due to fraud;

— to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses;

— to obtain a high (but not absolute) level of assurance that the financial statements, taken as a whole, are free from material misstatement, due to fraud; and

— to respond appropriately to fraud or suspected fraud identified during the audit.

With respect to non-compliance with laws and regulations:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain a high (but not absolute) level of assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the Management Board, with oversight by the Supervisory Board.

Our risk assessment

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We, together with our forensics specialists, evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to AMG and we inquired the Management Board and the Audit Committee of the Supervisory Board as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant regulatory authorities.

The potential effect of the identified laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements, including taxation and financial reporting. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items and therefore no additional audit response is necessary.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an indirect effect, being: competition, employment, health and safety, contract legislation, and environmental regulation, as well as governmental support initiatives.

In accordance with the auditing standard we evaluated fraud and non-compliance risks that are relevant to our audit, including the relevant presumed fraud risks:

- revenue recognition, in relation to sale of goods and projects (a presumed risk)
- management override of controls (a presumed risk)

We communicated the identified risks of fraud and non-compliance with laws and regulations throughout our team and remained alert to any indications of fraud and/or non-compliance throughout the audit. This included communication from the group to component audit teams of relevant risks of fraud and/or non-compliance with laws and regulations identified at group level.

In all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Management Board that may represent a risk of material misstatement due to fraud.

We communicated our risk assessment and audit response to the Management Board and the Audit Committee of the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character. Our procedures to address fraud risk related to revenue recognition are included in the key audit matter.

Our response

We performed the following audit procedures (not limited) to respond to the assessed risks:

- We evaluated the design and the implementation of internal controls that mitigate fraud risks.
- We performed data analysis of high-risk journal entries and evaluated key estimates, such as those related to employee benefits, provisions and valuation of non-current assets, and judgements for bias by the Company, including retrospective reviews of prior year's estimates. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.
- Assessment of matters reported on the (Company's) incident register/whistleblowing and complaints procedures with the entity and results of the Management Board's investigation of such matters.
- With respect to the risk of fraud in revenue recognition we refer to the key audit matter.
- With respect to the risk of bribery and corruption across various countries, we performed inquiry with management and legal counsel regarding procedures implemented to comply with anti-bribery and corruption legislation.
- We incorporated elements of unpredictability in our audit.
- We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance. If so, we re-evaluated our assessment of relevant risks and its resulting impact on our audit procedures.
- We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements.

Our procedures to address identified risks of fraud and related to non-compliance with laws and regulations did not result in any other key audit matter.

We do note that our audit is not primarily designed to detect fraud and non-compliance with laws and regulations and that the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely it is that the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Compared to last year the key audit matters with respect to the inventory valuation of AMG Vanadium and the investment in, recoverability of the vanadium plant and related financing are no longer included as a key audit matter because prices for vanadium have increased and the financing of the vanadium plant has been completed.

Valuation of lithium concentrate plant

Description

The lithium concentrate plant has been fully operational since August 2019. During 2020, lithium prices remained at a low level. Impairment indicators for the lithium concentrate plant in AMG Brazil were identified, hence an impairment analysis was performed by the Management Board. The valuation of the lithium concentrate plant in AMG Brazil is considered to be significant to our audit due to management judgement involved in the assumptions used and contains a significant risk of error due to the complexity of the calculations.

Our response

With involvement of our local KPMG auditor in Brazil, our procedures for the valuation of the property, plant and equipment included, amongst others:

— Evaluation of design and implementation of controls set up by the Management Board to determine the correctness of the recoverability of property, plant and equipment at AMG Brazil;

— Evaluation of assessment for existence of impairment indicators;

— Verification and evaluation of impairment analysis with a focus on retrospective testing, testing of key inputs such as forecasted volumes, and lithium prices used by in the calculation of the recoverable amount by comparison with market studies;

— Involvement of corporate finance specialists to verify the impairment model and the WACC used based on comparative market data and analyzing sensitivities;

— Evaluation of the related disclosure (note 10) in relation to the requirements of EU-IFRS.

Our observation

Based on our procedures performed we consider key assumptions and estimates to be within a reasonable range, the accounting for property, plant and equipment is satisfactory and in accordance with EU-IFRS. We determined that the related disclosure (note 10) meets the requirements of EU-IFRS.

Revenue recognition for sale of goods and projects

Description

As described in note 5 to the financial statements, revenue for sales of goods is recognized at the amount of the consideration to which the Company expects to be entitled at the point in time at which it transfers control of the good to the customer. Revenue related to furnace construction contracts is recorded over time based on the progress made towards complete satisfaction of the contract as determined by. Revenue is recognized based on an overall engineering design plan and estimate of the progress made over time towards complete satisfaction of the project, based on work performed in-house and by sub-suppliers. The determination of the progress made or whether the control of the good transferred to the customer requires judgement. Revenue recognition is significant to our audit and contains a risk of fraud in respect of cut-off at year-end.

Our response

With involvement of our local KPMG auditors, our procedures for revenue included, amongst others, assessment of the revenue recognition method per revenue category based on IFRS 15. We evaluated the design and implementation of the controls set up by the Management Board surrounding the correctness of the determination of the progress made for furnace contracts and the correctness of transfer of control of the goods sold in respect of cut-off. Detailed procedures were performed, including testing on a sample basis underlying evidence of revenue recognized. Both contracts and other documentation (amongst others sales orders, shipping documents, third party confirmations) were assessed to determine accurate revenue recognition in relation to the existence of revenue and to determine whether sales transactions taking place before and/or after year-end were recognized in the appropriate period.

Our observation

Based on our procedures performed for revenue recognition we consider that the accounting for revenue is satisfactory and in accordance with EU-IFRS.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

— is consistent with the financial statements and does not contain material misstatements; and

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We are the auditor of AMG since 2015. We were re-engaged by the General Meeting of Shareholders as auditor of AMG on May 5, 2020 for the years 2020 and 2021.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding 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. 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, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management Board 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 overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could 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.

A further description of our responsibilities for the audit of the financial statements is included in the appendix of this auditor's report. This description forms part of our auditor's report.

Amstelveen, March 11, 2021
KPMG Accountants N.V.

T. van der Heijden RA

Appendix: Description of our responsibilities for the audit of the financial statements.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among 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 the risk 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 the Management Board;
- concluding on the appropriateness of the Management Board'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 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 a company to cease 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 represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

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. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. 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.

SHAREHOLDER INFORMATION

MANAGEMENT BOARD

Dr. Heinz Schimmelbusch
Chairman and Chief Executive Officer

Eric Jackson
Chief Operating Officer

Jackson Dunckel
Chief Financial Officer

SUPERVISORY BOARD

Steve Hanke
Chairman
Selection & Appointment Committee (Chair)

Willem van Hassel
Vice Chairman
Audit & Risk Management Committee

Herb D. Depp
Remuneration Committee (Chair)

Donatella Ceccarelli
Audit & Risk Management Committee (Chair)
Selection & Appointment Committee

Frank Löhner
Audit & Risk Management Committee

Dagmar Bottenbruch
Remuneration Committee

LISTING AGENT

ABN AMRO

PAYING AGENT

ABN AMRO

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 can be obtained from the Investor Relations Department of the Company or by accessing the Company's website:

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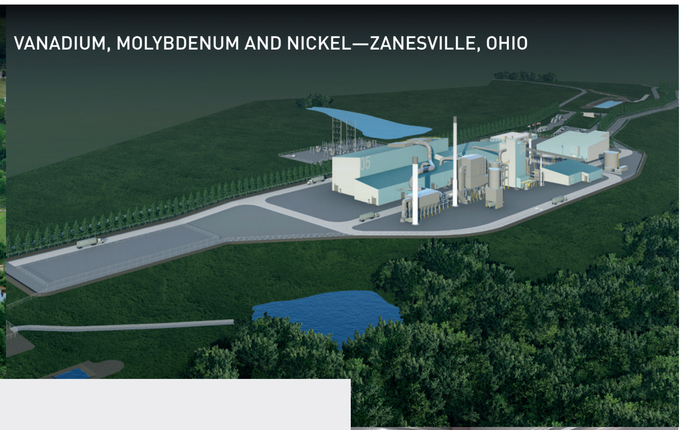
info@amg-nv.com

WEBSITE

amg-nv.com



This announcement appears as a matter of record.

AMG's LAW:

"Everything that can be recycled will be recycled."

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